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# THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of the Offers or this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Mobile Telecom Network (Holdings) Limited, you should at once hand this Composite Document and the accompanying Form(s) of Acceptance to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance, the contents of which form part of the terms and conditions of the Offers.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form(s) of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form(s) of Acceptance.

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## PetroAsian Energy Holdings Limited

中亞能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 850 and warrant code: 344)



## 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)

## China Oil Resources Group Limited

中油資源集團有限公司

(Incorporated in the British Virgin Islands with limited liability)

### COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO MANDATORY CONDITIONAL CASH OFFERS BY TAIFOOK SECURITIES COMPANY LIMITED



Member of Haitong Securities

### FOR AND ON BEHALF OF CHINA OIL RESOURCES GROUP LIMITED FOR ALL THE ISSUED SHARES AND FOR CANCELLATION OF ALL OUTSTANDING SHARE OPTIONS OF MOBILE TELECOM NETWORK (HOLDINGS) LIMITED (OTHER THAN THOSE ALREADY OWNED BY CHINA OIL RESOURCES GROUP LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Financial Adviser to  
PetroAsian Energy Holdings Limited  
and China Oil Resources Group Limited



capital 融資

Member of Haitong Securities

Financial Adviser to  
Mobile Telecom Network (Holdings) Limited

**ASIA VEST PARTNERS**

AsiaVest Partners Limited

### Independent Financial Adviser to the Independent Board Committee



Mitsubishi UFJ Securities

Mitsubishi UFJ Securities (HK) Capital, Limited

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Capitalized terms used in this cover page shall have the same respective meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Taifook Securities is set out on pages 7 to 18 of this Composite Document.

A letter from the Board is set out on pages 19 to 27 of this Composite Document.

A letter from the Independent Board Committee containing its recommendation in respect of the Offers to the Independent Shareholders and the Independent Optionholders is set out on pages 28 to 29 of this Composite Document.

A letter from Mitsubishi UFJ containing its advice and recommendation in respect of the Offers to the Independent Board Committee is set out on pages 30 to 56 of this Composite Document.

The procedures for acceptance and settlement of the Offers and other related information are set out in Appendix I to this Composite Document and in the accompanying Form(s) of Acceptance. Acceptances of the Share Offer should be received by the branch share registrar and transfer office of Mobile Telecom Network (Holdings) Limited in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong and the acceptances of the Option Offer should be received by Mobile Telecom Network (Holdings) Limited at Room 2516, 25th Floor, North Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong by no later than 4:00 p.m. on Thursday, 24 June 2010 or such later time(s) and/or date(s) as China Oil Resources Group Limited may determine and announce in accordance with the requirements of the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or, the Form(s) of Acceptance to any jurisdiction outside Hong Kong, should read the details in this regard which are contained in the sub-paragraph headed "Overseas Shareholders and Overseas Optionholders" under the paragraph headed "The Offers" in the "Letter from Taifook Securities" on pages 12 to 13 of this Composite Document and in paragraph 7(h) of Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder or Overseas Optionholder wishing to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Overseas Shareholders or Overseas Optionholders are advised to seek professional advice on deciding whether or not to accept the Offers.

This Composite Document will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) and on the website of Mobile Telecom Network (Holdings) Limited at [www.mtelnet.com](http://www.mtelnet.com) as long as the Offers remain open.

3 June 2010

\* For identification purpose only

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## CHARACTERISTICS OF GEM

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**GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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

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## CONTENTS

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	<i>Page</i>
<b>Expected timetable</b> .....	iii
<b>Definitions</b> .....	1
<b>Letter from Taifook Securities</b> .....	7
<b>Letter from the Board</b> .....	19
<b>Letter from the Independent Board Committee</b> .....	28
<b>Letter from Mitsubishi UFJ</b> .....	30
<b>Letter from AsiaVest Partners Limited reporting on profit warning announcement issued by the Company on 31 May 2010</b> .....	57
<b>Letter from Ting Ho Kwan &amp; Chan reporting on profit warning announcement issued by the Company on 31 May 2010</b> .....	59
<b>Appendix I – Further procedures for acceptance of the Offers</b> .....	I – 1
<b>Appendix II – Financial information of the Group</b> .....	II – 1
<b>Appendix III – General Information</b> .....	III – 1
 <b>Accompanying documents</b>	
– <b>WHITE</b> Form of Acceptance (for Independent Shareholder)	
– <b>PINK</b> Form of Acceptance (for Independent Optionholder)	

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## EXPECTED TIMETABLE

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*The timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be made as and when appropriate. Unless otherwise expressly stated, all time and date references contained in this Composite Document refer to Hong Kong times and dates.*

2010

- Despatch date of this Composite Document and the commencement date of the Offers ..... Thursday, 3 June
- First Closing Date (*Note 1*) ..... Thursday, 24 June
- Latest time and date for acceptance of the Offers (*Note 1*) ..... 4:00 p.m. on Thursday, 24 June
- Announcement of the results of the Offers as at the First Closing Date to be posted on the Stock Exchange's website (*Note 1*) ..... by 7:00 p.m. on Thursday, 24 June
- Latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances received on or before 4:00 p.m. on the First Closing Date assuming the Offers become or are declared unconditional on the First Closing Date (*Note 2*) ..... Friday, 2 July
- Latest time and date for acceptance of the Offers assuming the Offers become or are declared unconditional on the First Closing Date (*Note 3*) ..... 4:00 p.m. on Thursday, 8 July
- Announcement of the results of the Offers to be posted on the Stock Exchange's website ..... by 7:00 p.m. on Thursday, 8 July
- Latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances received on or before 4:00 p.m. on 8 July 2010 (*Note 2*) ..... Friday, 16 July
- Latest time and date by which the Offers can become or be declared unconditional as to acceptances (*Note 4*) ..... 7:00 p.m. on Monday, 2 August

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## EXPECTED TIMETABLE

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*Notes:*

1. The latest time to receive acceptances under the Offers, which are conditional as to acceptances, will be 4:00 p.m. on Thursday, 24 June 2010 unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. The Offeror will issue an announcement on the Stock Exchange's website by 7:00 p.m. on the First Closing Date stating the results of the Offers and whether the Offers have been revised or extended, have expired or have become or been declared unconditional. In any announcement of an extension of the Offers, either the next closing date must be stated or, if the Offers are unconditional as to acceptances, a statement may be made that the Offers will remain open until further notice. In any event, where the Offers become or are declared unconditional, the Offers will remain open for acceptance for not less than 14 days thereafter in accordance with the Takeovers Code.
2. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in case of the Share Offer) payable for the Shares or the Share Options tendered under the Offers (as the case may be) will be posted to the accepting Independent Shareholders or Independent Optionholders (as the case may be) by ordinary post at their own risk as soon as possible but in any event within 10 days of the later of (a) the Unconditional Date and (b) the date of receipt by the Registrar (for the Share Offer) or the Company (for the Option Offer), as the case may be, of duly completed acceptance.
3. Assuming the Offers become or are declared unconditional on the First Closing Date, it should remain open for acceptance for not less than 14 days thereafter in accordance with the Takeovers Code.
4. In the event that the Share Offer has not become or has not been declared unconditional as to acceptances on or before 2 August 2010, being the 60th day after posting of this Composite Document, the Offers will lapse unless the Executive consents to a later date.

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## DEFINITIONS

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*In this Composite Document, the following expressions have the following meanings set out below unless the context otherwise requires:*

“Acquisition”	the purchase of the Sale Shares by the Offeror from the Vendor pursuant to the terms and conditions of the S&P Agreement
“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“associate(s)”	has the meaning ascribed thereto under the Listing Rules, the GEM Listing Rules and the Takeovers Code (as the case may be)
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Company”	Mobile Telecom Network (Holdings) Limited (stock code: 8266), a company incorporated in the Cayman Island with limited liability, the issued Shares of which are listed on GEM
“Completion”	the completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the S&P Agreement
“Completion Date”	the date of the S&P Agreement on which Completion takes place, being 22 April 2010
“Composite Document”	this composite offer and response document dated 3 June 2010 jointly issued by PAEH, the Offeror and the Company in relation to the Offers
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules

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## DEFINITIONS

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“Directors”	directors of the Company
“Dr. Chan”	Dr. Chan Chung, the chairman of the Company and an executive Director, who is the sole legal and beneficial owner of the Vendor
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“First Closing Date”	The first closing date of the Offers which is 21 days after the date on which this Composite Document is posted
“Form(s) of Acceptance”	the <b>WHITE</b> Form of Acceptance and/or the <b>PINK</b> Form of Acceptance (as the case may be)
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Jeffery Matthew Bistrong, Mr. Chu Chin Tai, Eric and Mr. Chen Kwok Wang, Kester, which has been established to give recommendation to the Independent Shareholders and the Independent Optionholders in respect of the Offers
“Independent Optionholders”	Optionholders other than the Offeror, its ultimate beneficial owners and parties acting in concert with any one of them
“Independent Shareholders”	Shareholders other than the Offeror, its ultimate beneficial owners and parties acting in concert with any one of them

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## DEFINITIONS

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“Independent Third Parties”	the parties who, to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, are independent of and not connected or acting in concert with any of the Director(s), chief executive(s) of the Company or Substantial Shareholder(s) or any of the subsidiaries or their respective associate(s)
“Joint Announcement”	the announcement dated 27 April 2010 jointly issued by PAEH, the Offeror and the Company in relation to, among others, the Acquisition and the Offers
“Last Trading Day”	19 April 2010, being the last full trading day of the Shares immediately prior to the suspension in trading of the Shares on the Stock Exchange at 2:30 p.m. on 20 April 2010 pending the release of the Joint Announcement
“Latest Practicable Date”	31 May 2010, being the latest practicable date prior to printing of this Composite Document for ascertaining certain information for inclusion in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mitsubishi UFJ”	Mitsubishi UFJ Securities (HK) Capital, Limited, a registered institution under the SFO permitted to carry on Types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee for the purpose of advising and recommending the Independent Board Committee in respect of the Offers
“Offer Period”	the period commencing from the date of the Joint Announcement until the latest of: (i) the date when the Offers close for acceptances; and (ii) the date when the Offers lapse
“Offer Price”	the price at which the Share Offer is made, being HK\$0.2 per Offer Share



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## DEFINITIONS

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“Offer Share(s)”	issued Share(s) and Share(s) which may be issued by the Company following the date of the Joint Announcement, other than those already owned by the Offeror, its ultimate beneficial owners and parties acting in concert with any one of them
“Offeror”	China Oil Resources Group Limited, which is an investment holding company incorporated in the BVI and a direct wholly-owned subsidiary of PAEH, being the purchaser of the Sale Shares under the S&P Agreement
“Offers”	the Share Offer and the Option Offer
“Option Offer”	the mandatory conditional cash offer made by Taifook Securities for and on behalf of the Offeror for cancellation of all outstanding Share Options (other than those already owned by the Offeror and parties acting in concert with it) pursuant to Rule 13 of the Takeovers Code
“Optionholder(s)”	holder(s) of the Share Option(s)
“Overseas Optionholder(s)”	Independent Optionholder(s) whose address(es) as shown on the register of Optionholders is(are) outside Hong Kong
“Overseas Shareholder(s)”	Independent Shareholder(s) whose address(es) as shown on the register of members of the Company is(are) outside Hong Kong
“PAEH”	PetroAsian Energy Holdings Limited, a company incorporated in the Cayman Islands whose issued shares are listed on main board of the Stock Exchange (stock code: 850)
“ <b>PINK</b> Form(s) of Acceptance”	the form(s) of acceptance and cancellation of Share Option(s) in <b>PINK</b> in respect of the Option Offer accompanying this Composite Document
“PRC”	the People’s Republic of China which, for the purpose of this Composite Document, shall exclude Hong Kong, Macau Special Administrative Regions of PRC and Taiwan

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## DEFINITIONS

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“Registrar”	Computershare Hong Kong Investor Services Limited, being the branch share registrar and transfer office of the Company in Hong Kong, whose address is at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
“Relevant Period”	the period commencing on the date falling six months preceding the commencement of the Offer Period on 27 April 2010, up to and including the Latest Practicable Date
“S&P Agreement”	the sale and purchase agreement dated 22 April 2010 entered into among the Offeror, the Vendor and Dr. Chan in relation to the sale and purchase of the Sale Shares
“Sale Shares”	177,785,861 Shares acquired by the Offeror from the Vendor pursuant to the terms and conditions of the S&P Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.01 each in the issued share capital of the Company
“Share Offer”	the mandatory conditional cash offer made by Taifook Securities for and on behalf of the Offeror for the Offer Shares pursuant to Rule 26.1 of the Takeovers Code
“Share Option(s)”	outstanding share option(s) issued by the Company for the subscription of the Share(s) on the basis of one share option for one Share
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules

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## DEFINITIONS

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“Taifook Capital”	Taifook Capital Limited, a licensed corporation under the SFO permitted to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Offeror and PAEH in relation to the Offers
“Taifook Securities”	Taifook Securities Company Limited, a licensed corporation under the SFO permitted to carry on Types 1 (dealing in securities), 3 (leveraged foreign exchange trading) and 4 (advising on securities) regulated activities under the SFO, which is making the Offers for and on behalf of the Offeror
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Trading Day”	means a day on which securities can be freely traded on the Stock Exchange during whole of the normal trading hours of the Stock Exchange regardless of whether any trades actually occur
“Unconditional Date”	the date on which the Offers become or are declared unconditional in accordance with the Takeovers Code
“Vendor”	Silicon Asia Limited, which is an investment holding company incorporated in the BVI and is directly and wholly beneficially owned by Dr. Chan
“ <b>WHITE</b> Form(s) of Acceptance”	the form(s) of acceptance and transfer of Share(s) in <b>WHITE</b> in respect of the Share Offer accompanying this Composite Document
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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## LETTER FROM TAIFOOK SECURITIES

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25th Floor  
New World Tower  
16-18 Queen's Road Central  
Hong Kong

3 June 2010

*To the Independent Shareholders and the Independent Optionholders*

Dear Sir or Madam

**MANDATORY CONDITIONAL CASH OFFERS BY  
TAIFOOK SECURITIES COMPANY LIMITED  
FOR AND ON BEHALF OF  
CHINA OIL RESOURCES GROUP LIMITED  
FOR ALL THE ISSUED SHARES AND  
FOR CANCELLATION OF ALL OUTSTANDING SHARE OPTIONS OF  
MOBILE TELECOM NETWORK (HOLDINGS) LIMITED  
(OTHER THAN THOSE ALREADY OWNED  
BY CHINA OIL RESOURCES GROUP LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

On 27 April 2010, the Offeror, PAEH and the Company jointly announced that on 22 April 2010, the Offeror, the Vendor and Dr. Chan entered into the S&P Agreement. Pursuant to the S&P Agreement, the Vendor agreed to sell and the Offeror agreed to acquire 177,785,861 Shares at consideration of HK\$35,557,172.2 (equivalent to HK\$0.2 per Sale Share). Completion took place immediately after the signing of the S&P Agreement. Immediately following Completion, the Offeror and parties acting in concert with it were interested in 177,785,861 Shares, representing approximately 37.55% of the then entire issued share capital of the Company. Accordingly, the Offeror was required to make the Share Offer for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it at the time when the Share Offer was made) under Rule 26.1 of the Takeovers Code and to make a comparable cash offer for cancellation of all outstanding Share Options (other than those already owned by the Offeror and parties acting in concert with it at the time when the Option Offer was made) under Rule 13 of the Takeovers Code.

This letter sets out, among other things, the details of the Offers, information on the Offeror and the intention of the Offeror regarding the Group. The terms of the Offers are set out in this letter, Appendix I to this Composite Document and the Forms of Acceptance.

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## LETTER FROM TAIFOOK SECURITIES

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The Independent Shareholders and Independent Optionholders are strongly advised to consider carefully the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from Mitsubishi UFJ” as set out in this Composite Document before reaching a decision as to whether or not to accept the Offers.

### THE OFFERS

As at the Latest Practicable Date, there were 478,742,976 Shares in issue and 23,454,452 outstanding Share Options. Save for the Share Options, the Company has no other outstanding options, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares.

#### Principal terms of the Offers

Taifook Securities is making the Offers for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:–

##### *Share Offer*

For every Offer Share . . . . . HK\$0.2 in cash

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all liens, charges, encumbrances, right of pre-emption and any other third party rights of any nature and together with all rights accruing or attaching to them on or after the Completion Date or subsequently become attached to them, including the rights to receive in full all dividends and distributions, if any, declared, made or paid on or after the Completion Date.

##### *Option Offer*

For cancellation of each Share Option of  
outstanding 7,728,113 Share Options  
with exercise price at HK\$0.078 . . . . . HK\$0.122 in cash

For cancellation of each Share Option of  
outstanding 10,000 Share Options  
with exercise price at HK\$0.090 . . . . . HK\$0.110 in cash

For cancellation of each Share Option of  
outstanding 5,234,113 Share Options  
with exercise price at HK\$0.101 . . . . . HK\$0.099 in cash

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## LETTER FROM TAIFOOK SECURITIES

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For cancellation of each Share Option of  
outstanding 400,000 Share Options  
with exercise price at HK\$0.103 . . . . . HK\$0.097 in cash

For cancellation of each Share Option of  
outstanding 300,000 Share Options  
with exercise price at HK\$0.114 . . . . . HK\$0.086 in cash

For cancellation of each Share Option of  
outstanding 5,034,113 Share Options  
with exercise price at HK\$0.134 . . . . . HK\$0.066 in cash

For cancellation of each Share Option of  
outstanding 4,748,113 Share Options  
with exercise price at HK\$0.191 . . . . . HK\$0.009 in cash

The offer prices in cash of the Option Offer have been determined by deducting the exercise price payable on exercise of a Share Option from the Offer Price per Offer Share payable under the Share Offer.

Any Optionholder accepting the Option Offer will, subject to the Offers becoming unconditional, be deemed to agree to the cancellation of the Share Option(s) and to forfeit and surrender all rights accrued or attached thereto with effect from the Completion Date.

### **Comparison of value**

The Offer Price of HK\$0.2 is determined based on the price per Sale Share paid by the Offeror under the S&P Agreement and represents:

- (i) a discount of approximately 12.7% to the closing price of HK\$0.229 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 3.8% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 Trading Days up to and including the Last Trading Day of approximately HK\$0.208 per Share;
- (iii) a premium of approximately 3.1% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 Trading Days up to and including the Last Trading Day of approximately HK\$0.194 per Share;

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## LETTER FROM TAIFOOK SECURITIES

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- (iv) a discount of 20% to the closing price of HK\$0.25 per Share as quoted on the Stock Exchange on the last Trading Day immediately preceding the Latest Practicable Date (where trading of Shares was suspended as at the Latest Practicable Date; and
- (v) a premium of approximately 250.9% over the unaudited consolidated net asset value of approximately HK\$0.057 per Share as at 30 September 2009 (based on the unaudited accounts of the Company for the six months ended 30 September 2009 and the number of Shares in issue as at the Latest Practicable Date).

### **Highest and lowest Share prices**

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.495 per Share (on 28 April 2010) and HK\$0.110 per Share (on 9 November 2009) respectively.

### **Value of the Offers**

On the basis of the Offer Price of HK\$0.2 per Offer Share and 478,742,976 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at HK\$95,748,595.2. Excluding 177,785,861 Sale Shares having been acquired by the Offeror pursuant to the S&P Agreement, 300,957,115 Shares are subject to the Share Offer and are valued at HK\$60,191,423 on the basis of the Offer Price of HK\$0.2 per Offer Share. Assuming that all 23,454,452 outstanding Share Options are tendered at the offer prices in cash of the Option Offer as detailed above, the aggregate amount payable by the Offeror under the Option Offer is approximately HK\$1,901,691.

Assuming that all 23,454,452 outstanding Share Options are fully exercised prior to closing of the Offers, 324,411,567 Shares would be subject to the Share Offer and valued at HK\$64,882,313.4 on the basis of the Offer Price of HK\$0.2 per Offer Share.

### **Financial resources available to the Offeror**

Taifook Capital is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptances of the Offers. The Offers will be funded by PAEH (through the Offeror) from funds made available from its internal resources.

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## LETTER FROM TAIFOOK SECURITIES

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### **Condition of the Offers**

The Offers are conditional upon valid acceptances having been received by no later than 4:00 p.m. on the First Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the requirements of Takeovers Code) in respect of such number of Shares which, together with the Shares already owned or acquired by the Offeror and parties acting in concert with it during the Offer Period, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights in the Company.

Independent Shareholders and Independent Optionholders should note that if the total number of Shares in respect of which the Offeror receives valid acceptances under the Share Offer together with those already owned or acquired by the Offeror and parties acting in concert with it during the Offer Period result in the Offeror and parties acting in concert with it holding less than 50% of the voting rights of the Company, the Offers will not become unconditional and will lapse. In such circumstances, pursuant to Rule 20.2 of the Takeovers Code, the Offeror must, as soon as possible but in any event within 10 days thereof, post the certificates of the Share or Share Option (as the case may be) lodged with Forms of Acceptance to, or make such certificates of the Share or Share Option (as the case may be) available for collection by, those Independent Shareholders or Independent Optionholders who have accepted the Offers.

### **Stamp duty**

In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Share Offer will be payable by relevant Independent Shareholders at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholder accepting the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent Shareholders accepting the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares.

No stamp duty is payable in connection with the acceptance of the Option Offer.



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## LETTER FROM TAIFOOK SECURITIES

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### **Payment**

Payment by cheque in respect of acceptances of the Offers will be made as soon as possible but in any event within 10 days of the date on which the relevant documents of title are received by the Offeror to render each such acceptance complete and valid or when the Offers have become or have been declared unconditional, whichever is later. Settlement of the amounts due to the Independent Shareholders and the Independent Optionholders who accept the Offers will be implemented in full in accordance with the terms of the Offers without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholders or Independent Optionholders.

### **Other arrangements**

As at the Latest Practicable Date, (i) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who was an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code or with the Offeror or any person acting in concert with it; (ii) save for the S&P Agreement, there was no agreement or arrangement to which the Offeror was a party which related to circumstances in which it may or may not invoke or seek to invoke a condition to the Offers; (iii) none of the Offeror nor parties acting in concert with it has received any irrevocable commitment to accept or reject the Offers; (iv) none of the Offeror nor parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; and (v) no agreement, arrangement or understanding was in place for the transfer, charge or pledge of any of the Shares and Share Options to be acquired in pursuance of the Offers to any other persons.

### **Overseas Shareholders and Overseas Optionholders**

The Offers are in respect of securities of a company incorporated in the Cayman Islands and are subject to the procedural and disclosure requirements of Hong Kong, which may be different from other jurisdictions. Overseas Shareholders or Overseas Optionholders who wish to participate in the Offers but with registered address outside Hong Kong are also subject to, and may be limited by, the laws and regulations of their respective jurisdictions in connection with their participation in the Offers. It is the responsibility of the Overseas Shareholders and Overseas Optionholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of all relevant jurisdictions in connection with the acceptance of the Offers (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required or the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes due by such Overseas Shareholders or Overseas Optionholders in respect of such jurisdictions). The Overseas Shareholders and Overseas Optionholders shall be fully responsible for the payment of any

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## LETTER FROM TAIFOOK SECURITIES

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transfer or other taxes and duties due by such Overseas Shareholders or Overseas Optionholders in respect of the relevant jurisdictions. Acceptances of the Offers by any such person will be deemed to constitute a warranty by such person that such person is permitted under all applicable laws and regulations to receive and accept the Offers, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. The Overseas Shareholders and Overseas Option holders are recommended to seek professional advice on deciding whether or not to accept the Offers.

### ISSUED SHARES AND SHARE OPTIONS OF THE COMPANY

Set out below are the shareholding structure of the Company (i) immediately following the Completion and as at the date of the Joint Announcement; and (ii) as at the Latest Practicable Date:

<i>Shareholders</i>	<b>Immediately following Completion and as at the date of the Joint Announcement</b>		<b>As at the Latest Practicable Date</b>	
	<i>Number of Shares</i>	<i>Approximate % of issued Shares</i>	<i>Number of Shares</i>	<i>Approximate % of issued Shares</i>
The Offeror	<u>177,785,861</u>	<u>37.55%</u>	<u>177,785,861</u>	<u>37.14%</u>
The Offeror and parties acting in concert with it	177,785,861	37.55%	177,785,861	37.14%
Vodatel Information Limited (Note 1)	94,573,696	19.98%	81,325,696	16.99%
Director – Mr. Chan Wai Kwong, Peter	<u>4,064,036</u>	<u>0.86%</u>	<u>4,064,036</u>	<u>0.85%</u>
Subtotal	276,423,593	58.39%	263,175,593	54.98%
Public Shareholders	<u>196,987,770</u>	<u>41.61%</u>	<u>215,567,383</u>	<u>45.02%</u>
Total	<u><u>473,411,363</u></u>	<u><u>100.00%</u></u>	<u><u>478,742,976</u></u>	<u><u>100.00%</u></u>

*Note:*

- 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 Networks Holdings Limited which is a company incorporated in Bermuda whose shares are listed on GEM (Stock code: 8033).

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## LETTER FROM TAIFOOK SECURITIES

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Set out below are details of the Share Options as at the Latest Practicable Date:

<b>Number of Share Options</b>	<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price</b>
3,000,000	4 September 2001	From 9 May 2003	HK\$0.078
400,000	27 March 2003	9 May 2003 – 8 May 2013	HK\$0.103
300,000	27 March 2003	9 May 2003 – 8 May 2013	HK\$0.114
4,728,113	18 September 2006	18 September 2006 – 17 September 2016	HK\$0.078
10,000	9 February 2007	9 February 2007 – 8 February 2017	HK\$0.090
4,748,113	12 February 2008	12 February 2008 – 11 February 2018	HK\$0.191
5,234,113	13 February 2009	13 February 2009 – 12 February 2019	HK\$0.101
5,034,113	17 February 2010	17 February 2010 – 16 February 2020	HK\$0.134

As at the Latest Practicable Date, (i) apart from the Share Options, the Company had no other outstanding options, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares; and (ii) save for the Sale Shares acquired through the Acquisition, none of the Offeror, its sole director, parties acting in concert with the Offeror nor the directors of PAEH has held, owned or controlled any Shares, Share Options, derivatives, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares.

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## LETTER FROM TAIFOOK SECURITIES

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### DEALINGS IN SECURITIES OF THE COMPANY

Save for the Sale Shares acquired through the Acquisition, none of the Offeror, its sole director, parties acting in concert with the Offeror nor the directors of PAEH has dealt with during the Relevant Period any Shares, Share Options, derivatives, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares.

### COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any powers of compulsory acquisition of the Shares after the close of the Offers.

### INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the BVI and a direct wholly-owned subsidiary of PAEH, a company incorporated in the Cayman Islands whose issued shares are listed on main board of the Stock Exchange. PAEH, through its subsidiaries, is principally engaged in the manufacture and sale of paints, blended solvents and plastic colorants, trading of chemical materials, provision of painting services, property investment and exploitation and sale of crude oil. The Offeror and PAEH are Independent Third Parties.

### INFORMATION ON THE GROUP

The Company is an investment holding company incorporated in the Cayman Islands and through its subsidiaries, is principally engaged in development, provision and sales of mobile internet communication, telecommunication and related services.

The Group recorded audited profit before taxation of approximately HK\$381,000 and approximately HK\$754,000 for the two financial years ended 31 March 2008 and 2009 respectively and audited profit after taxation attributable to equity holders of the Company of approximately HK\$382,000 and approximately HK\$748,000 for the two financial years ended 31 March 2008 and 2009 respectively. The unaudited consolidated net assets value attributable to equity holders of the Company as at 30 September 2009 was approximately HK\$27,361,000.

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## LETTER FROM TAIFOOK SECURITIES

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### OFFEROR'S INTENTION ON THE GROUP

It is the intention of the Offeror to continue with the existing principal businesses of the Group. The Offeror does not intend to introduce any major changes to the existing operations and business of the Company immediately after the Offers. The Offeror will conduct a more detailed review on the operations of the Group with a view to formulating a suitable business strategy for the Group and will explore other business opportunities and consider whether any assets and/or business acquisitions by the Group will be appropriate in order to enhance its growth. As at the Latest Practicable Date, the Offeror has had no intention or plans for any acquisition or disposal of assets and/or business of the Group or any material changes to the continued employment of the employees of the Group other than in the ordinary course of business.

Taking into account the potential cooperation of research and development in an integrated mobile application on oil field's daily management and other technologies and businesses related to energy sectors, it is believed by the Offeror that the Offers are commercially justifiable.

### PROPOSED CHANGE OF COMPOSITION OF THE BOARD

The Board is currently made up of five Directors, comprising two executive Directors, being Dr. Chan Chung and Mr. Chan Wai Kwong, Peter and three independent non-executive Directors, being Mr. Jeffery Matthew Bistrong, Mr. Chu Chin Tai, Eric and Mr. Chen Kwok Wang, Kester.

Under the S&P Agreement, it is agreed that the Vendor shall within 14 days after the Completion Date (i) deliver or procure the delivery to the Offeror of the written resignations of all Directors (except Dr. Chan) and the company secretary of the Company with effect from the earliest date permitted by the Takeovers Code, the GEM Listing Rules or other applicable laws and regulations, and (ii) procure a meeting of the Board at which resolutions shall be passed for the acceptance of the resignations as mentioned in (i) above and the appointment of such persons as nominated by the Offeror as Directors and company secretary of the Company with effect from the earliest date permitted by the Takeovers Code, the GEM Listing Rules or other applicable laws and regulations.

After the despatch of this Composite Document, the Offeror will nominate new Director(s) to the Board, representing a majority of the Board. Any changes to the Board composition will be made in compliance with the Takeovers Code and the GEM Listing Rules and a further announcement will be made accordingly.

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## LETTER FROM TAIFOOK SECURITIES

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### MAINTENANCE OF THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on GEM after the close of the Offers and will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that a sufficient public float exists for the Shares.

The Stock Exchange has stated that if, upon the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares.

### TAX IMPLICATIONS

The Independent Shareholders and Independent Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the tax implications that may arise from accepting the Offers. It is emphasized that none of the Offeror and parties acting concert with it, PAEH, the Company, Taifook Capital, Taifook Securities, AsiaVest Partners Limited, Mitsubishi UFJ, the Registrar or any of their respective directors or professional advisers or any other parties involved in the Offers or any of their respective agents accepts any responsibility for any tax effect on, or liabilities of, the Independent Shareholders and Independent Optionholders as a result of their acceptance of the Offers.

### ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

### GENERAL

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Offer Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

The attention of the Overseas Shareholders and Overseas Optionholders is drawn to paragraph 7(h) in Appendix I to this Composite Document.

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## LETTER FROM TAIFOOK SECURITIES

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All documents and remittances sent to the Independent Shareholders and the Independent Optionholders by ordinary post will be sent to them at their own risk. Such documents and remittances will be sent to the Independent Shareholders and the Independent Optionholders at their respective addresses as they appear in the register of members of the Company or the register of Optionholders (as the case may be) or in the case of joint Independent Shareholders, to the Independent Shareholders whose name appears first in the register of members of the Company. None of the Offeror and parties acting concert with it, PAEH, the Company, Taifook Capital, Taifook Securities, AsiaVest Partners Limited, Mitsubishi UFJ, the Registrar or any of their respective directors or any other parties involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document which forms part of this Composite Document.

Yours faithfully,  
For and on behalf of  
**Taifook Securities Company Limited**  
**William Lee**  
*Managing Director*

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## LETTER FROM THE BOARD

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### 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)**

*Executive Directors:*

Dr. Chan Chung (*Chairman*)

Mr. Chan Wai Kwong, Peter

*Independent Non-Executive Directors:*

Mr. Jeffery Matthew Bistrong

Mr. Chu Chin Tai, Eric

Mr. Chen Kwok Wang, Kester

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and*

*principal place of business:*

Room 2516, 25th Floor

North Tower, Concordia Plaza

1 Science Museum Road

Tsim Sha Tsui, Kowloon

Hong Kong

3 June 2010

*To the Independent Shareholders and the Independent Optionholders*

Dear Sirs or Madams,

**MANDATORY CONDITIONAL CASH OFFERS BY  
TAIFOOK SECURITIES COMPANY LIMITED  
FOR AND ON BEHALF OF  
CHINA OIL RESOURCES GROUP LIMITED  
FOR ALL THE ISSUED SHARES AND  
FOR CANCELLATION OF ALL OUTSTANDING SHARE OPTIONS OF  
MOBILE TELECOM NETWORK (HOLDINGS) LIMITED  
(OTHER THAN THOSE ALREADY OWNED  
BY CHINA OIL RESOURCES GROUP LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

#### INTRODUCTION

Reference is made to the Joint Announcement in relation to, among other things, the S&P Agreement and the Offers.

\* *For identification purpose only*



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## LETTER FROM THE BOARD

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Pursuant to the S&P Agreement dated 22 April 2010 entered into among the Offeror, the Vendor and Dr. Chan, the Vendor agreed to sell and the Offeror agreed to acquire 177,785,861 Shares, representing approximately 37.55% of the then entire issued share capital of the Company. The consideration for the Sale Shares is HK\$35,557,172.2 (equivalent to HK\$0.2 per Sale Share). Completion of the S&P Agreement took place immediately after the signing of the S&P Agreement and the consideration for the Sale Shares was paid by the Offeror to the Vendor in cash upon Completion.

Immediately following the Completion, the Offeror and parties acting in concert with it were interested in 177,785,861 Shares, representing approximately 37.55% of the then entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror was required to make the Share Offer for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it at the time when the Share Offer was made). In addition, under Rule 13 of the Takeovers Code, the Offeror was also required to make a comparable cash offer for cancellation of all outstanding Share Options (other than those already owned by the Offeror and parties acting in concert with it at the time when the Option Offer was made).

In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee which comprises Mr. Jeffery Matthew Bistrong, Mr. Chu Chin Tai, Eric, and Mr. Chen Kwok Wang, Kester, all being the independent non-executive Directors, has been established to advise and make recommendations to the Independent Shareholders and the Independent Optionholders in respect of the Offers. Each of the members of the Independent Board Committee has no direct or indirect interests in the Offers. The Independent Board Committee has appointed Mitsubishi UFJ as the independent financial adviser to advise the Independent Board Committee on the terms of the Offers.

The purpose of this Composite Document is to provide you with, among other things, information in relation to the Company, the Offeror and the Offers, to set out the “Letter from the Independent Board Committee” containing its recommendation to the Independent Shareholders and the Independent Optionholders and the “Letter from the Mitsubishi UFJ” containing its advice and recommendation to the Independent Board Committee in respect of the Offers.

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## LETTER FROM THE BOARD

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### SHARE CAPITAL, SHAREHOLDING STRUCTURE AND SHARE OPTIONS OF THE COMPANY

The authorised share capital of the Company as at the Latest Practicable Date was US\$20,000,000.

The issued share capital of the Company as at the Latest Practicable Date comprised:

	<b>Number of Shares held as at the Latest Practicable Date</b>	<b>Approximate percentage of shareholding (%)</b>
The Offeror and parties acting in concert with it	177,785,861	37.14%
Vodatel Information Limited ( <i>Note</i> )	81,325,696	16.99%
Director – Mr. Chan Wai Kwong, Peter	<u>4,064,036</u>	<u>0.85%</u>
Subtotal	263,175,593	54.98%
Public Shareholders	<u>215,567,383</u>	<u>45.02%</u>
Total	<u><u>478,742,976</u></u>	<u><u>100.00%</u></u>

*Note:* 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 Networks Holdings Limited which is a company incorporated in Bermuda whose shares are listed on GEM (Stock code: 8033).

All existing issued Shares rank pari passu in all respect including all rights as to dividends, voting and interests in capital.

An aggregate of 5,331,613 new Shares have been issued on 13 May 2010 upon the exercise of Share Options by two Optionholders. Save as disclosed herein, no new Shares were issued since 31 March 2009 (being the date on which the latest published audited consolidated financial statements of the Company were made up) and up to the Latest Practicable Date.

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## LETTER FROM THE BOARD

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Set out below are details of the Share Options as at the Latest Practicable Date:

<b>Number of Share Options</b>	<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price</b>
3,000,000	4 September 2001	From 9 May 2003	HK\$0.078
400,000	27 March 2003	9 May 2003 – 8 May 2013	HK\$0.103
300,000	27 March 2003	9 May 2003 – 8 May 2013	HK\$0.114
4,728,113	18 September 2006	18 September 2006 – 17 September 2016	HK\$0.078
10,000	9 February 2007	9 February 2007 – 8 February 2017	HK\$0.090
4,748,113	12 February 2008	12 February 2008 – 11 February 2018	HK\$0.191
5,234,113	13 February 2009	13 February 2009 – 12 February 2019	HK\$0.101
5,034,113	17 February 2010	17 February 2010 – 16 February 2020	HK\$0.134

As at the Latest Practicable Date, apart from the Share Options, the Company has no other outstanding options, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares.

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## LETTER FROM THE BOARD

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### MANDATORY CONDITIONAL CASH OFFERS

Immediately following the Completion, the Offeror and parties acting in concert with it were interested in 177,785,861 Shares, representing approximately 37.55% of the then entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror was required to make the Share Offer for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it at the time when the Share Offer was made). In addition, under Rule 13 of the Takeovers Code, the Offeror was also required to make a comparable cash offer for cancellation of all outstanding Share Options (other than those already owned by the Offeror and parties acting in concert with it at the time when the Option Offer was made).

Details of the Offers are set out in the “Letter from Taifook Securities” on pages 7 to 18 of this Composite Document and in the Form(s) of Acceptance.

### Principal terms of the Offers

Taifook Securities is making make the Offers for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:–

#### *Share Offer*

For every Offer Share . . . . . HK\$0.2 in cash

The Offer Price is equal to the price per Sale Share paid by the Offeror under the S&P Agreement.

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all liens, charges, encumbrances, right of pre-emption and any other third party rights of any nature and together with all rights accruing or attaching to them on or after the Completion Date or subsequently become attached to them, including the rights to receive in full all dividends and distributions, if any, declared, made or paid on or after the Completion Date.

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## LETTER FROM THE BOARD

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### *Option Offer*

For cancellation of each Share Option of  
outstanding 7,728,113 Share Options  
with exercise price at HK\$0.078 . . . . . HK\$0.122 in cash

For cancellation of each Share Option of  
outstanding 10,000 Share Options  
with exercise price at HK\$0.090 . . . . . HK\$0.110 in cash

For cancellation of each Share Option of  
outstanding 5,234,113 Share Options  
with exercise price at HK\$0.101 . . . . . HK\$0.099 in cash

For cancellation of each Share Option of  
outstanding 400,000 Share Options  
with exercise price at HK\$0.103 . . . . . HK\$0.097 in cash

For cancellation of each Share Option of  
outstanding 300,000 Share Options  
with exercise price at HK\$0.114 . . . . . HK\$0.086 in cash

For cancellation of each Share Option of  
outstanding 5,034,113 Share Options  
with exercise price at HK\$0.134 . . . . . HK\$0.066 in cash

For cancellation of each Share Option of  
outstanding 4,748,113 Share Options  
with exercise price at HK\$0.191 . . . . . HK\$0.009 in cash

The offer prices in cash of the Option Offer have been determined by deducting the exercise price payable on exercise of a Share Option from the Offer Price per Offer Share payable under the Share Offer.

Any Optionsholder accepting the Option Offer will, subject to the Offers becoming unconditional, be deemed to agree to the cancellation of the Share Option(s) and to forfeit and surrender all rights accrued or attached thereto with effect from the Completion Date.

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## LETTER FROM THE BOARD

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### **Further details of the Offers**

Further details of the Offers, among other things, including the terms and conditions of the Offers and the procedures for acceptance and settlement of the Offers, are contained in the “Letter from Taifook Securities” on pages 7 to 18 of and in Appendix I to this Composite Document, and in the Form(s) of Acceptance.

### **INFORMATION ON THE GROUP**

#### **Business**

The Company is an investment holding company incorporated in the Cayman Islands and through its subsidiaries, is principally engaged in development, provision and sales of mobile internet communication, telecommunication and related services.

#### **Financial Information**

The Group recorded audited profit before taxation of approximately HK\$381,000 and approximately HK\$754,000 for the two financial years ended 31 March 2008 and 2009 respectively and audited profit after taxation attributable to equity holders of the Company of approximately HK\$382,000 and approximately HK\$748,000 for the two financial years ended 31 March 2008 and 2009 respectively. The unaudited consolidated net assets value attributable to equity holders of the Company as at 30 September 2009 was approximately HK\$27,361,000.

A summary of the audited results of the Company for each of the 3 financial years ended 31 March 2007, 2008 and 2009 are set out in Appendix II to this Composite Document.

#### **Further Information**

Further information in relation to the Company is set out in Appendix III to this Composite Document. An expected timetable in relation to the Offers is set out under the section headed “Expected timetable” of this Composite Document.

### **INFORMATION ON THE OFFEROR**

Your attention is drawn to the section headed “Information on the Offeror” in the “Letter from Taifook Securities” as set out on page 15 of this Composite Document.

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## LETTER FROM THE BOARD

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### OFFEROR'S INTENTION ON THE GROUP

The Directors note from the "Letter from Taifook Securities" that the Offeror intends that the Company will continue its existing principal businesses. Your attention is drawn to the section headed "Offeror's Intention on the Group" in the "Letter from Taifook Securities" as set out on page 16 of this Composite Document.

The Directors has noted the intentions of the Offeror in respect of the Company and its employees, as disclosed in the "Letter from Taifook Securities" on page 16 of this Composite Document.

### PROPOSED CHANGE OF COMPOSITION OF THE BOARD

The Board is currently made up of five Directors, comprising two executive Directors, being Dr. Chan Chung and Mr. Chan Wai Kwong, Peter and three independent non-executive Directors, being Mr. Jeffery Matthew Bistrong, Mr. Chu Chin Tai, Eric and Mr. Chen Kwok Wang, Kester.

Your attention is drawn to the section headed "Proposed change of composition of the Board" in the "Letter from Taifook Securities" on page 16 of this Composite Document, which sets out the provisions of the S&P Agreement relating to the resignations of all Directors (except Dr. Chan) and the company secretary of the Company.

After the despatch of this Composite Document, the Offeror will nominate new Director(s) to the Board, representing a majority of the Board. Any changes to the Board composition will be made in compliance with the Takeovers Code and the GEM Listing Rules and a further announcement will be made accordingly.

### MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on GEM after the close of the Offers and will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that a sufficient public float exists for the Shares.

Each of the Company and the Offeror will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that not less than 25% of the Shares will be held by the public as required by the Listing Rules. As the Company and the Offeror are unable to ascertain at this stage the level of acceptances of the Offers by the Independent Shareholders and the Independent Optionholders, the aforesaid parties have not decided the exact steps/actions that will be taken by them after the close of the Offers to restore the public float of the Shares, if required. Notwithstanding this, the Company and the Offeror consider that appropriate actions to be taken shall include placing down of sufficient number of accepted Shares by the Offeror for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary regarding the decision of any such placing down, if the circumstances warrant.

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## LETTER FROM THE BOARD

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If, upon the close of the Offers, less than 25% of the issued Shares are held by the public or if the Stock Exchange believes that (1) a false market exists or may exist in the trading of the Shares; or (2) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange may exercise its discretion to suspend trading in the Shares. In this connection, it should be noted that upon the close of the Offers, there may be insufficient public float for the Shares and therefore trading in the Shares may be suspended until a sufficient level of public float is attained.

### RECOMMENDATIONS

Your attention is drawn to the “Letter from the Independent Board Committee” set out on pages 28 to 29 of this Composite Document, which contains its recommendation to the Independent Shareholders and the Independent Optionholders regarding the Offers and the “Letter from Mitsubishi UFJ” set out on pages 30 to 56 of this Composite Document, which sets out its advice and recommendation to the Independent Board Committee in respect of the terms of the Offers, and the principal factors and reasons which it has considered before arriving at its advice to the Independent Board Committee.

### ADDITIONAL INFORMATION

Your attention is drawn to the “Letter from Taifook Securities” as set out on pages 7 to 18 of and Appendix I to this Composite Document and the Form(s) of Acceptance, which contain details of the Offers. Your attention is also drawn to the information set out in the appendices to this Composite Document.

In considering which action is to be taken in connection with the Offers, the Independent Shareholders and the Independent Optionholders should consider their own tax positions and, if they are in any doubt, they should consult their professional advisers.

By order of the Board of  
**Mobile Telecom Network (Holdings) Limited**  
**Mr. Chan Wai Kwong, Peter**  
*Executive Director*



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### **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)**

3 June 2010

*To the Independent Shareholders and Independent Optionholders*

Dear Sirs or Madams,

**MANDATORY CONDITIONAL CASH OFFERS BY  
TAIFOOK SECURITIES COMPANY LIMITED  
FOR AND ON BEHALF OF  
CHINA OIL RESOURCES GROUP LIMITED  
FOR ALL THE ISSUED SHARES AND  
FOR CANCELLATION OF ALL OUTSTANDING SHARE OPTIONS OF  
MOBILE TELECOM NETWORK (HOLDINGS) LIMITED  
(OTHER THAN THOSE ALREADY OWNED  
BY CHINA OIL RESOURCES GROUP LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

We refer to the composite offer and response document dated 3 June 2010 jointly issued by Mobile Telecom Network (Holdings) Limited, PetroAsian Energy Holdings Limited and China Oil Resources Group Limited (the “Composite Document”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Composite Document.

We have been appointed by the Board to consider the Offers and to make recommendations to the Independent Shareholders and Independent Optionholders as to whether or not the terms of the Offers are fair and reasonable and as to acceptance of the Offers. Mitsubishi UFJ Securities (HK) Capital, Limited (“Mitsubishi UFJ”) has been appointed as the independent financial adviser to advise us in respect of the terms of the Offers. Details of its advice and recommendation, together with the principal factors and reasons which it has considered before arriving at such advice, are set out in the “Letter from Mitsubishi UFJ” on pages 30 to 56 of the Composite Document.

\* For identification purpose only

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We also wish to draw your attention to the “Letter from the Board” and the “Letter from Taifook Securities” as set out in the Composite Document and the additional information set out in the appendices to the Composite Document.

Having taken into account the terms of the Offers, and the advice and recommendation of Mitsubishi UFJ, we consider that the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Independent Optionholders are concerned and recommend the Independent Shareholders and Independent Optionholders to accept the Offers.

Yours faithfully,

For and on behalf of

Independent Board Committee

**Mr. Jeffery Matthew Bistrong   Mr. Chu Chin Tai, Eric   Mr. Chen Kwok Wang, Kester**

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# LETTER FROM MITSUBISHI UFJ

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Mitsubishi UFJ Securities

Mitsubishi UFJ Securities (HK) Capital, Limited

3 June 2010

*To the Independent Board Committee*

Dear Sirs,

## **MANDATORY CONDITIONAL CASH OFFERS**

### **INTRODUCTION**

We refer to our engagement to advise the Independent Board Committee in respect of the terms of the Offers, particulars of which are respectively set out in the Composite Document dated 3 June 2010 despatched to the Shareholders and the Optionholders. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed “Definitions” in the Composite Document.

As set out in the letter from the Board (the “Letter from the Board”), on 27 April 2010, the Offeror, PAEH and the Company jointly announced that on 22 April 2010, the Offeror, the Vendor and Dr. Chan entered into the S&P Agreement, pursuant to which the Vendor agreed to sell and the Offeror agreed to acquire 177,785,861 Shares at consideration of HK\$35,557,172.2 (equivalent to HK\$0.2 per Sale Share). Immediately following Completion, the Offeror and parties acting in concert with it were interested in 177,785,861 Shares, representing approximately 37.55% of the then entire issued share capital of the Company. Accordingly, the Offeror was required to make the Share Offer for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it at the time when the Share Offer was made) under Rule 26.1 of the Takeovers Code and to make a comparable cash offer for cancellation of all outstanding Share Options (other than those already owned by the Offeror and parties acting in concert with it at the time when the Option Offer was made) under Rule 13 of the Takeovers Code.

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## LETTER FROM MITSUBISHI UFJ

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Taifook Securities is making the Offers for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:–

For every Offer Share HK\$0.2 in cash

For cancellation of each Share Option with respective exercise price at

HK\$0.078	HK\$0.122 in cash
HK\$0.090	HK\$0.110 in cash
HK\$0.101	HK\$0.099 in cash
HK\$0.103	HK\$0.097 in cash
HK\$0.114	HK\$0.086 in cash
HK\$0.134	HK\$0.066 in cash
HK\$0.191	HK\$0.009 in cash

Further terms and conditions of the Offers, including the procedures for acceptance and settlement of the Offers, are set out in the Composite Document.

The Independent Board Committee (comprising all the three independent non-executive Directors, namely Mr. Jeffery Matthew Bistrong, Mr. Chu Chin Tai, Eric and Mr. Chen Kwok Wang, Kester) has been formed to advise the Independent Shareholders and the Independent Optionholders on the terms of the Offers.

In formulating our opinion, we have reviewed (i) the annual report of the Company for the year ended 31 March 2009, (ii) the interim report of the Company for the six months ended 30 September 2009, and (iii) the third quarterly report of the Company for the nine months ended 31 December 2009. We have relied on the accuracy of the information and representations contained in the Composite Document and have assumed that all information and representations made or referred to in the Composite Document as provided by the Offeror and/or the Board were true at the time they were made and should there be any material changes thereto, Shareholders would be notified as soon as possible. We have also relied on our discussion with the Board regarding the Group and the Offers, including the information and representations contained in the Composite Document. We have also assumed that all statements of belief, opinion and intention made by the Offeror and/or the Board respectively in the Composite Document were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Composite Document nor to doubt the truth, accuracy and completeness of the information and representations provided by the Offeror and the Board. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Offeror and their respective associates nor have we carried out any independent verification of the information supplied.

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## LETTER FROM MITSUBISHI UFJ

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We have not considered the tax implications on the Independent Shareholders and the Independent Optionholders of their acceptances or non-acceptances of the Offers since these are particular to their own individual circumstances. In particular, the Independent Shareholders and the Independent Optionholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offers and, if in any doubt, should consult their own professional advisers.

### PRINCIPAL FACTORS AND REASONS CONSIDERED ON THE SHARE OFFER

In arriving at our opinion regarding the terms of the Share Offer, we have considered the following principal factors and reasons:

(i) **Review of financial position/performance of the Group**

(a) ***Business model and geographical segments***

The Group is principally engaged in development, provision and sales of mobile internet communication, telecommunication and related services. We have discussed with the Directors on what the exact business model of the Group is (details of which are set out in the table below). In essence, the Group develops and provides mobile data solutions which enable mobile telecommunication operators, hardware manufacturers, IT-related companies and enterprises to deliver data to users of various types of wireless terminals.

	<b>Business model</b>	
	<b>Telco (on-portal operator)</b>	<b>Brand (off-portal)</b>
Theme	The Group provides an one-contact-point-channel to both content providers and mobile telecommunication network operators (“Telcos”)	The Group is able to enable the brands/corporations to advertise or carry out the existing business via mobile means (by contrast to traditional media platforms)
Customer list	<ol style="list-style-type: none"><li>Content providers:<ul style="list-style-type: none"><li>Star TV (Channel [V])</li><li>Electronic Art Mobile (game)</li><li>THQ Wireless (game)</li><li>Others providing branded contents such as<ul style="list-style-type: none"><li>Transformers,</li><li>GI Joe,</li><li>X Men,</li><li>Harry Potter</li></ul></li></ul></li></ol>	<ol style="list-style-type: none"><li>National Geographic</li><li>Hong Kong Jockey Club</li><li>Banks</li><li>Insurance companies</li><li>Newspaper/magazine</li><li>Cinemas</li><li>Hotels</li><li>Toy companies</li></ol>

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### Business model

#### Telco (on-portal operator)

#### Brand (off-portal)

- |                   |   |   |                              |          |                                     |       |                         |       |                   |     |                                   |                   |                                   |              |                        |        |  |  |
|-------------------|---|---|------------------------------|----------|-------------------------------------|-------|-------------------------|-------|-------------------|-----|-----------------------------------|-------------------|-----------------------------------|--------------|------------------------|--------|--|--|
| Details           | <ol style="list-style-type: none"> <li>2. Telcos (in Hong Kong and Macau):             <ul style="list-style-type: none"> <li>– PCCW Mobile</li> <li>– 3 HK &amp; Macau</li> <li>– China Mobile Hong Kong (Peoples)</li> <li>– CSL &amp; New World Mobility</li> <li>– Macau CTM</li> <li>– SmarTone-Vodafone</li> </ul> </li> </ol>  |   |                              |          |                                     |       |                         |       |                   |     |                                   |                   |                                   |              |                        |        |  |  |
|                   | <ol style="list-style-type: none"> <li>1. Through the Group, content provider gets its services to the distribution of more than 27 Telcos in Asia usually just by doing one technical integration, one agreement and one content preparation</li> </ol>  | <ol style="list-style-type: none"> <li>1. Through the Group's know-how, the brands/corporations can outsource to the Group for             <ul style="list-style-type: none"> <li>– writing Apps for iPhones users,</li> <li>– carrying out SMS quiz,</li> <li>– branding the existing content, and</li> <li>– having location based campaigns (e.g. popping up an SMS invitation to visit a nearby retail outlet upon detecting the geographical location of the mobile phone user by 3G network)</li> </ul> </li> </ol> |                              |          |                                     |       |                         |       |                   |     |                                   |                   |                                   |              |                        |        |  |  |
|                   | <ol style="list-style-type: none"> <li>2. Contents include:             <table border="0" style="margin-left: 20px; width: 80%;"> <tr> <td style="padding-right: 10px;">Music</td> <td>Ringing tones, True Tones...</td> </tr> <tr> <td>Graphics</td> <td>Operator logos, picture messages...</td> </tr> <tr> <td>Video</td> <td>Movies, MTV, Karaoke...</td> </tr> <tr> <td>Games</td> <td>Java, SMS, WAP...</td> </tr> <tr> <td>MMS</td> <td>Celebrities, sport, art, humor...</td> </tr> <tr> <td>Java applications</td> <td>Football Channel, News Channel...</td> </tr> <tr> <td>Infotainment</td> <td>News, traffic, weather</td> </tr> <tr> <td>Others</td> <td>SMS voting engine, Service Delivery Engine</td> </tr> </table> </li> </ol> | Music   | Ringing tones, True Tones... | Graphics | Operator logos, picture messages... | Video | Movies, MTV, Karaoke... | Games | Java, SMS, WAP... | MMS | Celebrities, sport, art, humor... | Java applications | Football Channel, News Channel... | Infotainment | News, traffic, weather | Others | SMS voting engine, Service Delivery Engine | <ol style="list-style-type: none"> <li>2. The Group can collect information for the customer relationship management purposes for the brands/corporations</li> </ol> |
| Music             | Ringing tones, True Tones...  |   |                              |          |                                     |       |                         |       |                   |     |                                   |                   |                                   |              |                        |        |  |  |
| Graphics          | Operator logos, picture messages...   |   |                              |          |                                     |       |                         |       |                   |     |                                   |                   |                                   |              |                        |        |  |  |
| Video             | Movies, MTV, Karaoke...   |   |                              |          |                                     |       |                         |       |                   |     |                                   |                   |                                   |              |                        |        |  |  |
| Games             | Java, SMS, WAP...   |   |                              |          |                                     |       |                         |       |                   |     |                                   |                   |                                   |              |                        |        |  |  |
| MMS               | Celebrities, sport, art, humor...   |   |                              |          |                                     |       |                         |       |                   |     |                                   |                   |                                   |              |                        |        |  |  |
| Java applications | Football Channel, News Channel...   |   |                              |          |                                     |       |                         |       |                   |     |                                   |                   |                                   |              |                        |        |  |  |
| Infotainment      | News, traffic, weather  |   |                              |          |                                     |       |                         |       |                   |     |                                   |                   |                                   |              |                        |        |  |  |
| Others            | SMS voting engine, Service Delivery Engine  |   |                              |          |                                     |       |                         |       |                   |     |                                   |                   |                                   |              |                        |        |  |  |
|                   | <ol style="list-style-type: none"> <li>3. Through the Group, Telco gets an access to some of the Asia's biggest mobile entertainment content pool usually just by doing one technical integration, one agreement and one negotiation round</li> </ol>   |   |                              |          |                                     |       |                         |       |                   |     |                                   |                   |                                   |              |                        |        |  |  |

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	<b>Business model</b>			
	<b>Telco (on-portal operator)</b>	<b>Brand (off-portal)</b>		
Revenue source	The Group shares revenue from Telcos which onwardly bill their individual mobile phone users subscribing for the mobile data download plan, on the basis of (i) fixed monthly fee or (ii) exact number of item downloaded.	The Group receives fixed project income directly from the brands/corporations.		
Revenue proportion <sup>1</sup>	90% roughly	10% roughly		
Turnover by geographical segments	<b>Year ended 31 March</b>			
	<b>2007</b>	<b>2008</b>	<b>2009</b>	
	Hong Kong/Macau	59.6%	94.9%	92.9%
	Singapore	4.7%	0.0%	1.0%
	Taiwan	2.6%	1.9%	1.2%
	Australia	32.7%	1.8%	2.4%
Number of staff	Not less than 25 (excluding the Group's interest in an associate) at the Latest Practicable Date			
In-house platform	The Group has developed its patented MobileSurf <sup>®</sup> mobile data platform for multimedia applications in 3G and 2.5G networks across Asia			

*Source: website of the Company and discussion with the Directors*

*Note:*

- For the nine months ended 31 December 2009

Among the various geographical markets in the Asia Pacific region, we observe that Hong Kong/Macau had been the main revenue contributor to the Group's turnover for the three most recent financial years. Upon our due diligence review, we understand that the Company further has its China operation via its 43.3% share of interest in an associate in Guangzhou, which became the major contributor to the profit attributable to Shareholders for the two most recent financial years.

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## LETTER FROM MITSUBISHI UFJ

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**(b) Income Statement**

We summarise the audited/unaudited consolidated results of the Group for the three most recent financial years and the most recent third quarterly period as follows:

<i>HK\$'000</i>	Year ended 31 March			Nine months ended 31 December
	2007	2008	2009	2009
<b>Turnover</b>	<b>21,717</b>	<b>19,742</b>	<b>20,321</b>	<b>13,453</b>
Gross profit	8,643	8,725	9,636	6,114
Operating profit/(loss)	8,338 <sup>1</sup>	47	(70)	(990)
Share of profit of an associate	105	334	824	852
<b>Profit/(Loss) attributable to Shareholders</b>	<b>7,849<sup>1</sup></b>	<b>382</b>	<b>748</b>	<b>(145)</b>
Dividend	Nil	Nil	Nil	Nil
<i>Gross profit margin</i>	<i>40%</i>	<i>44%</i>	<i>47%</i>	<i>45%</i>
<i>Net profit margin</i>	<i>36%<sup>1</sup></i>	<i>2%</i>	<i>4%</i>	<i>N/A</i>
Net assets	25,771	26,460	27,297	27,331
<i>Return on equity</i>	<i>30%<sup>1</sup></i>	<i>1%</i>	<i>3%</i>	<i>N/A</i>

*Source: annual reports and third quarterly report of the Company*



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As illustrated in the above table, we have the following observation for the three most recent financial years:

- (i) the turnover of the Group had been maintaining within a narrow band of around HK\$20 million;
- (ii) the gross profit margin of the Group had been improving from about 40% to about 47%;
- (iii) the operating profit/(loss) of the Group was minimal for the two most recent financial years;
- (iv) the share of profit of an associate (43.3% attributable to the Group) became the major contributor to the profit attributable to Shareholders for the two most recent financial years, which however the Group has no majority control; and
- (v) the net profit margin of the Group reduced substantially from about 36%<sup>1</sup> to about 4%; and
- (vi) the return on equity of the Group reduced substantially from about 30%<sup>1</sup> to about 3%.

*Note:*

1. During the year ended 31 March 2007, the Group disposed of its key operating subsidiary in Australia, which generated an one-off gain on disposal of approximately HK\$8,960,000.

For the nine months ended 31 December 2009, the Group recorded both operating loss and net loss attributable to Shareholders.

We further note that the Company has not declared any dividend since the Shares were listed on the Stock Exchange in 2003.

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(c) **Balance sheet**

We further summarise below the most recent interim unaudited consolidated balance sheet of the Group as at 30 September 2009:

<i>HK\$'000</i>	<b>As at 30 September 2009</b>
<b>Non-current assets</b>	<b>8,971</b>
– Property, plant and equipment	332
– Interests in an associate	8,639
<b>Current assets</b>	<b>22,243</b>
– Trade and other receivables	3,367
– Financial assets at fair value through profit or loss	6,046
– Cash and deposits with banks	12,830
<b>Current liabilities</b>	<b>3,853</b>
– Trade and other payables	3,853
<b>Net asset value</b>	<b>27,361</b>
– Share capital	36,977
– Reserves	(9,616)

*Source: Interim report of the Company*

We note that “Cash and deposits with banks”, “Interests in an associate” and “Financial assets at fair value through profit or loss” were the major components of the Group’s assets, representing about 41%, 28% and 19% respectively of the total assets of the Group as at 30 September 2009. We have enquired with the Directors and understand therefrom that (i) the Group’s “Interests in an associate” represents the Group’s China operation; and (ii) the Group’s “Financial assets at fair value through profit or loss” represents certain foreign currency-linked notes acquired for short-term investment purposes from a financial institution with maturity period ranging from 1 month to 2 months.

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## LETTER FROM MITSUBISHI UFJ

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Upon our due diligence review on subsequent material contracts entered by the Group, we note that as at 31 March 2010, the Company had premium deposits linked to foreign currencies of approximately HK\$8,000,000 that were mainly linked to Australian Dollars and British Pounds. Based on the foregoing, we understand that the Group is exposed to potential “change in fair value of financial assets through profit or loss” for the year ending 31 March 2010, subject to the relevant foreign currency rate movement. In any event, we have been confirmed by the Company that the said currency-linked notes are not “accumulator” in nature, which would otherwise subject the noteholder to unlimited loss/gain potential.

As far as other current asset is concerned, we understand from the Directors that the trade receivables of the Group are normally due for about 60 days from the Group’s customers (namely, Telcos and the brands/corporations).

On the other hand, the Group had no non-current liabilities as at 30 September 2009. According to the indebtedness statement as set out in the Composite Document, the Group had no bank loan nor any other non-current liabilities as at 31 March 2010.

As illustrated in the preceding table, it comes to our further attention that the net assets of the Group had been on a slightly improving trend for the three most recent financial years.

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## LETTER FROM MITSUBISHI UFJ

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**(d) Cashflow statement**

We further summarise the audited/unaudited consolidated cashflow statements of the Group for the three most recent financial years and for the most recent interim period as follows:

<i>HK\$'000</i>	Year ended 31 March			Six months ended 30 September
	2007	2008	2009	2009
Cash inflow/(outflow) from operating activities	(1,013)	(389)	258	(923)
Cash inflow/(outflow) from investing activities	(4,576)	8,181	3,572	(6,034)
Cash inflow/(outflow) from financing activities	(407)	–	54	–
<b>Net change in cash and cash equivalents</b>	<b>(5,996)</b>	<b>7,792</b>	<b>3,884</b>	<b>(6,957)</b>

*Source: annual reports and interim report of the Company*

As illustrated above, we note that the Group recorded noticeable cash inflow from investing activities for two most recent financial years, which however was mainly attributable to “decrease in bank deposit with maturity greater than three months”.

In any event, we note that the cash and cash equivalents of the Group decreased from approximately HK\$14,068,000 in 1 April 2006 to approximately HK\$12,830,000 in 30 September 2009.

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## LETTER FROM MITSUBISHI UFJ

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**(e) Industry overview and future outlook**

We set out the key statistics of Hong Kong wireless services sector in the table below, which reveals the growing trend of (i) number of public mobile customers, (ii) number of short message service (“SMS”) and (iii) mobile data usage from December 2004 to December 2009:

Month	Public Mobile Customers					Short Message Service				Mobile Data Usage (MBytes)	
	Total	Activated				Per Mobile Customer				Total	Per 2.G + 3G Customer
		Pre-paid SIM	2.5G + 3G Customers	3G Customers	MVNO Customers	Sent	Received	Sent	Received		
12/2009	12,206,901	4,543,291	5,004,264	3,819,186	801,179	532,895,334	734,353,192	49	67	638,388,712	127.6
12/2008	11,374,224	4,251,801	3,490,602	2,812,002	834,517	436,600,919	611,215,487	42	59	133,145,730	38.1
12/2007	10,588,504	3,934,477	2,947,378	2,004,565	724,187	334,773,143	504,974,534	35	52	32,301,563	11.0
12/2006	9,444,140	3,393,376	2,206,586	1,331,651	689,667	256,644,954	393,378,089	30	46	9,076,723	4.1
12/2005	8,544,255	3,000,827	1,848,254	635,965	529,554	173,790,031	277,383,505	22	36	4,603,736	2.5
12/2004	8,157,960	2,653,458	1,349,015	N/A	N/A	118,882,924	208,907,525	16	29	2,330,444	1.7

*Source: Office of Telecommunications Authority of Hong Kong Government (OFTA)*

Upon review of the latest third quarterly report of the Company, we note that 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 both in premium services and advertising model associated with existing channels. We further understand from the Directors that the Group is doing applications development for new customers on the new smartphone platforms such as iPhone and Blackberry.

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## LETTER FROM MITSUBISHI UFJ

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We have discussed with the Directors and understand therefrom that the key competitive strength of the Group is its established relationship and network with a number of Telcos and content providers, thereby resulting in the Group's strong content distribution capability, which in turn is facilitated by a dedicated team of professional software programmers who had been working together for years. Notwithstanding that, we understand that the Group's core business has been suffering from low net profit margin level. Although the Group recorded positive gross profit margin given its revenue model of "profit sharing" with Telcos (amounting to not less than 40% of the Group's annual turnover for each of the three most recent financial years and the most recent third quarterly period), the Group is used to incur

- (i) sizeable employment costs (representing salaries of marketing staff, operational staff and back-office staff (including the Directors) employed by the Group mainly in Hong Kong) amounting to roughly 25% of the Group's annual turnover;
- (ii) sizeable other operating costs (representing mainly rental costs of office and data centre leased by the Group in Hong Kong) amounting to roughly 15% of the Group's annual turnover; and
- (iii) research and development expenses (representing mainly salaries of software programmers employed by the Group in Hong Kong) amounting to roughly 7.5% of the Group's annual turnover.

Meanwhile, during the recent years, there were complaint cases widely reported in the mass media that Telcos and/or mobile data solution providers in Hong Kong were over-charging mobile phone subscribers who were misled to download excessive mega bytes of data or SMS messages on an unintentional basis. As a result of such allegedly mal-practice of some of the market practitioners, we understand that some mobile phone subscribers may tend to become less eager to utilise mobile data service than before, and some Telcos may tend to become less enthusiastic to deploy new mobile data service from mobile data solution providers in Hong Kong.

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## LETTER FROM MITSUBISHI UFJ

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In summary, we note that the Group fails to demonstrate a positive operating profit track record for the most recent financial year ended 31 March 2009 and for the most recent nine months ended 31 December 2009, despite the Group managed to maintain its turnover within a narrow band of around HK\$20 million for the three most recent financial years. We understand that the Group, as a mobile data solutions provider, has to cope with competition from a number of market players, including (i) those existing ones which are of smaller scale than the Group; and (ii) those major corporations creating new companies or divisions to enter this market, in the context that the barrier to entry for this industry is not high given it is comparatively less capital-intensive in nature. Demonstrably, the Group's "Property, plant and equipment" merely accounted for about 1% of the total assets of the Group as at 30 September 2009, which mainly comprised computers and data servers.

We consider that the future outlook of the Group would hinge on the successful exploration of new products (e.g. Apps) and successful maintenance of its market share in Hong Kong/Macau, subject to a number of risk factors including technological changes in the rapidly evolving mobile telecommunication industry in terms of development of new mobile gadget models (e.g. iPhone, iPad, GPhone) and new platforms (e.g. JAVA, Symbian, Widget, Windows Mobile, Android), which could render any pre-existing competitive strength of the Group becoming less prevalent than before. As the Group is highly likely to continue to operate in a challenging business environment in the near future, we consider that the future profitability of the Group is subject to uncertainty.

### **(ii) Share price performance and trading liquidity**

We note that the Offer Price of HK\$0.2 per Offer Share is identical to the consideration per Sale Share payable by the Offeror pursuant to the S&P Agreement. The Offer Price represents:

- (i) a discount of approximately 12.7% to the closing price of HK\$0.229 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 3.8% to the average closing price of HK\$0.208 per Share as quoted on the Stock Exchange for the 5 Trading Days up to and including the Last Trading Day;

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## LETTER FROM MITSUBISHI UFJ

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- (iii) a premium of approximately 3.1% over the average closing price of HK\$0.194 per Share as quoted on the Stock Exchange for the 10 Trading Days up to and including the Last Trading Day;
- (iv) a premium of approximately 23.5% over the average closing price of HK\$0.162 per Share as quoted on the Stock Exchange for the 30 Trading Days up to and including the Last Trading Day;
- (v) a premium of approximately 31.6% over the average closing price of HK\$0.152 per Share as quoted on the Stock Exchange for the 60 Trading Days up to and including the Last Trading Day;
- (vi) a premium of approximately 33.3% over the average closing price of HK\$0.150 per Share as quoted on the Stock Exchange for the 90 Trading Days up to and including the Last Trading Day;
- (vii) a premium of approximately 35.1% over the average closing price of HK\$0.148 per Share as quoted on the Stock Exchange for the 180 Trading Days up to and including the Last Trading Day;
- (viii) a premium of approximately 37.9% over the average closing price of HK\$0.145 per Share as quoted on the Stock Exchange for the 250 Trading Days up to and including the Last Trading Day;
- (ix) a discount of 20% to the closing price of HK\$0.25 per Share as quoted on the Stock Exchange on the last Trading Day immediately preceding the Latest Practicable Date (whereas trading of Shares was suspended on the Latest Practicable Date); and
- (x) a premium of approximately 250.9% over the unaudited consolidated net asset value of approximately HK\$0.057 per Share as at 30 September 2009 (based on the unaudited accounts of the Company for the six months ended 30 September 2009 and the number of Shares in issue as at the Latest Practicable Date).



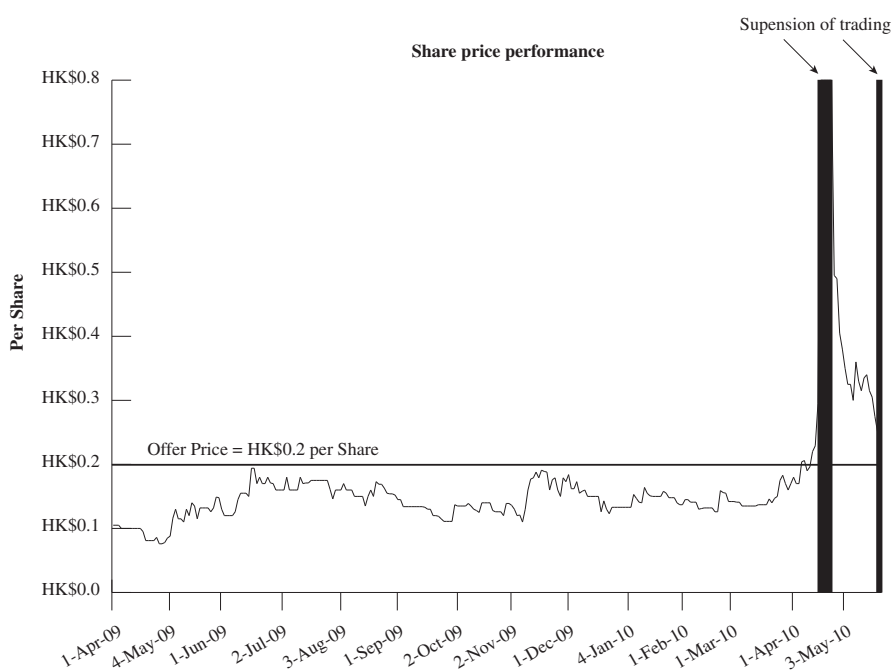
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## LETTER FROM MITSUBISHI UFJ

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**(a) Historical Share price performance**

For the purpose of further comparing the Offer Price of HK\$0.2 per Offer Share with the market price of the Shares, we plot the closing price level of the Shares traded on the Stock Exchange from 1 April 2009 to 20 April 2010 (being the Last Trading Day) and further up to the Latest Practicable Date (the “Review Period”) as follows:



Source: Bloomberg

Note: Trading of Shares was suspended from 2:30 pm on 20 April 2010 to 27 April 2010, pending the release of the joint announcement dated 27 April 2010 relating to the change in controlling Shareholder and mandatory conditional cash offers (the “Joint Announcement”)

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## LETTER FROM MITSUBISHI UFJ

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During the Review Period, the closing price of the Shares ranged from the lowest of HK\$0.076 per Share recorded on 28 and 29 April 2009 to the highest of HK\$0.495 per Share recorded on 28 April 2010. The Offer Price represents a premium of approximately 163.2% over the lowest closing price per Share during the Review Period, and a discount of approximately 59.6% to the highest closing price per Share during the Review Period.

We note from the above graph that during most of the Review Period, the Shares were traded within the range of about HK\$0.1 to HK\$0.2 per Share. During the entire Review Period, the actual closing price per Share recorded during 256 days out of a total of 277 Trading Days was lower than the Offer Price (representing approximately 92% of the whole period).

Pursuant to Rule 17.10 of the GEM Listing Rules, the Company issued a profit warning announcement dated 3 November 2009 on the unaudited interim results of the Group for the six months ended 30 September 2009, citing that the Group might post a loss as compared to a profit for the six months ended 30 September 2008.

Pursuant to Rule 17.10 of the GEM Listing Rules, the Company issued another profit warning announcement dated 5 February 2010 on the unaudited third quarterly results of the Group for the nine months ended 31 December 2009, citing that the Group might post a loss as compared to a profit for the nine months ended 31 December 2008.

Immediately after the resumption of trading of the Shares on 28 April 2010, the closing price of the Company advanced up to HK\$0.495 per Share. We consider such substantial increase in the closing price of the Shares might reflect the market response to the Offers. Subsequently, we observe that the closing prices per Share experienced a general downward trend and slid back to HK\$0.25 per Share on the last Trading Day immediately preceding the Latest Practicable Date (whereas trading of Shares was suspended on the Latest Practicable Date). The Offer Price represents a discount of 20% to the closing price of HK\$0.25 per Share on the last Trading Day immediately preceding the Latest Practicable Date.

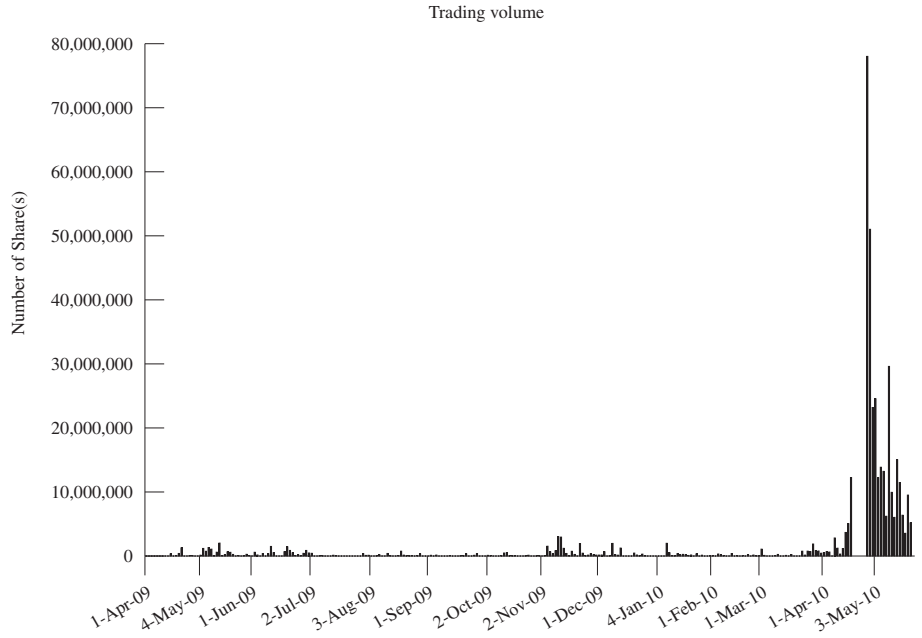
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## LETTER FROM MITSUBISHI UFJ

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**(b) Liquidity**

For the purpose of assessing the trading liquidity of the Shares, the following chart shows the daily trading volume of the Shares during the Review Period:



Source: Bloomberg

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## LETTER FROM MITSUBISHI UFJ

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Month	Highest daily turnover <i>(in number of Shares)</i>	Lowest daily turnover <i>(in number of Shares)</i>	Average daily turnover <i>(in number of Shares)</i>	Number of Trading Days with no turnover <i>(in days)</i>	Percentage of average daily turnover to total number of Shares held by the Independent Shareholders <sup>2</sup>	Percentage of average daily turnover to total number of Shares in issue <sup>1</sup> <i>(%)</i>
Apr-09	1,264,000	0	110,800	14	0.02%	0.04%
May-09	2,016,000	0	488,421	2	0.10%	0.16%
Jun-09	1,496,000	0	410,545	6	0.09%	0.14%
Jul-09	424,000	0	57,091	14	0.01%	0.02%
Aug-09	752,000	0	97,524	9	0.02%	0.03%
Sep-09	344,000	0	54,182	14	0.01%	0.02%
Oct-09	488,000	0	67,200	8	0.01%	0.02%
Nov-09	2,984,000	0	722,667	2	0.15%	0.24%
Dec-09	1,968,000	0	248,000	9	0.05%	0.08%
Jan-10	1,984,000	0	214,000	7	0.04%	0.07%
Feb-10	392,000	0	76,444	7	0.02%	0.03%
Mar-10	1,872,000	0	351,478	9	0.07%	0.12%
Apr-10 <sup>3</sup>	78,019,900	0	12,942,454	1	2.70%	4.30%
May-10 <sup>4</sup> (up to the Latest Practicable Date)	29,608,000	3,544,000	11,909,714	0	2.49%	3.96%
Total Trading Days with no turnover				102		
Total Trading Days				277		

*Source: Bloomberg*

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## LETTER FROM MITSUBISHI UFJ

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*Notes:*

1. Based on the total number of 478,742,976 Shares in issue as at the Latest Practicable Date
2. Based on the total number of 300,957,115 Shares held by the Independent Shareholders as at the Latest Practicable Date.
3. Trading of Shares was suspended from 2:30 p.m. on 20 April 2010 to 27 April 2010, pending the release of the Joint Announcement.
4. Trading of Shares was suspended from 9:30 a.m. on 24 May 2010 to the Latest Practicable Date.

During the Review Period, no trading of the Shares was recorded on 102 Trading Days on the Stock Exchange. As illustrated in the table above, the average trading volume of the Shares during the Review Period had been relatively thin prior to April 2010 (being not more than 722,667 Shares daily, representing not more than approximately 0.24% of the total number of Shares held by the Independent Shareholders as at the Latest Practicable Date). However, in April 2010, the maximum daily trading volume increased to 78,019,900 Shares (representing approximately 25.9% of the total number of Shares held by the Independent Shareholders as at the Latest Practicable Date), which was incidental to the publication of the Joint Announcement. As such, we consider the liquidity of the Shares was thin during most of the Review Period.

**(iii) Valuation**

As set out in the Letter from the Board, the consideration for the Sale Shares is HK\$35,557,172.2 (equivalent to HK\$0.2 per Sale Share) which was agreed between the Offeror and the Vendor after arm's length negotiations with reference to the most recent published financial information of the Group, the prospects of the Group's business and potential synergies arising from the acquisition of the control of the Group by the Offeror.

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## LETTER FROM MITSUBISHI UFJ

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**(a) Price/earnings multiple**

As the Company is principally engaged in the business of development, provision and sales of mobile internet communication, telecommunication and related services, reference to price/earnings multiple should be one of the most common approaches adopted by the investment community in valuing such kind of revenue-generating entity. With reference to a combined list of companies (as generated by each of Bloomberg, infocast and e-finet) engaging in provision of mobile data solutions or mobile value-added services similar to that of the Company (which together are considered as an exhaustive list to the best of our knowledge), we have identified six comparable companies listed on the Stock Exchange (the “Comparables”), details of which are set out below:

Name	Ticker	Principal business	Market Capitalisation <sup>1</sup>	Net profit attributable to shareholders <sup>2</sup>	P/E (3)= (1)/(2)	Net asset value <sup>2</sup>	P/B (5)= (1)/(4)
			(1) (HK\$' million)	(2) (HK\$' million)	(times)	(4) (HK\$' million)	(times)
Tencent Holdings Ltd	700 HK Equity	Provision of internet and mobile value-added services and online advertising services	288,723.5	5,863.0	49.2	13,849.4	20.8
A8 Digital Music Holdings Ltd	800 HK Equity	Selling music content through mobile phones as ringtone, ringback tone and interactive voice response music in the PRC	2,366.7	116.0	20.4	548.1	4.3
Champion Technology Holdings Ltd	92 HK Equity	Sale of general system product; provision of service; software licensing, lease of system product, investment in telecommunication network, e-commerce project; strategic investment in advanced technology product development companies	1,028.8	74.6	13.8	7,030.7	0.1

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## LETTER FROM MITSUBISHI UFJ

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Name	Ticker	Principal business	Market Capitalisation <sup>1</sup>	Net profit attributable to shareholders <sup>2</sup>	P/E	Net asset value <sup>2</sup>	P/B
			(1)	(2)	(3)=	(4)	(5)=
			(HK\$' million)	(HK\$' million)	(1)/(2)	(HK\$' million)	(1)/(4)
					(times)		(times)
Palmpay China Holdings Ltd	8047 HK Equity	Provision of mobile payment gateway services in the PRC	908.5	20.1	45.3	322.1	2.8
Prosten Technology	8026 HK Equity	Provision of solution integration services and wireless mobile value add service	301.2	15.6	19.3	58.8	5.1
Zheda Lande Scitech Ltd	8106 HK Equity	Provision of telecommunication solutions, trading of hardware and computer software, provision of telecommunication value-added services and investment holding	114.1	(6.9)	N/A	91.1	1.3
				Median =	20.4		3.6
				Mean =	29.6		5.7
				Maximum =	49.2		20.8
				Minimum =	13.8		0.1
Offer Price of HK\$0.2 per Offer Share	8266 HK Equity	Development, provision and sales of mobile internet communication, telecommunications and related services	94.682	0.748	126.6	27.331	3.5

Source: Bloomberg, infocast, e-finet and www.hkex.com.hk

Note:

1. Based on the latest closing share price data as published by 22 April 2010 (being the date of the S&P Agreement).
2. Based on the latest financial data (net profit/net asset values) as published in the respective annual/interim/quarterly reports by 22 April 2010 (being the date of the S&P Agreement).

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## LETTER FROM MITSUBISHI UFJ

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As illustrated in the above table, we note that the price/earnings multiple as represented by the Offer Price of approximately 126.6 times is higher than the median of the Comparables of approximately 20.4 times and the mean of approximately 29.6 times, and is exceeding the range of the Comparables from approximately 13.8 times to approximately 49.2 times.

Hence, from the sole perspective of price/earnings multiple with reference to the Comparables, we consider that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

**(b) Price/book multiple**

For further assessment purpose, we upon comparison note that each of the price/book multiple as represented by the Offer Price of approximately 3.5 times is lower than the median of the Comparables of approximately 3.6 times and the mean of approximately 5.7 times, but is still falling within the range of the Comparables from approximately 0.1 times to approximately 20.8 times.

Hence, from the sole perspective of price/book multiple with reference to the Comparables, we consider that the Offer Price is not attractive so far as the Independent Shareholders are concerned. In any event, it may not be most relevant in general to assess the Offer Price by reference solely to the Company's net assets, because the Company is principally engaged in IT business and, hence, reference to its net assets level is less meaningful than reference to its earnings level given its non-asset based nature of business.

**(c) Dividend yield**

The Company did not pay out any dividend for the year ended 31 March 2009. Accordingly, it would not be applicable to assess the Offer Price by means of the dividend yield approach.



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## LETTER FROM MITSUBISHI UFJ

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(iv) **Intention of the Offeror regarding the future prospects of the Group**

(a) ***Business***

As set out in the letter from Taifook Securities (the “Letter from Taifook Securities”) contained in the Composite Document, it is the intention of the Offeror to continue with the existing principal businesses of the Group. The Offeror does not intend to introduce any major changes to the existing operations and business of the Company immediately after the Offers. The Offeror will conduct a more detailed review on the operations of the Group with a view to formulating a suitable business strategy for the Group and will explore other business opportunities and consider whether any assets and/or business acquisitions by the Group will be appropriate in order to enhance its growth. As at the Latest Practicable Date, the Offeror has had no intention or plans for any acquisition or disposal of assets and/or business of the Group or any material changes to the continued employment of the employees of the Group other than in the ordinary course of business.

It is believed by the Offeror that the Offers are commercially justifiable after taking into account the potential cooperation of research and development in an integrated mobile application on oil field’s daily management and other technologies and businesses related to energy sectors. In the absence of any concrete business plan or revenue model available for our review in this connection, it is difficult for us to opine on the actual prospect of such potential cooperation.

(b) ***Directors and management***

We note that the Board comprised two executive Directors and three independent non-executive Directors as at the Latest Practicable Date.

As set out in the Letter from Taifook Securities, after the despatch of the Composite Document, the Offeror will nominate new Director(s) to the Board, representing a majority of the Board. Any changes to the Board composition will be made in compliance with the Takeovers Code and the GEM Listing Rules and a further announcement will be made accordingly.

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## LETTER FROM MITSUBISHI UFJ

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Under the S&P Agreement, it is agreed that the Vendor shall within 14 days after the Completion Date (i) deliver or procure the delivery to the Offeror of the written resignations of all Directors (except Dr. Chan) and the company secretary of the Company with effect from the earliest date permitted by the Takeovers Code, the GEM Listing Rules or other applicable laws and regulations, and (ii) procure a meeting of the Board at which resolutions shall be passed for the acceptance of the resignations as mentioned in (i) above and the appointment of such persons as nominated by the Offeror as Directors and company secretary of the Company with effect from the earliest date permitted by the Takeovers Code, the GEM Listing Rules or other applicable laws and regulations.

In view of the said proposed change in the composition of the Board, we consider the impact of the Offers on the Group's management would be material.

**(v) Maintaining the listing status of the Company**

As set out in the Letter from Taifook Securities, the Offeror intends to maintain the listing of the Shares on GEM after the close of the Offers and will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that a sufficient public float exists for the Shares.

The Stock Exchange has stated that if, upon the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares.

### **RECOMMENDATION ON THE SHARE OFFER**

Having considered the principal factors and reasons set out in the prior sections, in particular, the following:

- (i) the Group's core business has been suffering from low net profit margin level, given the comparatively high operating costs in Hong Kong (in terms of salaries and rental costs);

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## LETTER FROM MITSUBISHI UFJ

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- (ii) the Group fails to demonstrate a positive operating profit track record for the most recent financial year ended 31 March 2009 and for the most recent nine months ended 31 December 2009, and the future profitability of the Group is subject to uncertainty when the Group continues to operate in a competitive business environment where the barrier to entry for this industry is not high given it is comparatively less capital-intensive in nature;
- (iii) the Company has not declared any dividend since the Shares were listed on the Stock Exchange in 2003;
- (iv) the Offer Price represents a premium ranging from approximately 3.1% to 37.9% over the average closing prices per Share as quoted on the Stock Exchange for the 10, 30, 60, 90, 180 and 250 Trading Days up to and including the Last Trading Day;
- (v) during the Review Period, the actual closing price per Share recorded during 256 days out of a total of 277 Trading Days was lower than the Offer Price (representing approximately 92% of the whole period);
- (vi) during the Review Period, no trading of the Shares was recorded on 102 days out of a total of 277 Trading Days on the Stock Exchange, and the average trading volume of the Shares had been relatively thin prior to April 2010 (being not more than 722,667 Shares daily, representing approximately 0.24% of the total number of Shares held by the Independent Shareholders as at the Latest Practicable Date); and
- (vii) the price/earnings multiple represented by the Offer Price of approximately 126.6 times is higher than the median and mean of the Comparables of approximately 20.4 times and approximately 29.6 times,

we consider that the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend to the Independent Shareholders to accept the Share Offer.

Independent Shareholders who wish to realise whole or part of their Shares but believe that they will be unable to sell the Shares in the market at a price higher than the Offer Price because of their size of the shareholding interests may consider the Share Offer as an alternative exit of their investments. However, Independent Shareholders who wish to realise whole or part of their Shares are reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period and consider selling their Shares in the open market during the Offer Period, rather than accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net amount receivable under the Share Offer.

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## LETTER FROM MITSUBISHI UFJ

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On the other hand, for those Independent Shareholders who wish to retain some or all of their Shares as they are attracted by and confident in the prospects and/or the management of the Group after the close of the Share Offer or otherwise, they should carefully consider the intention of the Offeror regarding the Group, details of which are set out in the Letter from Taifook Securities. In any event, the Independent Shareholders should note the possibility that the generally thin trading volume recorded during most of the Review Period may render them difficult to dispose of their Shares in the market after the close of the Share Offer without exerting downward pressure on the price of the Shares. There is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable in the long term, or in the situation where the Share Offer fails to become unconditional.

Independent Shareholders should read carefully the procedures for accepting the Share Offer as detailed in the Letter from Taifook Securities and Appendix I to the Composite Document and are strongly advised that the decision to realise or to hold their investment in the Shares is subject to individual circumstances and investment objectives.

### THE OPTION OFFER

As set out in the Letter from Taifook Securities, as at the Latest Practicable Date, there were a total of 23,454,452 outstanding Share Options entitling the Optionholders to subscribe for the respective sum of 7,728,113, 10,000, 5,234,113, 400,000, 300,000, 5,034,113 and 4,748,113 Shares at the respective exercise price payable on exercise of a Share Option of HK\$0.078, HK\$0.090, HK\$0.101, HK\$0.103, HK\$0.114, HK\$0.134 and HK\$0.191 under (amongst others) the share option scheme and the pre-IPO share option scheme which were approved by the Shareholders on 27 March 2003. The offer prices in cash of the Option Offer have been determined by deducting the exercise price payable on exercise of a Share Option from the Offer Price per Offer Share payable under the Share Offer.

Upon assessing the terms of the Option Offer, we envisage that the adoption of a “see-through” price (representing the difference between the offer price for ordinary shares and any given exercise price of the convertible instrument) is commonly regarded as the minimum offer price for any convertible instrument in conjunction with a general offer for ordinary shares. On such basis, the Share Options would command a respective positive sum of “see-through” price of

- HK\$0.122 (being HK\$0.2 – HK\$0.078),
- HK\$0.110 (being HK\$0.2 – HK\$0.090),
- HK\$0.099 (being HK\$0.2 – HK\$0.101),
- HK\$0.097 (being HK\$0.2 – HK\$0.103),

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## LETTER FROM MITSUBISHI UFJ

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- HK\$0.086 (being HK\$0.2 – HK\$0.114),
- HK\$0.066 (being HK\$0.2 – HK\$0.134), and
- HK\$0.009 (being HK\$0.2 – HK\$0.191).

Accordingly, each of the Share Options is “in-the-money” and the Option Offer is being made exactly at the respective “see-through” price. Based on the foregoing, we consider that the basis of determining the offer prices of the Option Offer is acceptable and the terms of the Option Offer are fair and reasonable so far as the Independent Optionholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend to the Independent Optionholders to accept the Option Offer.

In any event, the Independent Optionholders are advised to exercise their Share Options and dispose of the Shares so converted in the open market if the net proceeds from such actions (after deducting all transaction costs) would exceed the net amount receivable under the Option Offer. Independent Optionholders should exercise caution in doing so and monitor the market closely.

On the other hand, for those Independent Optionholders who wish to retain some or all of their Share Options and/or exercise some or all of their subscription rights under the Share Options and retain their Shares thereupon as they are attracted by and confident in the prospects and/or the management of the Group or otherwise, they should carefully consider the intention of the Offeror regarding the Group, details of which are set out in the Letter from Taifook Securities. In any event, in accordance with the terms of the relevant share option scheme and the pre-IPO share option scheme of the Company as approved on 27 March 2003, Independent Optionholders (other than an Optionholder who is a former Director holding 3,000,000 Share Options with an exercise price of HK\$0.078 which was issued on 4 September 2001 and, hence, are not governed under the said share option scheme(s)) should note that, the Optionholders shall be entitled to exercise the Share Options in full (to the extent not already exercised) only within 14 days after the date on which the Share Offer becomes or is declared unconditional, subsequent to which the Share Options shall lapse automatically and not be exercisable (to the extent not already exercised).

Independent Optionholders should read carefully the procedures for accepting the Option Offer as detailed in the Letter from Taifook Securities and Appendix I to the Composite Document.

Yours faithfully,  
For and on behalf of  
**Mitsubishi UFJ Securities (HK) Capital, Limited**  
**Harry Yu**  
*Executive Director*

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**LETTER FROM ASIAVEST PARTNERS LIMITED REPORTING ON PROFIT  
WARNING ANNOUNCEMENT ISSUED BY THE COMPANY ON 31 MAY 2010**

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**ASIA VEST PARTNERS**

**AsiaVest Partners Limited**

Room 2605,  
Universal Trade Centre,  
3 Arbuthnot Road,  
Central, Hong Kong

31 May 2010

The Directors  
Mobile Telecom Network (Holdings) Limited  
Room 2516, 25/F, North Tower,  
Concordia Plaza, 1 Science Museum Road,  
Tsim Sha Tsui, Kowloon, Hong Kong

**Strictly Private and Confidential**

Dear Sirs,

**Re: Report on profit warning announcement during the mandatory conditional cash offers (the “Offers”) by Taifook Securities Company Limited for and on behalf of China Oil Resources Group Limited (the “Offeror”, a direct wholly-owned subsidiary of PAEH) for all the issued shares and for cancellation of all outstanding share options of Mobile Telecom Network (Holdings) Limited (the “Company”)**

We refer to the profit warning announcement during the above Offers dated on or around 31 May 2010.

For the purpose of the profit warning announcement, we report that:

Based on preliminary review of the unaudited annual consolidated management accounts of the Group, the directors of the Company estimate a consolidated net loss result of the Group for the year ended 31 March 2010 as compared to a profit for the year ended 31 March 2009.

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**LETTER FROM ASIAVEST PARTNERS LIMITED REPORTING ON PROFIT  
WARNING ANNOUNCEMENT ISSUED BY THE COMPANY ON 31 MAY 2010**

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We have reviewed the above information and have discussed with the directors the bases upon which the financial information have been prepared. We have also considered the letter by Ting Ho Kwan & Chan, CPA, the auditors of the Company regarding the procedures performed by them in respect of the accounting policies and calculations adopted by the directors in preparation of the projected financial information. The preparation of such financial information is the sole responsibility of and has been approved by the directors.

There is no assumption made to the forecast loss position.

Based on the above, we are satisfied that the projected financial information in the profit warning announcement has been prepared by the directors of the Company after due care and consideration.

Pursuant to Rule 10.4 of the Hong Kong Code on Takeovers and Mergers, we hereby confirm that we have given and have not withdrawn our written consent to the inclusion and publication of our letter and the references to our name in the form and context in which they appear.

Yours faithfully,

For and on behalf of

**AsiaVest Partners Limited**

**Sam LUM**

*Director*

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**LETTER FROM TING HO KWAN & CHAN REPORTING ON PROFIT  
WARNING ANNOUNCEMENT ISSUED BY THE COMPANY ON 31 MAY 2010**

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**TING HO KWAN & CHAN**

CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

9th Floor, Tung Ning Building  
249-253 Des Voeux Road C.  
Hong Kong



31 May 2010

The Directors  
Mobile Telecom Network (Holdings) Limited  
Room 2516, 25/F, North Tower,  
Concordia Plaza, 1 Science Museum Road,  
Tsim Sha Tsui, Kowloon, Hong Kong

Dear Sirs,

We have performed a reasonable assurance engagement on the principal accounting policies adopted and the calculations used in arriving at a projected loss position of Mobile Telecom Network (Holdings) Limited (the “Company”) for the year ended 31 March 2010 (the “Forecast”), in connection with the mandatory conditional cash offers by Taifook Securities Company Limited for and on behalf of China Oil Resources Group Limited for all the issued shares and for cancellation of all outstanding share options of the Company other than those already owned by China Oil Resources Group Limited and parties acting in concert with it (the “Offers”). The Forecast is stated in the profit warning announcement on 31 May 2010 (the “Announcement”).

**DIRECTORS’ RESPONSIBILITY**

The Directors of the Company are solely responsible for the preparation of the Forecast on a basis consistent with the accounting policies adopted by the Company and its subsidiaries (the “Group”) as set out in the audited consolidated annual financial statements of the Company for the year ended 31 March 2009. This includes designing, implementing and maintaining internal controls relevant to the selection and application of appropriate accounting policies and to ensuring accurate calculations are used in the preparation of the Forecast that is free from material misstatement.



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## **LETTER FROM TING HO KWAN & CHAN REPORTING ON PROFIT WARNING ANNOUNCEMENT ISSUED BY THE COMPANY ON 31 MAY 2010**

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### **AUDITOR'S RESPONSIBILITY**

It is our responsibility to report, as required by Rule 10 of the Codes on Takeovers and Mergers in Hong Kong, on whether, so far as the principal accounting policies and calculations are concerned, the Forecast has been properly compiled on a basis consistent with the accounting policies normally adopted by the Group set out in the audited consolidated annual financial statements of the Company for the year ended 31 March 2009 and, based on our reasonable assurance engagement, to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **BASIS OF CONCLUSION**

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("HKSAE 3000") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance whether, so far as the principal accounting policies and calculations are concerned, the Forecast has been properly compiled on a basis consistent with the accounting policies adopted by the Group in preparing the audited consolidated annual financial statements of the Company as at 31 March 2009.

A reasonable assurance engagement involves performing procedures, the selection of which depend on the auditor's judgment, including the assessment of the risks of significant calculation errors and risks of application of accounting policies materially inconsistent with those adopted by the Group in preparing the audited consolidated annual financial statements of the Company as at 31 March 2009, as appropriate. Within the scope of our work we performed, amongst others, the following procedures:

- a. obtained an understanding of the basis of preparation and the principal accounting policies adopted in preparing the Forecast through inquiry of persons responsible for financial and accounting matters and compared the principal accounting policies used to those adopted in the preparation of the audited consolidated annual financial statements of the Company as at 31 March 2009, as appropriate;
- b. obtained an understanding of the internal controls relevant to the selection and application of the appropriate accounting policies and the preparation of the Forecast that is free from material misstatement;

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**LETTER FROM TING HO KWAN & CHAN REPORTING ON PROFIT  
WARNING ANNOUNCEMENT ISSUED BY THE COMPANY ON 31 MAY 2010**

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- c. obtained an understanding of the estimates made by the Directors during the preparation of the Forecast;
- d. compared the financial data used in preparing the Forecast to the underlying accounting records of the Group;
- e. checked the arithmetical calculations and the compilation of the Forecast; and
- f. such other procedures that we consider necessary in the circumstances in accordance with HKSAE 3000.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

We understand that there is no assumption, other than the normal accounting assumptions and policies, made to the Forecast.

Our reasonable assurance engagement does not constitute an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA. Accordingly, we do not express an audit or review opinion on the Forecast.

## **CONCLUSION**

In our opinion, based on the foregoing, so far as the accounting policies and calculations are concerned, the Forecast has been properly compiled on a basis consistent with the accounting policies adopted by the Group as set out in the audited consolidated annual financial statements of the Company for the year ended 31 March 2009.

We hereby confirm that we have given and have not withdrawn our written consent to the publication of a copy of our letter relating to the Forecast and the references to our name in the form and context in which they appear.

Yours faithfully,

**Ting Ho Kwan & Chan**  
*Certified Public Accountants*  
Hong Kong

## 1. PROCEDURES FOR ACCEPTANCE OF THE OFFERS

### A. The Share Offer

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the completed **WHITE** Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by post or by hand, marked "**Mobile Telecom Network (Holdings) Limited Share Offer**" on the envelop.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer whether in full or in part of your Shares, you must either:
- (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver in an envelope marked "**Mobile Telecom Network (Holdings) Limited Share Offer**" with the completed **WHITE** Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
- (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked "**Mobile Telecom Network (Holdings) Limited Share Offer**" with the completed **WHITE** Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
  - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominee Limited.
- (c) If the share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form of Acceptance should nevertheless be completed and delivered in an envelope marked "**Mobile Telecom Network (Holdings) Limited Share Offer**" to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete the **WHITE** Form of Acceptance and deliver it in an envelope marked "**Mobile Telecom Network (Holdings) Limited Share Offer**" to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable instruction and authority to each of Taifook Securities and/or the Offeror and/or any of their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the **WHITE** Form of Acceptance.

- (e) Acceptance of the Share Offer will be treated as valid only if the completed **WHITE** Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code and the Registrar has recorded that the **WHITE** Form of Acceptance and any relevant documents required have been so received, and is:
- (i) accompanied by the relevant share certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under the other sub-paragraph of this paragraph (e)); or
  - (iii) certified by the Registrar or the Stock Exchange.

If the **WHITE** Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (such as grant of probate or certified copy of power of attorney) to the satisfaction of the Registrar must be produced.

- (f) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Share Offer will be payable by relevant Independent Shareholders at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholder accepting the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent Shareholders accepting the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares.
- (g) No acknowledgement of receipt of any **WHITE** Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

- (h) If the Share Offer lapses, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) lodged with the **WHITE** Form of Acceptance to the relevant Shareholder(s).

**B. The Option Offer**

- (a) If you accept the Option Offer, you should complete the **PINK** Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Option Offer.
- (b) The completed **PINK** Form of Acceptance should be forwarded, together with the relevant document(s) of title of the Share Option(s) (if any) stating the number of Share Options for not less than the number of Share(s) exercisable pursuant to the Share Options in respect of which you intend to accept the Option Offer, by post or by hand to the Company Secretary of the Company at Room 2516, 25th Floor, North Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong, marked “**Mobile Telecom Network (Holdings) Limited Option Offer**” on the envelope, as soon as possible and in any event so as to reach the Company Secretary of the Company at the aforesaid address by no later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) If the Option Offer lapses, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by hand or by ordinary post the document(s) of title of the Share Option (if any) lodged with the **PINK** Form of Acceptance to the relevant Optionholder(s).
- (d) No stamp duty will be deducted from the amount paid to the Independent Optionholders who accept the Option Offer.
- (e) No acknowledgement of receipt of any **PINK** Form of Acceptance and/or document(s) of title of the Share Option(s) (if any) will be given.

## 2. SETTLEMENT

### A. The Share Offer

- (a) Provided that the relevant **WHITE** Form of Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order in all respects and have been received by the Registrar by no later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount representing the cash consideration due to each accepting Independent Shareholder in respect of the Offer Shares tendered by him under the Share Offer, less seller's ad valorem stamp duty payable by him, will be despatched to each accepting Independent Shareholder by ordinary post at his own risk as soon as possible but in any event within 10 days of the later of (i) the Unconditional Date and (ii) the date on which all the relevant documents which render such acceptance complete and valid are received by the Registrar.
- (b) Settlement of the consideration to which any Independent Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

### B. The Option Offer

- (a) Provided that the relevant **PINK** Form of Acceptance and the relevant document(s) of title of the Share Option(s) (if any) are in complete and good order in all respects and have been received by the Company by no later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount representing the cash consideration due to each accepting Independent Optionholder in respect of the Share Options surrendered by him under the Option Offer will be despatched to each accepting Independent Optionholder by ordinary post at his own risk as soon as possible but in any event within 10 days of the later of (i) the Unconditional Date and (ii) the date on which all the relevant documents which render such acceptance complete and valid are received by the Company.

- (b) Settlement of the consideration to which any Independent Optionholder is entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Optionholder.

### 3. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offers have previously been revised or extended with the consent of the Executive or have previously become or been declared unconditional, all acceptances of the Share Offer must be received by the Registrar and all acceptances of the Option Offer must be received by the Company by 4:00 p.m. on 24 June 2010, being the First Closing Date. In accordance with Rule 15.3 of the Takeovers Code, where the Offers become or are declared unconditional, they should remain open for acceptance for not less than 14 days thereafter. If the next closing date is not stated in the announcement announcing the unconditionality of the Offers, at least 14 days' notice in writing must be given before the Offers are closed to those Independent Shareholders and those Independent Optionholders who have not accepted the Offers. The Offeror will make an announcement as and when the Offers become or are declared unconditional.
- (b) The Offeror reserves the right to revise the Offers in accordance with the relevant provisions of the Takeovers Code.
- (c) If the Offers are extended or revised, the announcement of such extension or revision will state the next closing date and the Offers will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the extension or revision to the Independent Shareholders and Independent Optionholders and, unless previously extended or revised, shall be closed on the subsequent closing date. If the Offeror revises the terms of the Share Offer and/or the Option Offer, all Independent Shareholders and/or Independent Optionholders, whether or not they have already accepted the Share Offer or the Option Offer (as the case may be), will be entitled to accept the revised Offers under the revised terms. The benefit of any revision of the Offers will be available to any Independent Shareholder and/or any Independent Optionholder who has/have previously accepted the Share Offer and/or the Option Offer (as the case may be). The execution by or on behalf of any Independent Shareholder who has previously accepted the Share Offer or any Independent Optionholder who has previously accepted the Option Offer (as the case may be) of any **WHITE** Form of Acceptance or any **PINK** Form of Acceptance (as the case may be) shall be deemed to constitute acceptance of the revised Share Offer or Option Offer (as the case may be) unless such holder becomes entitled to withdraw his or her acceptance and duly does so.



- (d) The Offeror may introduce new conditions to be attached to any revision to the terms of the Offers, or any subsequent revision thereof, but only to the extent necessary to implement the revised Offers and subject to the consent of the Executive.
- (e) In order to be valid, acceptances must be received by the Registrar (for the Share Offer) or the Company (for the Option Offer) in accordance with the instructions printed on the relevant Form(s) of Acceptance by no later than 4:00 p.m. on the First Closing Date, unless the Offers are extended or revised.
- (f) If the closing date of the Offers is extended, any reference in this Composite Document and in the Form(s) of Acceptance to the closing date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offers as so extended.

#### **4. NOMINEE REGISTRATION**

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Offer Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

#### **5. ANNOUNCEMENTS**

- (a) By 6:00 p.m. on 24 June 2010 (or such later time and/or date as the Executive agrees) which is the First Closing Date, the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, or extension, expiry or unconditionality of the Offers. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the First Closing Date stating the results of the Offers and whether the Offers have been revised or extended, have expired or have become or been declared unconditional.

The announcement must state the total number of Shares and rights over Shares:

- (i) for which acceptances of the Offers have been received;
- (ii) held, controlled or directed by the Offeror or persons acting in concert with it before the Offer Period; and

- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror or persons acting in concert with it.

The announcement must also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent (save for any borrowed shares which have been either on-lent or sold) and specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) In computing the total number of Offer Shares represented by acceptances, for announcement purposes, acceptances which are not in all respects in complete and good order or that are subject to verification may only be included where they could be counted towards fulfilling the acceptance condition under paragraph 1A(e) of this Appendix.
- (c) As required under the Takeovers Code, all announcements in respect of the listed companies must be made in accordance with the requirements of the Listing Rules. Given that the Company is a company listed on GEM and PAEH is a company listed on main board of the Stock Exchange, announcements made by them in respect of the Offers are required to be made in accordance with the GEM Listing Rules and the Listing Rules.

## **6. RIGHT OF WITHDRAWAL**

- (a) Acceptance of the Offers tendered by the Independent Shareholders and the Independent Optionholders, as the case may be, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below or in compliance with Rule 17 of the Takeovers Code which provides that an acceptor shall be entitled to withdraw his acceptances within 21 days from the First Closing Date, if the Offers have not by then become unconditional as to acceptances.
- (b) In circumstances set out in Rule 19.2 of the Takeovers Code, which provides that if the Offeror is unable to comply with any of the requirements of Rule 19 of the Takeovers Code, the Executive may require that the Independent Shareholders and the Independent Optionholders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

**7. GENERAL**

- (a) All communications, notices, Form(s) of Acceptance, certificates of Shares or Share Options (if any), transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders and the Independent Optionholders will be delivered by or sent to or from them, or their designated agents by post at their own risk, and none of the Company, the Offeror, Taifook Capital, Taifook Securities, AsiaVest Partners Limited, Mitsubishi UFJ, the Registrar nor any of their respective directors or professional advisers or other parties involved in the Offers or any of their respective agents accepts any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form(s) of Acceptance form part of the terms of the Offers.
- (c) The accidental omission to despatch this Composite Document and/or Form(s) of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form(s) of Acceptance will constitute an authority to the Offeror, Taifook Securities or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Offer Shares and the Share Options (as the case may be) in respect of which such person or persons has/ have accepted the Offers.
- (f) Acceptance of the Offers by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that the Offer Shares acquired under the Share Offer, and the Share Options accepted and cancelled under the Option Offer, are sold by such person or persons free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto including the rights to receive all future dividends or other distributions declared, paid or made on the Offer Shares, on or after 22 April 2010, being the Completion Date.

- (g) References to the Offers in this Composite Document and the Form(s) of Acceptance shall include any revision and/or extension thereof.
- (h) The making of the Offers to the Overseas Shareholders and the Overseas Optionholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders and the Overseas Optionholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each Overseas Shareholder and Overseas Optionholder who wishes to accept the Offers to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including, but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such Overseas Shareholders and Overseas Optionholders shall be fully responsible for the payment of any transfer or other taxes and duties due by such Overseas Shareholders or Overseas Optionholders in respect of the relevant jurisdictions. The Overseas Shareholders and the Overseas Optionholders are recommended to seek professional advice on deciding whether or not to accept the Offers.
- (i) Acceptances of the Offers by any persons will be deemed to constitute a warranty by such persons that such persons are permitted under all applicable laws and regulations to receive and accept the Offers, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws and regulations. Any such persons will be responsible for any such issue, transfer and other applicable taxes or other governmental payments payable by such persons.
- (j) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the Offers) to all or any Independent Shareholders and Independent Optionholders with registered address(es) outside Hong Kong or whom the Offeror or Taifook Securities knows to be nominees, trustees or custodians for such persons by announcement in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Independent Shareholders or Independent Optionholders to receive or see such notice, and all references in this Composite Document to notice in writing shall be construed accordingly.

- (k) In making their decision, the Independent Shareholders and the Independent Optionholders must rely on their own examination of the Offeror, the Group and the terms of the Offers, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form(s) of Acceptance shall not be construed as any legal or business advice on the part of PAEH, the Offeror, the Company or Taifook Securities or their respective professional advisers. The Independent Shareholders and Independent Optionholders should consult their own professional advisers for professional advice.
  
- (l) The English texts of this Composite Document and the Forms of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation in case of inconsistency.

## 1. FINANCIAL SUMMARY

The following is a summary of the consolidated financial statements of the Group as extracted from its annual reports for the years ended 31 March 2007, 2008 and 2009, its interim report for the six months ended 30 September 2009 and its quarterly report for the nine months ended 31 December 2009.

## EXTRACTS OF CONSOLIDATED INCOME STATEMENTS

	Notes	For the nine	For the six	For the year ended 31 March		
		months ended 31 December 2009	months ended 30 September 2009	2009	2008	2007
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover		<u>13,453</u>	<u>8,720</u>	<u>20,321</u>	<u>19,742</u>	<u>21,717</u>
(Loss)/Profit before taxation		(138)	(60)	754	381	8,484
Taxation		<u>(7)</u>	<u>(6)</u>	<u>(6)</u>	<u>(8)</u>	<u>(261)</u>
(Loss)/Profit for the period/year		<u>(145)</u>	<u>(66)</u>	<u>748</u>	<u>373</u>	<u>8,223</u>
<b>Attributable to:</b>						
Equity holders of the Company		(145)	(66)	748	382	7,849
Non-controlling/Minority interests		<u>-</u>	<u>-</u>	<u>-</u>	<u>(9)</u>	<u>374</u>
		<u>(145)</u>	<u>(66)</u>	<u>748</u>	<u>373</u>	<u>8,223</u>
<b>(Loss)/Earnings per share for (loss)/profit for the period/ year attributable to the equity holders of the Company</b>						
- Basic	<i>1(a)</i>	<u>(0.031) cent</u>	<u>(0.014) cent</u>	<u>0.16 cent</u>	<u>0.08 cent</u>	<u>1.66 cents</u>
- Diluted	<i>1(b)</i>	<u>(0.031) cent</u>	<u>(0.014) cent</u>	<u>0.16 cent</u>	<u>0.08 cent</u>	<u>1.62 cents</u>
Dividends		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Dividends per share		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## EXTRACTS OF CONSOLIDATED BALANCE SHEETS

	As at		As at 31 March	
	30 September	2009	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	<u>31,214</u>	<u>31,855</u>	<u>30,614</u>	<u>29,211</u>
Total liabilities	<u>3,853</u>	<u>4,558</u>	<u>4,154</u>	<u>3,440</u>

There were no extraordinary items or exceptional items for the nine months ended 31 December 2009 and each of the three years ended 31 March 2009. There was no qualification in the auditor's reports issued by Ting Ho Kwan & Chan for each of the three years ended 31 March 2009.

Notes:

1. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

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

	For the nine	For the six	For the year ended 31 March		
	months ended	months ended	2009	2008	2007
	31 December	30 September	HK\$'000	HK\$'000	HK\$'000
	2009	2009			
	HK\$'000	HK\$'000			
(Loss)/Profit for the period/year attributable to equity holders of the Company	<u>(145)</u>	<u>(66)</u>	<u>748</u>	<u>382</u>	<u>7,849</u>
Weighted average number of ordinary shares in issue during the period/year	<u>473,411,363</u>	<u>473,411,363</u>	<u>473,235,473</u>	<u>472,811,363</u>	<u>472,811,363</u>
Basic (loss)/earnings per share	<u>(0.031) cent</u>	<u>(0.014) cent</u>	<u>0.16 cent</u>	<u>0.08 cent</u>	<u>1.66 cents</u>

**(b) Diluted (loss)/earnings per share**

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

	For the nine months ended 31 December 2009 <i>HK\$'000</i>	For the six months ended 30 September 2009 <i>HK\$'000</i>	For the year ended 31 March		
			2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
(Loss)/Profit for the period/year attributable to equity holders of the Company	(145)	(66)	748	382	7,849
Weighted average number of ordinary shares in issue during the period/year	473,411,363	473,411,363	473,235,473	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 period/year	6,626,465	6,358,494	2,901,072	6,010,138	10,258,113
	480,037,828	479,769,857	476,136,545	478,821,501	483,069,476
Diluted (loss)/earnings per share	<u>(0.031) cent</u>	<u>(0.014) cent</u>	<u>0.16 cent</u>	<u>0.08 cent</u>	<u>1.62 cents</u>



## 2. AUDITED FINANCIAL STATEMENTS

The followings are the audited financial statements of the Group for the year ended 31 March 2009 as extracted from the annual report of the Company for the year ended 31 March 2009. Reference to notes numbers therein are to the notes numbers in the annual report.

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 March 2009*

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
<b>Turnover</b>	<i>6</i>	20,321	19,742
Other income and gains, net	<i>6</i>	641	941
Telecom operators and content providers costs		(10,685)	(11,017)
Employment costs		(5,797)	(5,148)
Research and development expenses		(1,511)	(1,496)
Depreciation of property, plant and equipment		(130)	(114)
Other operating expenses		<u>(2,909)</u>	<u>(2,861)</u>
<b>Operating (loss)/profit</b>	<i>7</i>	(70)	47
Share of profit of an associate		<u>824</u>	<u>334</u>
<b>Profit before taxation</b>		754	381
Taxation	<i>10</i>	<u>(6)</u>	<u>(8)</u>
<b>Profit for the year</b>		<u><u>748</u></u>	<u><u>373</u></u>
<b>Attributable to:</b>			
Equity holders of the Company	<i>11</i>	748	382
Minority interests		<u>–</u>	<u>(9)</u>
		<u><u>748</u></u>	<u><u>373</u></u>
<b>Earnings per share for profit attributable to the equity holders of the Company during the year</b>	<i>12</i>		
– basic		<u>0.16 cent</u>	<u>0.08 cent</u>
– diluted		<u>0.16 cent</u>	<u>0.08 cent</u>

## CONSOLIDATED BALANCE SHEET

At 31 March 2009

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>13</i>	331	162
Interest in an associate	<i>15</i>	8,124	6,738
		<u>8,455</u>	<u>6,900</u>
<b>Current assets</b>			
Trade and other receivables	<i>17</i>	3,619	3,695
Cash and deposits with banks	<i>18</i>	19,781	20,019
		<u>23,400</u>	<u>23,714</u>
<b>Total assets</b>		<b><u>31,855</u></b>	<b><u>30,614</u></b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital	<i>19</i>	36,977	36,930
Reserves	<i>21</i>	(9,680)	(10,470)
<b>Total equity</b>		<u>27,297</u>	<u>26,460</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	<i>22</i>	4,558	4,154
<b>Total liabilities</b>		<u>4,558</u>	<u>4,154</u>
<b>Total equity and liabilities</b>		<b><u>31,855</u></b>	<b><u>30,614</u></b>
<b>Net current assets</b>		<b><u>18,842</u></b>	<b><u>19,560</u></b>
<b>Total assets less current liabilities</b>		<b><u>27,297</u></b>	<b><u>26,460</u></b>

**BALANCE SHEET***At 31 March 2009*

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Interests in subsidiaries	<i>14</i>	—	—
<b>Current assets</b>			
Prepayments and other receivables		180	223
Cash and deposits with banks	<i>18</i>	17,679	17,331
		17,859	17,554
<b>Total assets</b>		<b>17,859</b>	<b>17,554</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital	<i>19</i>	36,977	36,930
Reserves	<i>21</i>	(19,481)	(19,529)
<b>Total equity</b>		<b>17,496</b>	<b>17,401</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables	<i>22</i>	363	153
<b>Total liabilities</b>		<b>363</b>	<b>153</b>
<b>Total equity and liabilities</b>		<b>17,859</b>	<b>17,554</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

	Notes	Attributable to equity holders of the Company				Total	Minority interests	Total equity
		Share capital	Share premium	Other reserves	Accumulated losses			
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 April 2007		36,930	35,564	19,863	(66,586)	25,771	–	25,771
Recognition of share option benefits at fair value	21(a)	–	–	277	–	277	–	277
Currency translation differences		–	–	30	–	30	–	30
Acquisition of a subsidiary	24	–	–	–	–	–	9	9
Profit/(loss) for the year		–	–	–	382	382	(9)	373
Balance at 31 March 2008		36,930	35,564	20,170	(66,204)	26,460	–	26,460
Shares issued upon exercise of share options	21(a)	47	18	(11)	–	54	–	54
Recognition of share option benefits at fair value	21(a)	–	–	32	–	32	–	32
Currency translation differences		–	–	3	–	3	–	3
Share options forfeited	21(a)	–	–	(13)	13	–	–	–
Profit for the year		–	–	–	748	748	–	748
Balance at 31 March 2009		36,977	35,582	20,181	(65,443)	27,297	–	27,297

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
<b>Operating activities</b>			
Profit before taxation		754	381
Adjustments for:			
Share-based payments	<i>21(a)</i>	32	277
Depreciation of property, plant and equipment	<i>13</i>	130	114
Excess of fair value of net assets acquired over cost of acquisition of interest in a subsidiary	<i>6</i>	–	(13)
Interest income	<i>6</i>	(308)	(752)
Share of profit of an associate		(824)	(334)
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
Trade and other receivables		76	(763)
Trade and other payables		404	709
Cash generated from/(used in) operations		264	(381)
Overseas taxation paid		(6)	(8)
<b>Net cash generated from/(used in) operating activities</b>		<u>258</u>	<u>(389)</u>
<b>Investing activities</b>			
Acquisition of a subsidiary, net of cash acquired	<i>24</i>	–	9
Acquisition of additional investment in an associate		(327)	(218)
Net increase in amount due from an associate	<i>15</i>	(235)	(47)
Purchase of property, plant and equipment	<i>13</i>	(299)	(116)
Interest received		308	678
Decrease in bank deposit with maturity greater than three months	<i>18</i>	4,125	7,875
<b>Net cash generated from investing activities</b>		<u>3,572</u>	<u>8,181</u>

**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
<b>Financing activities</b>			
Proceeds from issue of shares		<u>54</u>	<u>–</u>
<b>Net cash generated from financing activities</b>		<u>54</u>	<u>–</u>
<b>Net increase in cash and cash equivalents</b>		<u>3,884</u>	<u>7,792</u>
<b>Cash and cash equivalents at beginning of the year</b>		15,894	8,072
<b>Effect of foreign exchange rates changes</b>		<u>3</u>	<u>30</u>
<b>Cash and cash equivalents at end of the year</b>	<i>18</i>	<u><u>19,781</u></u>	<u><u>15,894</u></u>

**NOTES TO THE FINANCIAL STATEMENTS****1 General information**

Mobile Telecom Network (Holdings) Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in the business of development, provision and sale of mobile internet communication telecommunications and related services in Hong Kong and other Asia Pacific countries.

The Company was incorporated in the Cayman Islands on 25 May 2000 as an exempted Company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is Room 2516, 25/F, North Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong.

Pursuant to a group reorganisation (the “Reorganisation”) in preparation for the listing of the Company’s shares on the Growth Enterprise Market (the “GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company acquired the entire issued capital of Mobile Telecom (BVI) Limited through a share swap and became the holding Company of Mobile Telecom (BVI) Limited and its subsidiaries. Details of the Reorganisation are set out in the Prospectus of the Company dated 30 April 2003. The shares of the Company were listed on the GEM of the Stock Exchange on 9 May 2003.

These consolidated financial statements are presented in thousands of units of HK dollars (HK\$’000) and all values are rounded to the nearest thousand except where otherwise indicated.

**2 Summary of significant accounting policies**

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**(a) *Statement of compliance***

The consolidated financial statements of the Group 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 disclosure requirements of Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “Listing Rules”). A summary of the significant accounting policies adopted by the Group is set out below.

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

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

**(b) *Basis of preparation of the financial statements***

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March.

The consolidated financial statements have been prepared under the historical cost convention.



(i) *Subsidiaries and minority interests*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loan from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with note 2(p) depending on the nature of the liabilities.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

*(ii) Associates*

Associates are all entities, not being a subsidiary or a jointly controlled entity, over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition (*see note 2(h)*).

An investment in an associate is accounted for using the equity method, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate, unless it is classified as held for sale or included in a disposal group held for sale. The profit or loss of the Company includes its share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on goodwill relating to the investment in associate recognised for the year.

When the Company's share of losses of an associate equals to or exceeds its interest in the associate, the Company discontinues recognising its share of further losses. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the Company's net investment in the associate. After the Company's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised profits and losses resulting from the Company's transactions with the associate are eliminated to the extent of the Company's relevant interests in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case losses are recognised immediately in profit or loss for the impairment.

In the Company's balance sheet the investment in an associate is stated at cost less any accumulated impairment loss. The results of the associate are accounted for by the Company on the basis of dividends received and receivable.

***(c) Segment reporting***

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses. A discontinued segment is separately presented from continuing segments.

**(d) *Foreign currency translation***

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

*(iii) Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) ***Property, plant and equipment***

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, on a straight-line basis over their estimated useful lives as follows:

Computer hardware and software	3 years
Leasehold improvements	2-5 years (lease term)
Furniture and fixtures	5 years
Office equipment	5 years

The assets' residual values, if any, and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss on derecognition of an item of property, plant and equipment, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in the income statement in the period the item is derecognised.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(f) ***Goodwill***

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is shown separately in the consolidated balance sheet. Goodwill on acquisitions of associates is included in investments in associates respectively. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

**(g) Intangible assets (other than goodwill)**

*Research and development expenses*

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible, and the products have commercial value. Product development expenditure which does not meet this criteria is expensed when incurred.

All research and development expenses incurred during the year ended 31 March 2009 were expensed as no expenditure met the criteria for deferral.

**(h) Impairment of assets**

**(i) Impairment of investments in debt and equity securities and other receivables**

Investments in debt and equity securities (other than investments in subsidiaries and associate: see note (ii) below) and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtors;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtors; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.



Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

*(ii) impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indicators that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts);
- investments in subsidiaries and associate (except for those classified as held for sale or included in a disposal group that is classified as held for sale); and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generated units (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) ***Financial assets***

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates their classification at every balance sheet date.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Group's loans and receivables comprise mainly "trade and other receivables" and "cash and deposits with banks" in the balance sheet.

Loans and receivables are recognised initially at fair value, plus transactions costs incurred and are subsequently carried at amortised cost using the effective interest method.

(j) ***Trade and other receivables***

Trade and other receivables are initially recognised at fair value and, after initial recognition, at amortised cost less any allowance for impairment of bad and doubtful debts, except for the following receivables:

- interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less any allowance for impairment of bad and doubtful debts, and
- short term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount less any allowance for impairment of bad and doubtful debts.

**(k) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

**(l) Trade and other payables**

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities (if any) measured in accordance with note 2(p)(i), trade and other payables are subsequently stated at amortised cost, except for the following payables:

- short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount.
- interest-free loans from related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost.

**(m) Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any group company purchases the Company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

*(n) Income tax*

Income tax for the year comprises current tax and movement in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates (and laws) enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets also arise from unused tax losses and unused tax credits.

At each balance sheet date, the Group reviews and assesses the recognised and unrecognised deferred tax assets and the future taxable profit to determine whether any recognised deferred tax assets should be derecognised and any unrecognised deferred tax assets should be recognised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associate, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(o) *Employee benefits*

(i) *Paid leave carried forward*

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

(ii) *Pension obligations*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme in Hong Kong (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

(iii) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share-based compensation reserve until the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

**(p) *Financial guarantees issued, provisions and contingent liabilities***

**(i) *Financial guarantees issued***

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payment to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(p)(iii) below if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, i.e. the amount initially recognised, less accumulated amortisation.

**(ii) *Contingent liabilities acquired in business combinations***

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(p)(iii) below. Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 2(p)(iii) below.

*(iii) Other provisions and contingent liabilities*

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

*(q) Revenue recognition*

Provided it is probable that the economic benefits will flow to the Group and the revenue and the costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

- (i) Service fees from provision of mobile data solutions and related services are recognised when the services are rendered.
- (ii) Interest income is recognised as it accrues using the effective interest method.
- (iii) Consultancy fee income is recognised when services are rendered.

*(r) Operating lease (as the lessee)*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Where the Group is the lessee, payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.



*(s) Related parties*

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policies decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of the key management personnel of the Group or the Group's parent; or a close family member of such an individual or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

### 3 Changes in accounting policies

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

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirement and their Interaction

Note 2 summarise the accounting policies of the Group, after the adoption of these developments to the extent that they are relevant to the Group. However, the adoption of the above new or revised HKFRS had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been made.

The Group has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective (*see note 29*).

### 4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### ***Critical accounting estimates and assumptions***

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*(a) Allowance for impairment of bad and doubtful debts*

The Group makes allowance for impairment of bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of bad and doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and allowances for impairment losses in the period in which such estimate has been changed.

*(b) Income tax and deferred tax*

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets recognised to the extent that it is probable that future taxable profit will be available against the temporary differences or tax losses can be utilised. In the current year, deferred tax assets relating to certain temporary differences and tax losses are not recognised in the financial statements.

The management considers that there is uncertainty and unpredictability of future profit streams available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact the recognition of deferred tax assets and income tax charge in the year in which such estimate has been changed.

*(c) Estimated impairment of goodwill*

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2(f). The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates.

## 5 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 years ended 31 March 2009 and 2008 are 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 year by geographical locations is as follows:

	Hong Kong/ Macau 2009 HK\$'000	PRC 2009 HK\$'000	Australia 2009 HK\$'000	Singapore 2009 HK\$'000	Taiwan 2009 HK\$'000	Others* 2009 HK\$'000	Total 2009 HK\$'000
Turnover	18,891	199	203	478	251	299	20,321
Segment results	2,183	54	82	283	(653)	74	2,023
Unallocated costs							(2,093)
Operating loss							(70)
Share of profit of an associate							824
Profit before taxation							754
Taxation							(6)
Profit for the year							748
Segment assets	5,489	211	–	–	131	–	5,831
Interest in an associate							8,124
Unallocated assets							17,900
Total assets							31,855
Segment liabilities	(4,125)	(41)	–	–	(29)	–	(4,195)
Unallocated liabilities							(363)
Total liabilities							(4,558)
Capital expenditure	299	–	–	–	–	–	299
Depreciation of property, plant and equipment	125	5	–	–	–	–	130

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

	Hong Kong/ Macau 2008 HK\$'000	PRC 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
Share of profit of an associate							334
Profit before taxation							381
Taxation							(8)
Profit for the year							373
Segment assets	6,137	–	–	–	129	56	6,322
Interest in an associate							6,738
Unallocated assets							17,554
Total assets							30,614
Segment liabilities	(3,857)	–	–	–	(40)	(104)	(4,001)
Unallocated liabilities							(153)
Total liabilities							(4,154)
Capital expenditure	116	–	–	–	–	–	116
Depreciation of property, plant and equipment	110	–	–	–	–	4	114

\* *Others represent turnover generated from Pakistan, Indonesia and Malaysia.*

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

**6 Turnover, other income and gains, net**

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

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
<b>Turnover</b>		
Service fees from provision of mobile data solutions and related services	20,122	19,606
Provision of consultancy services	199	136
	<u>20,321</u>	<u>19,742</u>
<b>Other income</b>		
Interest income	308	752
Excess of fair value of net assets acquired over cost of acquisition of interest in a subsidiary ( <i>Note 24</i> )	–	13
Sundry income	301	124
	<u>609</u>	<u>889</u>
<b>Gains, net</b>		
Exchange gains	32	52
	<u>641</u>	<u>941</u>
	<u><u>20,962</u></u>	<u><u>20,683</u></u>

**7 Operating (loss)/profit**

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

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Auditors' remuneration	197	256
Depreciation of property, plant and equipment	130	114
Staff costs, including directors' emoluments and amount classified as research and development expenses ( <i>Note 8</i> )	7,308	6,644
Operating lease rentals of premises and facilities	1,229	1,160
Share of associate's taxation	77	42
	<u>7,308</u>	<u>6,644</u>

**8 Staff costs**

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Wages and salaries	7,103	6,231
Pension costs – defined contribution schemes	173	136
Share-based payments	32	277
	<u>7,308</u>	<u>6,644</u>

## 9 Directors' and employees' emoluments

## (a) Directors' emoluments

Directors' remuneration for the year, disclosed pursuant to GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

**GROUP**

2009 Name of Directors	Directors' fees <i>HK\$'000</i>	Salaries and allowances <i>HK\$'000</i>	MPF contributions <i>HK\$'000</i>	Share- based payments <i>HK\$'000</i>	Other emoluments <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Executive Directors:</i>						
Chan Chung	-	1,274	12	15	466	1,767
Chan Wai Kwong, Peter	-	216	11	-	-	227
<i>Independent Non-executive Directors:</i>						
Jeffery Matthew Bistrong	100	-	-	-	-	100
Chu Chin Tai, Eric	84	-	-	-	-	84
Chen Kwok Wang, Kester	84	-	-	-	-	84
Total	268	1,490	23	15	466	2,262
2008 Name of Directors	Directors' fees <i>HK\$'000</i>	Salaries and allowances <i>HK\$'000</i>	MPF contributions <i>HK\$'000</i>	Share- based payments <i>HK\$'000</i>	Other emoluments <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Executive Directors:</i>						
Chan Chung	-	1,274	12	265	467	2,018
Chan Wai Kwong, Peter	-	216	11	-	-	227
<i>Independent Non-executive Directors:</i>						
Jeffery Matthew Bistrong	100	-	-	-	-	100
Chu Chin Tai, Eric	84	-	-	-	-	84
Chen Kwok Wang, Kester	84	-	-	-	-	84
Total	268	1,490	23	265	467	2,513

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: Nil).



**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include one director (2008: two directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2008: three) employees during the year are as follows:

	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries, housing allowances, other allowances and benefits in kind	2,157	1,682
Contributions to MPF scheme	46	36
Share-based payments	17	6
	<u>2,220</u>	<u>1,724</u>

The number of the remaining four (2008: three) employees whose emoluments fall within the following band:

	<b>2009</b>	<b>2008</b>
HK\$nil to HK\$1,000,000	<u>4</u>	<u>3</u>

**10 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 are exempted companies with limited liability under the Companies Law of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

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 assessable profits (2008: 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.

	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Taxation charge		
Current tax		
– Overseas taxation	<u>6</u>	<u>8</u>

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 of the consolidated companies is as follows:

	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	<u>754</u>	<u>381</u>
Calculated at a taxation rate of 16.5% (2008: 17.5%)	124	67
Tax effect of income not subject to taxation	(148)	(70)
Tax effect of expenses not deductible for taxation purposes	361	387
Tax effect of temporary differences for the year unrecognised	(26)	(4)
Tax effect of tax losses for the year unrecognised	–	12
Tax effect of utilisation of previously unrecognised tax losses	(409)	(502)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<u>104</u>	<u>118</u>
Taxation charge	<u>6</u>	<u>8</u>

**11 Profit attributable to equity holders of the company**

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$9,000 (2008: HK214,000).

**12 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.

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Profit for the year attributable to equity holders of the Company	748	382
Weighted average number of ordinary shares in issue during the year	473,235,473	472,811,363
Basic earnings per share	0.16 cent	0.08 cent

*(b) Diluted earnings per share*

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

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Profit for the year attributable to equity holders of the Company	<u>748</u>	<u>382</u>
Weighted average number of ordinary shares in issue during the year	473,235,473	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>2,901,072</u>	<u>6,010,138</u>
	<u>476,136,545</u>	<u>478,821,501</u>
Diluted earnings per share	<u><u>0.16 cent</u></u>	<u><u>0.08 cent</u></u>

## 13 Property, plant and equipment – Group

	Computer hardware and software <i>HK\$'000</i>	Leasehold improvements, furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>				
At 1 April 2007	4,889	211	141	5,241
Additions	116	–	–	116
Acquisition of a subsidiary	20	–	–	20
Currency realignment	104	–	–	104
At 31 March 2008	5,129	211	141	5,481
Additions	253	46	–	299
Currency realignment	(91)	–	–	(91)
At 31 March 2009	<u>5,291</u>	<u>257</u>	<u>141</u>	<u>5,689</u>
<b>Accumulated depreciation</b>				
At 1 April 2007	4,750	211	141	5,102
Depreciation provided for the year	114	–	–	114
Currency realignment	103	–	–	103
At 31 March 2008	4,967	211	141	5,319
Depreciation provided for the year	126	4	–	130
Currency realignment	(91)	–	–	(91)
At 31 March 2009	<u>5,002</u>	<u>215</u>	<u>141</u>	<u>5,358</u>
<b>Net book value</b>				
At 31 March 2009	<u>289</u>	<u>42</u>	<u>–</u>	<u>331</u>
At 31 March 2008	<u>162</u>	<u>–</u>	<u>–</u>	<u>162</u>

## 14 Interests in subsidiaries

In the Company's balance sheet, interests in subsidiaries consisted of:

	2009 HK\$'000	2008 HK\$'000
Unlisted shares, at cost	24,336	24,319
Impairment losses	(24,336)	(24,319)
	—	—
Amounts due from subsidiaries ( <i>Note (i)</i> )	28,594	30,699
Allowance for impairment of doubtful debts	(28,594)	(30,699)
	—	—
	—	—
	—	—

Details of the subsidiaries at 31 March 2009 are as follows:

Name	Country/ place of incorporation	Principal activities and place of operation	Particulars of issued share capital/registered capital	Interest held
<b>Directly held:</b>				
Mobile Telecom (BVI) Limited	British Virgin Islands	Investment holding in Hong Kong	100 Ordinary shares of US\$1 each	100%
<b>Indirectly held:</b>				
MTel Limited	Hong Kong	Development and provision of mobile data solutions and related services in Hong Kong	100 Ordinary shares of HK\$0.01 each  100,000,000 non-voting deferred shares of HK\$0.01 each ( <i>Note (ii)</i> )	100%

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

Name	Country/ place of incorporation	Principal activities and place of operation	Particulars of issued share capital/registered capital	Interest held
MTel (Taiwan) Limited	British Virgin Islands	Provision of mobile data solutions and related services in Taiwan	100 Ordinary shares of US\$1 each	100%
MTel (Hong Kong) Limited	Hong Kong	Not yet commenced business	10,000 ordinary shares of HK\$1 each	100%
MTel Solutions Limited	Hong Kong	Information technology solution services	10,000 ordinary shares of HK\$1 each	60%
M Telecom Limited	Hong Kong	Not yet commenced business	100 ordinary shares of HK\$1 each	100%
北京尚世嘉華諮詢 有限責任公司	PRC	Provision of technical information consultancy services	RMB100,000	60%
廣州市八達網科技 有限公司	PRC	Provision of mobile data solutions and related services	HK\$900,000	100%

**Notes:**

- (i) The amounts due from subsidiaries are unsecured, non-interest bearing and not repayable until the subsidiaries are financially capable to do so.

As at 31 March 2009, the amounts due of HK\$28,594,000 (2008: HK\$30,699,000) have been fully impaired. The individually impaired receivables mainly related to a number of subsidiaries, which are in financial difficulty. These receivables were past due over two years. Movements on the allowance for impairment of doubtful debts are as follows:

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
At beginning of the year	30,699	32,849
Unused amounts reversed	(2,105)	(2,150)
At end of the year	<u>28,594</u>	<u>30,699</u>

- (ii) Holders of non-voting deferred shares have no voting rights, are not entitled to dividends and are not entitled to any distribution upon winding up unless a sum of HK\$100,000,000,000,000,000 has been distributed by the Company to the holders of its ordinary shares.

## 15 Interest in an associate

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Share of net assets, other than goodwill	1,652	764
Goodwill	<u>5,513</u>	<u>5,250</u>
	7,165	6,014
Due from an associate	<u>959</u>	<u>724</u>
	<u><u>8,124</u></u>	<u><u>6,738</u></u>

- (a) Except for the loan amount of 250,000 which is charged at 5% per annum and will be repaid in six months, the other balance due from an associate is unsecured, interest free and has no fixed term of repayment. It is neither past due nor impaired.
- (b) The Group's interest in its associate, which is unlisted and engaged in the business of development and provision of mobile data solutions and related services in the PRC, is as follows:

Name	Registered capital	Country of Corporation	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>	Revenue <i>HK\$'000</i>	Profit <i>HK\$'000</i>	% Interest held
2009							
廣州流之動資訊 技術有限公司	RMB1,000,000	PRC	5,169	1,138	8,062	1,906	43.3
2008							
廣州流之動資訊 技術有限公司	RMB1,000,000	PRC	2,916	1,006	3,493	834	40

On 4 May 2008, the Group has further acquired 3.3% additional interest in the associate at a consideration of RMB300,000, which is satisfied in cash.



## 16 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	<b>GROUP</b>	
	<b>Loans and receivables</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets as per consolidated balance sheet</b>		
Amount due from an associate	959	724
Trade and other receivables	3,619	3,695
Cash and deposits with banks	<u>19,781</u>	<u>20,019</u>
	<u><u>24,359</u></u>	<u><u>24,438</u></u>

	<b>COMPANY</b>	
	<b>Loans and receivables</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets as per balance sheet</b>		
Prepayments and other receivables	180	223
Cash and deposits with banks	<u>17,679</u>	<u>17,331</u>
	<u><u>17,859</u></u>	<u><u>17,554</u></u>

	<b>GROUP</b>	
	<b>Financial liabilities at amortised cost</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Liabilities as per consolidated balance sheet</b>		
Trade and other payables	<u>4,558</u>	<u>4,154</u>

	<b>COMPANY</b>	
	<b>Financial liabilities at amortised cost</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Liabilities as per balance sheet</b>		
Other payables	<u>363</u>	<u>153</u>
<b>17 Trade and other receivables</b>		
	<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	2,895	2,416
Prepayments, other receivables and deposits	<u>724</u>	<u>1,279</u>
	<u>3,619</u>	<u>3,695</u>

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

	<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 30 days	1,259	1,556
31 to 60 days	758	354
61 to 90 days	261	29
Over 90 days	<u>617</u>	<u>477</u>
	<u>2,895</u>	<u>2,416</u>

As at 31 March 2009, trade receivables of HK\$1,636,000 (2008: HK\$860,000) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	1,259	1,556
Less than 30 days past due	677	383
31 to 60 days past due	209	–
61 to 90 days past due	200	19
Over 90 days past due	550	458
	1,636	860
	2,895	2,416

As at 31 March 2009, none of prepayments, other receivables and deposits was past due nor impaired.

Movements on the allowance for impairment of doubtful debts are as follows:

	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year	–	912
Uncollectible amount written-off	–	(912)
At end of the year	–	–

## 18 Cash and cash equivalents

	GROUP		COMPANY	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Cash and deposits with banks in the balance sheet	19,781	20,019	17,679	17,331
Less: Bank deposit with maturity greater than three months	–	4,125	–	4,125
Cash and cash equivalents in the cash flow statement	<u>19,781</u>	<u>15,894</u>	<u>17,679</u>	<u>13,206</u>

The effective interest rates for time deposits were in the range of 0.65% – 0.89% (2008: 2.6% – 3.7%) per annum; these deposits have maturity of less than three months.

## 19 Share capital

	Ordinary shares of US\$0.01 each	
	Number of shares	Nominal value HK\$'000
<i>Authorised:</i>		
At 1 April 2007, 31 March 2008 and 31 March 2009	<u>2,000,000,000</u>	<u>156,000</u>
<i>Issued and fully paid:</i>		
At 1 April 2007 and 31 March 2008	472,811,363	36,930
Shares issued upon exercise of share options (Note)	<u>600,000</u>	<u>47</u>
At 31 March 2009	<u>473,411,363</u>	<u>36,977</u>

*Note:*

On 17 July 2008, 600,000 share options were exercised at an exercise price of HK0.09 each, resulting in an issue of 600,000 shares for a total consideration (before expenses) of HK\$54,000.

## 20 Share options

The Company adopted a Pre-IPO Share Option Scheme (the “Pre-IPO Share Option Scheme”) and a Share Option Scheme (the “Share Option Scheme”) on 27 March 2003.

The purposes of the share option schemes are to provide incentives or rewards for any full-time employees, executives or officers, directors of the Company or any of the subsidiaries and any suppliers, consultants, agents and/or advisors who have contributed to the Company and/or any of its subsidiaries.

### (i) *Pre-IPO Share Option Scheme*

Pursuant to the Pre-IPO Share Option Scheme, the Company had granted Pre-IPO share options to two Executive Directors, one business consultant and employees. The options granted under the Pre-IPO Share Option Scheme entitle the holders to subscribe for a total of up to 1,367,500 (2008: 2,530,000) shares at exercise prices ranging from HK\$0.103 to HK\$0.191 each, representing, in aggregate, approximately 0.28% of the existing issued share capital of the Company. All of the options have duration of ten years from 9 May 2003 to 8 May 2013.

On 12 February 2008, share options were transferred to certain employees to subscribe for 190,000 shares of the Company at an exercise price of HK\$0.191 each. 190,000 shares of the aforesaid options were transferred in during the year and the remaining options are exercisable after one year from the date of transfer.

On 17 July 2008, the subscription rights attaching to 600,000 share options were exercised at the exercise price of HK\$0.09 per share, resulting in the issue of 600,000 shares of 0.09 each and new share capital of HK\$47,000 and share premium of HK\$7,000, together with a release of the share options reserve amounting to HK\$11,000 which is credited to the share premium account (*note 21*). The closing price of the Company’s ordinary shares immediately before the date on which the options exercised is HK\$0.13 per ordinary share.

Movements in the number of share options outstanding during the year are as follows:

	Number of options	
	2009	2008
At beginning of the year	2,530,000	2,530,000
Transfer in	–	190,000
Exercised	(600,000)	–
Transfer out	–	(190,000)
Lapsed	(562,500)	–
	<u>1,367,500</u>	<u>2,530,000</u>
At end of the year	<u>1,367,500</u>	<u>2,530,000</u>

The fair values on share-based payments are shown in note (iv) below.

**(ii) Share Option Scheme**

Pursuant to the Share Option Scheme, the Company may grant share options to any full-time employees, executive or officers, directors of the Company or its subsidiaries and any suppliers, consultants, agents and advisors who have contributed to the Group to subscribe for shares in the Company. Options granted are exercisable at any time during a period to be notified by the Board of Directors of the Company to grantees provided that the period within which the options must be exercised shall be not more than ten years from the date of grant of the options. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not exceed 10% of the issued share capital of the Company from time to time. The subscription price of the option shares is not to be less than the higher of (a) the closing price of one share as stated in the stock exchange's daily quotations sheet on the date of grant, (b) the average of the closing price of the shares as stated in the stock exchange's daily quotations sheet for the five business days immediately preceding the date of grant, and (c) the nominal value of a share.

On 12 February 2008, share options were granted to Dr. Chan Chung to subscribe for 4,728,113 shares of the Company at an exercise price of HK\$0.191 each.

On 13 February 2009, share options were granted to grantees to subscribe for 9,968,226 shares of the Company at an exercise price of HK\$0.101 each. Among the total of 9,968,226 options, 4,734,113 options were granted to Dr. Chan Chung.

Movements in the number of share options outstanding during the year are as follows:

	Number of options	
	2009	2008
At beginning of the year	9,456,226	4,728,113
Granted during the year ( <i>Note (iv)</i> )	9,968,226	4,728,113
At end of the year	19,424,452	9,456,226

No share options were exercised and lapsed during the year.

The fair values on share-based payments are shown in note (iv) below.

**(iii) Other Options**

On 4 September 2001, options were granted to a former director of the Company to subscribe for 3,000,000 shares in the Company at an exercise price of HK\$0.078 (equivalent of US\$0.01) per share. These options are exercisable upon a listing of the Company shares on stock exchange.

**(iv) Fair values on share-based payments**

Fair values on share-based payments were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	Share options granted on	
	13 February 2009 ( <i>Note (ii)</i> )	12 February 2008 ( <i>Note (i) and (ii)</i> )
Share price	HK\$0.101	HK\$0.191
Exercise price	HK\$0.101	HK\$0.191
Expected volatility	46.30%	40.80%
Expected option life (in years)	3	3
Risk-free-rate	0.85%	1.6%
Expected dividends	Nil	Nil

Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the staff cost of HK\$32,000 for the year ended 31 March 2009 (2008: HK\$277,000) in relation to share options granted by the Company on 13 February 2009.

## 21 Reserves

### (a) Group

	Share premium HK\$'000 (Note (iii))	Capital reserve HK\$'000 (Note (i))	Capital redemption reserve HK\$'000	Cumulative translation adjustments HK\$'000	Share- based payment reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>Balance at 1 April 2007</b>	35,564	16,375	2,943	510	35	(66,586)	(11,159)
Recognition of share option benefits at fair value	-	-	-	-	277	-	277
Currency translation differences	-	-	-	30	-	-	30
Profit for the year	-	-	-	-	-	382	382
<b>Balance at 31 March 2008</b>	35,564	16,375	2,943	540	312	(66,204)	(10,470)
Shares issued upon exercise of share options	7	-	-	-	-	-	7
Recognition of share option benefits at fair value	-	-	-	-	32	-	32
Currency translation differences	-	-	-	3	-	-	3
Share options forfeited	-	-	-	-	(13)	13	-
Transfer on exercise of share options	11	-	-	-	(11)	-	-
Profit for the year	-	-	-	-	-	748	748
<b>Balance at 31 March 2009</b>	<u>35,582</u>	<u>16,375</u>	<u>2,943</u>	<u>543</u>	<u>320</u>	<u>(65,443)</u>	<u>(9,680)</u>



**(b) Company**

	Share Premium <i>HK\$'000</i> <i>(Note (iii))</i>	Contributed surplus <i>HK\$'000</i> <i>(Note (ii))</i>	Capital redemption reserve <i>HK\$'000</i>	Share- based payment reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Balance at 1 April 2007</b>	35,564	16,375	2,943	35	(74,937)	(20,020)
Recognition of share option benefits at fair value	-	-	-	277	-	277
Profit for the year	-	-	-	-	214	214
<b>Balance at 31 March 2008</b>	35,564	16,375	2,943	312	(74,723)	(19,529)
Shares issued upon exercise of share options	7	-	-	-	-	7
Recognition of share option benefits at fair value	-	-	-	32	-	32
Share options forfeited	-	-	-	(13)	13	-
Transfer on exercise of share options	11	-	-	(11)	-	-
Profit for the year	-	-	-	-	9	9
<b>Balance at 31 March 2009</b>	<u>35,582</u>	<u>16,375</u>	<u>2,943</u>	<u>320</u>	<u>(74,701)</u>	<u>(19,481)</u>

*Notes:*

- (i) Capital reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of the subsidiary acquired through exchange of shares.
- (ii) Contributed surplus represents the difference between the net assets value of a subsidiary acquired and the nominal value of the ordinary shares issued by the Company in connection with the acquisition.
- (iii) Under the Company law of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital account.

## 22 Trade and other payables

*(A) GROUP*

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Trade payables	2,272	2,598
Accrued expenses	1,759	950
Other payables	515	594
Deposits received	12	12
	<u>4,558</u>	<u>4,154</u>

The ageing analysis of trade payables is as follows:

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Less than 30 days	701	994
31 to 60 days	636	383
61 to 90 days	228	134
Over 90 days	707	1,087
	<u>2,272</u>	<u>2,598</u>

In the opinion of the directors, all trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

*(B) COMPANY*

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Other payables	<u>363</u>	<u>153</u>

In the opinion of the directors, all other payables are expected to be settled or recognised as income within one year or are repayable on demand.

**23 Deferred taxation**

There was no deferred tax asset recognised during the year due to unpredictability of future profit streams.

Deferred tax assets have not been recognised in respect of the following items:

	<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deductible temporary differences	878	1,035
Unused tax losses	30,212	32,703
	<u>31,090</u>	<u>33,738</u>

Temporary differences arising in connection with interest in an associate are insignificant. The deductible temporary differences and unused tax losses do not expire under current tax legislation.

**24 Notes to the consolidated cash flow statement*****Acquisition of a subsidiary***

On 2 May 2007, the Group acquired 60% of the issued share capital of 北京尚世嘉華諮詢有限責任公司, a company engaged in provision of technical information consultancy services. The acquired business contributed revenue of HK\$136,000 and loss of HK\$205,000 to the Group for the period from 2 May 2007 to 31 March 2008. If the acquisition had occurred on 1 April 2007, Group revenue would have been HK\$19,742,000, and profit after tax would have been HK\$290,000.

Details of net assets acquired and excess of fair value of net assets acquired over consideration are as follows:

	2009 HK\$	2008 HK\$
Purchase consideration:		
Cash paid	–	(1)
Fair value of net assets acquired		
– Shown as below	–	13,114
	<u>–</u>	<u>13,114</u>
Excess of fair value of net assets acquired over consideration ( <i>Note 6</i> )	<u>–</u>	<u>13,113</u>

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount	
	2009 HK\$	2008 HK\$
Cash and cash equivalents	–	8,839
Property, plant and equipment ( <i>Note 13</i> )	–	19,597
Payables	–	(6,579)
	<u>–</u>	<u>(6,579)</u>
Net assets	–	21,857
Minority interests (40%)	–	(8,743)
	<u>–</u>	<u>(8,743)</u>
Net assets acquired	<u>–</u>	<u>13,114</u>
Purchases consideration settled in cash	–	(1)
Cash and cash equivalents in subsidiary acquired	–	8,839
	<u>–</u>	<u>8,839</u>
Cash inflow on acquisition	<u>–</u>	<u>8,838</u>

## 25 Commitments

- (a) At 31 March 2009, the capital commitments outstanding not provided for in the financial statements were as follows:

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Contracted for increase in interest in a subsidiary	<u>750</u>	<u>–</u>

The commitment in respect of the increase in interest in a subsidiary is to be satisfied by payment in cash.

- (b) The Group leases certain of its office properties under operating lease arrangement, with lease negotiated for original terms of three years.

None of the leases includes contingent rentals.

At 31 March 2009, the Group had the total future minimum lease payments under various non-cancellable operating leases falling due as follows:

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Within one year	897	710
In the second to fifth years, inclusive	<u>586</u>	<u>–</u>
	<u>1,483</u>	<u>710</u>

**26 Employment retirement benefit**

The Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme (the “MPF Scheme”), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the group entities and its Hong Kong employees makes monthly contributions to the Scheme at 5% of the employees’ earnings as defined under the Mandatory Provident Fund Scheme Ordinance and up to a maximum of HK\$1,000 per employee per month (the “MPF Contributions”). The employees are required to contribute a corresponding amount to the MPF Scheme only if their relevant income is more than HK\$5,000 per month. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

	<b>2009</b> <i>HK\$’000</i>	<b>2008</b> <i>HK\$’000</i>
Contributions to MPF scheme	<u>173</u>	<u>136</u>

**27 Transactions and balances with related parties**

- (a) During the year, the Group had significant transactions with the following related party, together with balance with it as at the balance sheet date, details of which are as follows:

	<b>2009</b> <i>HK\$’000</i>	<b>2008</b> <i>HK\$’000</i>
Associate:		
Balance due to the Group		
as at the balance sheet date ( <i>Note (i)</i> )	959	724
Interest received	6	–
Subcontracting charges	<u>40</u>	<u>–</u>

*Notes:*

- (i) Except for the loan amount of HK\$250,000 which is charged at 5% per annum and will be repaid in six months, the other balance due from an associate is unsecured, interest free and has no fixed term of repayment.

- (b) During both years, compensation of key management personnel represents directors' remuneration, as stated in note 9. The directors' remuneration is determined by the remuneration committee having regard to the performance, responsibilities and experiences of individuals and market trends.

## 28 Financial risk management objective and policies

### (a) *Financial risk factors*

The Group's activities expose to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk arising in the normal course of its business and financial instruments. The Group's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Group by closing monitoring the individual exposure as summarised below.

#### (1) *Market risk*

##### (i) Foreign exchange risk

The Group is exposed to currency risk primarily through sales and telecom operators costs that are denominated in a currency other than functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Australian dollars, United States dollars, Taiwan dollars and Renminbi.

The Group currently does not have a formal currency hedging policy in relation to currency risk. The directors of the Group monitor the Group's exposure on a ongoing basis and will consider hedging the currency risk should the need arise.

No sensitivity analysis for the Group's exposure to currency risk arising from financial instruments denominated in foreign currencies is prepared since the management's assessment of reasonably possible changes in value of the HK dollars against foreign currencies is insignificant.

(ii) Cash flow and fair value interest rate risk

Except for short term bank deposits (*note 18*), the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

In the opinion of directors, they do not anticipate any significant possible changes in interest rates for the relevant financial instruments in existence at the balance sheet date over the period until the next annual balance sheet date. Accordingly, no sensitivity analysis for the Company's exposure to interest rate risk arising from such relevant financial instruments is prepared.

(iii) Price risk

The Company is exposed to other price risk in respect of investments in subsidiaries and the associate. The sensitivity analysis to price risk in relation to the investments in subsidiaries and the associate cannot be reliably determined due to numerous uncertainties regarding the future development of these subsidiaries and the associate.

(2) *Credit risk*

The Group's maximum exposure to credit risk in the event of the client's failure to perform their obligations as at 31 March 2009 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. The Group reviews the recoverable amount for each individual account receivables at each balance sheet date to ensure that adequate allowances for impairment are made for irrecoverable amounts.

The credit risk on liquid funds is also limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. In this regard, the directors of the Group consider that the Group's credit risk is effectively controlled and significantly reduced.

At the balance sheet date, the Group has a certain concentration of credit risk as 62% (2008: 75%) of the total trade receivables were due from the five largest clients, all of them are the world's major mobile network operators.



Further quantitative disclosure in respect of the Group's exposure to credit risk arising from amount due from associate, and trade and other receivables are set out in notes 15 and 17.

(3) *Liquidity risk*

The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the balance sheet date) and the earliest date of the Group can be required to pay:

	<b>Total carrying amount HK\$'000</b>	<b>Less than 1 year or payable on demand HK\$'000</b>
<b>2009</b>		
Trade payables	2,272	2,272
Accrued expenses	1,759	1,759
Other payables	515	515
Deposit received	12	12
	<u>4,558</u>	<u>4,558</u>
<b>2008</b>		
Trade payables	2,598	2,598
Accrued expenses	950	950
Other payables	594	594
Deposit received	12	12
	<u>4,154</u>	<u>4,154</u>

**(b) Fair value estimation**

The fair value of cash and deposits with banks, trade and other receivables and trade and other payables are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

**(c) Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of a debt-to-adjusted capital ratio. This ratio is calculated as total debts divided by adjusted capital. Total debts include current liabilities. Adjusted capital included total equity as shown in the consolidated balance sheet.

During 2009, the Group's strategy, which was unchanged from 2008, was to maintain or adjust the ratio at the range of 10% to 20%. In order to maintain or adjust the ratio, the Company may adjust the amount of dividend paid to shareholders, issue new shares and return capital to shareholders.

The debt-to-adjusted capital ratios at 31 March 2009 and 2008 were as follows:

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
<b>Current liabilities</b>		
Trade and other payables	4,558	4,154
Total debts	<u>4,558</u>	<u>4,154</u>
<b>Adjusted capital</b>	<u>27,297</u>	<u>26,460</u>
<b>Debt-to-adjusted capital ratio</b>	<u>16.70%</u>	<u>15.70%</u>

Neither the Company nor any of its subsidiaries are subject to either internally or externally imposed capital requirements.

**29 Standards, interpretations and amendments to existing standards that are not effective**

The HKICPA has issued the following standards, interpretations and amendments which are not yet effective as of the date of these financial statements:

**Effective for annual periods beginning on or after 1st July, 2008**

HK(IFRIC) – Int 13                      Customer Loyalty Programmes

**Effective for annual periods beginning on or after 1st October, 2008**

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a subsidiary, Jointly Controlled Entity or Associate
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate

**Effective for annual periods beginning on or after 1st July, 2009**

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners

**Effective for transfers on or after 1st July, 2009**

HK(IFRIC) – Int 18	Transfer of Assets from Customers
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Apart from the above, the HKICPA has also issued “Improvements to HKFRSs” which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5 which is effective for annual periods beginning on or after 1st July, 2009, other amendments are effective for annual periods beginning on or after 1st January, 2009.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary. HKAS 1 (Revised) will prohibit the presentation of items of income and expenses (that is, “non-owner changes in equity”) in the statement of changes in equity, requiring “non-owner changes in equity” to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretation will have no material impact on the results and the financial position of the Group.

## 3. INTERIM RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2009

Set out below are the unaudited condensed consolidated results of the Group together with the accompanying notes as extracted from the interim report of the Company for the period ended 30 September 2009. Reference to notes numbers therein are to the notes numbers in the interim report of the Company.

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**  
*FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 SEPTEMBER 2009*

	Notes	Three months ended 30 September		Six months ended 30 September	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Turnover	2	4,322	5,291	8,720	10,174
Other income and gains, net		248	84	500	250
Telecom operators and content providers costs		(2,364)	(2,688)	(4,677)	(5,292)
Employment costs		(1,453)	(1,407)	(2,945)	(2,764)
Research and development expenses		(316)	(450)	(711)	(846)
Depreciation of property, plant and equipment		(51)	(28)	(96)	(54)
Other operating expenses		(703)	(766)	(1,403)	(1,401)
Operating (loss)/profit		(317)	36	(612)	67
Finance costs		–	–	–	–
Share of profit of an associate		216	326	552	438
(Loss)/Profit before taxation		(101)	362	(60)	505
Taxation	3	(3)	–	(6)	–
(Loss)/Profit for the period		<u>(104)</u>	<u>362</u>	<u>(66)</u>	<u>505</u>
Attributable to:					
Equity holders of the Company		(104)	362	(66)	505
Non-controlling interests		–	–	–	–
		<u>(104)</u>	<u>362</u>	<u>(66)</u>	<u>505</u>
(Loss)/Earnings per share for (loss)/profit for the period attributable to the equity holders of the Company	4				
– basic (HK cent)		(0.022)	0.076	(0.014)	0.107
– diluted (HK cent)		(0.022)	0.076	(0.014)	0.106
Dividends		–	–	–	–
Dividends per share		–	–	–	–

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 SEPTEMBER 2009*

	Three months ended		Six months ended	
	30 September		30 September	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit for the period	(104)	362	(66)	505
Other comprehensive income:				
Exchange difference arising on translation of foreign operations	<u>9</u>	<u>33</u>	<u>6</u>	<u>20</u>
Total comprehensive income for the period	<u>(95)</u>	<u>395</u>	<u>(60)</u>	<u>525</u>
Attributable to:				
Equity holders of the Company	(95)	395	(60)	525
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(95)</u>	<u>395</u>	<u>(60)</u>	<u>525</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2009

		Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		332	331
Interest in an associate	5	8,639	8,124
		<u>8,971</u>	<u>8,455</u>
<b>Current assets</b>			
Trade and other receivables	6	3,367	3,619
Financial assets at fair value through profit or loss	8	6,046	–
Cash and deposits with banks		12,830	19,781
		<u>22,243</u>	<u>23,400</u>
<b>Total assets</b>		<u><u>31,214</u></u>	<u><u>31,855</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	9	36,977	36,977
Reserves		(9,616)	(9,680)
<b>Total equity</b>		<u>27,361</u>	<u>27,297</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	7	3,853	4,558
<b>Total liabilities</b>		<u>3,853</u>	<u>4,558</u>
<b>Total equity and liabilities</b>		<u><u>31,214</u></u>	<u><u>31,855</u></u>
<b>Net current assets</b>		<u><u>18,390</u></u>	<u><u>18,842</u></u>
<b>Total assets less current liabilities</b>		<u><u>27,361</u></u>	<u><u>27,297</u></u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	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 equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 April 2008	36,930	35,564	16,375	2,943	540	312	(66,204)	26,460
Issue of shares under share option scheme	47	19	-	-	-	(12)	-	54
Share options lapsed during the period	-	-	-	-	-	(12)	12	-
Other comprehensive income:								
Exchange difference arising on translation of foreign operations	-	-	-	-	20	-	-	20
Profit for the period	-	-	-	-	-	-	505	505
Balance at 30 September 2008	<u>36,977</u>	<u>35,583</u>	<u>16,375</u>	<u>2,943</u>	<u>560</u>	<u>288</u>	<u>(65,687)</u>	<u>27,039</u>
Balance at 1 April 2009	36,977	35,582	16,375	2,943	543	320	(65,443)	27,297
Share options lapsed during the period	-	-	-	-	-	(11)	11	-
Recognition of share options benefit at fair value	-	-	-	-	-	124	-	124
Other comprehensive income:								
Exchange difference arising on translation of foreign operations	-	-	-	-	6	-	-	6
Loss for the period	-	-	-	-	-	-	(66)	(66)
Balance at 30 September 2009	<u>36,977</u>	<u>35,582</u>	<u>16,375</u>	<u>2,943</u>	<u>549</u>	<u>433</u>	<u>(65,498)</u>	<u>27,361</u>



UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	Six months ended	
	30 September	
	2009	2008
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	<u>(923)</u>	<u>54</u>
Net cash used in investing activities	<u>(6,034)</u>	<u>(357)</u>
Net cash generated from financing activities	<u>–</u>	<u>54</u>
Net decrease in cash and cash equivalents	(6,957)	(249)
Cash and cash equivalents at 1 April	19,781	20,019
Effect of foreign exchange rates changes	<u>6</u>	<u>20</u>
Cash and cash equivalents at 30 September	<u><u>12,830</u></u>	<u><u>19,790</u></u>
Analysis of cash and cash equivalents:		
Cash and deposits with banks	<u><u>12,830</u></u>	<u><u>19,790</u></u>

## NOTES TO THE CONDENSED INTERIM ACCOUNTS:

**1. Basis of preparation**

The unaudited interim financial statements for the six months ended 30 September 2009 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 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 2009. They have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2009 except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRS”) that are adopted for the first time for the current period’s financial information.

HKFRS 7 (Amendments)	<i>Financial Instruments: Disclosure – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 27 (Amendments)	<i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate</i>

The Group has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective.

## 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 2009 by geographical locations is as follow:

	Unaudited						Total 2009 HK\$'000
	Hong Kong/ Macau 2009 HK\$'000	Australia 2009 HK\$'000	PRC 2009 HK\$'000	Singapore 2009 HK\$'000	Taiwan 2009 HK\$'000	Others* 2009 HK\$'000	
Turnover	8,209	69	–	248	112	82	8,720
Segment results	657	47	(131)	177	(288)	62	524
Unallocated costs							(1,136)
Operating loss							(612)
Finance costs							–
Share of profit of an associate							552
Loss before taxation							(60)
Taxation							(6)
Loss for the period							(66)
Segment assets	4,718	–	999	–	128	–	5,845
Interest in an associate	–	–	8,639	–	–	–	8,639
Unallocated assets							16,730
Total assets							31,214
Segment liabilities	(3,325)	–	(79)	–	(27)	–	(3,431)
Unallocated liabilities							(422)
Total liabilities							(3,853)
Capital expenditure	98	–	–	–	–	–	98
Depreciation of property, plant and equipment	94	2	–	–	–	–	96

## APPENDIX II

## FINANCIAL INFORMATION OF THE GROUP

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

	Unaudited						Total 2008 HK\$'000
	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	
	Turnover	9,576	108	70	132	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
Profit before taxation							505
Taxation							-
Profit for the period							<u>505</u>
Segment assets	5,443	-	169	-	139	-	5,751
Interest in an associate	-	-	7,474	-	-	-	7,474
Unallocated assets							17,787
Total assets							<u>31,012</u>
Segment liabilities	(3,480)	-	(143)	-	(27)	-	(3,650)
Unallocated liabilities							(323)
Total liabilities							<u>(3,973)</u>
Capital expenditure	186	-	-	-	-	-	186
Depreciation of property, plant and equipment	51	-	3	-	-	-	54

\* *Others represent turnover mainly generated from Pakistan, Indonesia, Malaysia and Sri Lanka.*

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

### 3. 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 assessable profits (2008: Nil). Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

	<b>Unaudited</b>			
	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Taxation charge				
Current tax				
– overseas taxation	<u>3</u>	<u>–</u>	<u>6</u>	<u>–</u>

## 4. (Loss)/Earnings per share

(a) *Basic (loss)/earnings per share*

Basic (loss)/earnings per share is calculated by dividing the loss (2008: 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		Six months ended	
	30 September		30 September	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit for the period attributable to equity holders of the Company	(104)	362	(66)	505
Weighted average number of ordinary shares in issue during the period	473,411,363	473,060,543	473,411,363	473,060,543
Basic (loss)/earnings per share	<u>(0.022) cents</u>	<u>0.076 cents</u>	<u>(0.014) cents</u>	<u>0.107 cents</u>

**(b) Diluted (loss)/earnings per share**

Diluted (loss)/earnings per share is calculated by dividing the loss (2008: 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		Six months ended	
	30 September		30 September	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit for the period attributable to equity holders of the Company	<u>(104)</u>	<u>362</u>	<u>(66)</u>	<u>505</u>
Weighted average number of ordinary shares in issue during the period	473,411,363	473,060,543	473,411,363	473,060,543
Weighted average number of ordinary shares issued at no consideration on the deemed exercise of all shares options outstanding during the period	<u>6,358,494</u>	<u>3,872,118</u>	<u>6,358,494</u>	<u>3,872,118</u>
	<u>479,769,857</u>	<u>476,932,661</u>	<u>479,769,857</u>	<u>476,932,661</u>
Diluted (loss)/earnings per share	<u>(0.022) cents</u>	<u>0.076 cents</u>	<u>(0.014) cents</u>	<u>0.106 cents</u>

## 5. Interest in an associate

	Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
Share of net assets	2,187	1,652
Goodwill	5,513	5,513
	7,700	7,165
Due from an associate	939	959
	<u>8,639</u>	<u>8,124</u>

- (a) Except for the loan amount of HK\$250,000 which is charged at 5% per annum with six-month maturity period, the other balance due from an associate is unsecured, non-interest bearing and has no repayment term. It is neither past due nor impaired
- (b) The Group's interest in its associate, which is unlisted and engaged in the business of 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
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	held %
As at 30 September 2009						
廣州流之動資訊技術有限公司	PRC	7,538	1,936	3,679	497	43.3
As at 31 March 2009						
廣州流之動資訊技術有限公司	PRC	5,169	1,138	8,062	1,906	43.3



## 6. Trade and other receivables

	<b>Unaudited</b> <b>30 September</b> <b>2009</b> <i>HK\$'000</i>	<b>Audited</b> <b>31 March</b> <b>2009</b> <i>HK\$'000</i>
Trade receivables	2,681	2,895
<i>Less: Provision for impairment of receivables</i>	<u>–</u>	<u>–</u>
Trade receivables – net	<u>2,681</u>	<u>2,895</u>
Prepayments, other receivables and deposits	686	724
<i>Less: Impairment losses</i>	<u>–</u>	<u>–</u>
	<u>686</u>	<u>724</u>
	<u><u>3,367</u></u>	<u><u>3,619</u></u>

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</b> <b>30 September</b> <b>2009</b> <i>HK\$'000</i>	<b>Audited</b> <b>31 March</b> <b>2009</b> <i>HK\$'000</i>
0 to 30 days	1,385	1,259
31 to 60 days	256	758
61 to 90 days	219	261
Over 90 days	<u>821</u>	<u>617</u>
	<u><u>2,681</u></u>	<u><u>2,895</u></u>

## 7. Trade and other payables

	<b>Unaudited</b> <b>30 September</b> <b>2009</b> <i>HK\$'000</i>	<b>Audited</b> <b>31 March</b> <b>2009</b> <i>HK\$'000</i>
Trade payables	1,971	2,272
Accrued expenses	1,292	1,759
Other payables	316	515
Deposits received	274	12
	<u>3,853</u>	<u>4,558</u>

The aging analysis of trade payables is as follows:

	<b>Unaudited</b> <b>30 September</b> <b>2009</b> <i>HK\$'000</i>	<b>Audited</b> <b>31 March</b> <b>2009</b> <i>HK\$'000</i>
0 to 30 days	694	701
31 to 60 days	174	636
61 to 90 days	342	228
Over 90 days	761	707
	<u>1,971</u>	<u>2,272</u>

**8. Financial assets at fair value through profit or loss**

The Group acquired certain foreign currency-linked notes for short-term investment purposes, which are issued by a financial institution with high credit rating and with maturity period ranging from 1 month to 2 months. These foreign currency-linked notes will be redeemed by cash only and measured at fair value. Their fair value were determined based on the quoted prices provided by the financial institution at the balance sheet date.

	<b>Unaudited 30 September 2009 HK\$'000</b>	<b>Audited 31 March 2009 HK\$'000</b>
Foreign currency-linked notes	<u>6,046</u>	<u>–</u>

**9. Share capital**

	Number of shares		Nominal value	
	Unaudited 30 September 2009	Audited 31 March 2009	Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
<i>Authorised:</i>				
At beginning and end of period/year				
Ordinary shares of US\$0.01 each	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>156,000</u>	<u>156,000</u>
<i>Issued and fully paid:</i>				
At beginning of period/year				
Ordinary shares of US\$0.01 each	473,411,363	472,811,363	36,977	36,930
Issue of shares under share				
option scheme	<u>–</u>	<u>600,000</u>	<u>–</u>	<u>47</u>
At end of period/year				
Ordinary shares of US\$0.01 each	<u>473,411,363</u>	<u>473,411,363</u>	<u>36,977</u>	<u>36,977</u>

**10. Commitments**

The Group leases certain of its office properties under operating lease arrangement, with lease negotiated for original terms of two years. None of the leases includes contingent rentals.

The Group had the total future minimum lease payments under this non-cancelable operating leases falling due as follows:

	<b>Unaudited</b> <b>30 September</b> <b>2009</b> <i>HK\$'000</i>	<b>Audited</b> <b>31 March</b> <b>2009</b> <i>HK\$'000</i>
Within one year	897	897
In the second to fifth years, inclusive	<u>130</u>	<u>586</u>
	<u><u>1,027</u></u>	<u><u>1,483</u></u>

**11. Transactions with related parties**

The Group's key management compensation for the six months ended 30 September 2009 amounted to HK\$1,130,000 (2008: HK\$1,124,000).

**12. Interim dividend**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2009 (2008: Nil).

## 4. QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2009

Set out below are the unaudited condensed consolidated results of the Group together with the accompanying notes as extracted from the quarterly report of the Company for the nine months ended 31 December 2009. Reference to notes numbers therein are to the notes numbers in the quarterly report of the Company.

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**  
*FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 DECEMBER 2009*

	Three months ended		Nine months ended	
	31 December		31 December	
	2009	2008	2009	2008
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	4,733	5,099	13,453	15,273
Other income and gains, net	79	117	579	367
Telecom operators and content providers costs	(2,662)	(2,744)	(7,339)	(8,036)
Employment costs	(1,448)	(1,443)	(4,393)	(4,207)
Research and development expenses	(371)	(364)	(1,082)	(1,211)
Depreciation of property, plant and equipment	(47)	(42)	(143)	(96)
Other operating expenses	(662)	(775)	(2,065)	(2,176)
Operating loss	(378)	(152)	(990)	(86)
Finance costs	-	-	-	-
Share of profit of an associate	300	280	852	718
(Loss)/Profit before taxation	(78)	128	(138)	632
Taxation	2 (1)	(2)	(7)	(2)
(Loss)/Profit for the period	(79)	126	(145)	630

	Three months ended		Nine months ended	
	31 December		31 December	
	2009	2008	2009	2008
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Attributable to:				
Equity holders of the Company	(79)	126	(145)	630
Non-controlling interests	—	—	—	—
	<u>(79)</u>	<u>126</u>	<u>(145)</u>	<u>630</u>
(Loss)/Earnings per share for (loss)/ profit attributable to the equity holders of the Company during the period	3			
– basic (HK cent)	(0.017)	0.027	(0.031)	0.133
– diluted (HK cent)	<u>(0.017)</u>	<u>0.026</u>	<u>(0.031)</u>	<u>0.132</u>
Dividends	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Dividends per share	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 DECEMBER 2009*

	Three months ended		Nine months ended	
	31 December		31 December	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit for the period	(79)	126	(145)	630
Other comprehensive income:				
Exchange difference arising on translation of foreign operations	<u>(14)</u>	<u>(16)</u>	<u>(8)</u>	<u>4</u>
Total comprehensive income for the period	<u><u>(93)</u></u>	<u><u>110</u></u>	<u><u>(153)</u></u>	<u><u>634</u></u>
Attributable to:				
Equity holders of the Company	(93)	110	(153)	634
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>(93)</u></u>	<u><u>110</u></u>	<u><u>(153)</u></u>	<u><u>634</u></u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE NINE MONTHS ENDED 31 DECEMBER 2009

	Attributable to equity holders of the Company							
	Share capital <i>HKS'000</i>	Share premium <i>HKS'000</i>	Capital reserve <i>HKS'000</i>	Capital redemption reserve <i>HKS'000</i>	Cumulative translation adjustment <i>HKS'000</i>	Share-based payment reserve <i>HKS'000</i>	Accumulated losses <i>HKS'000</i>	Total equity <i>HKS'000</i>
Balance at 1 April 2008	36,930	35,564	16,375	2,943	540	312	(66,204)	26,460
Issue of shares under share option scheme	47	19	-	-	-	(12)	-	54
Share options lapsed during the period	-	-	-	-	-	(12)	12	-
Other comprehensive income:								
Exchange difference arising on translation of foreign operations	-	-	-	-	4	-	-	4
Profit for the period	-	-	-	-	-	-	630	630
Balance at 31 December 2008	<u>36,977</u>	<u>35,583</u>	<u>16,375</u>	<u>2,943</u>	<u>544</u>	<u>288</u>	<u>(65,562)</u>	<u>27,148</u>
Balance at 1 April 2009	36,977	35,582	16,375	2,943	543	320	(65,443)	27,297
Share options lapsed during the period	-	-	-	-	-	(11)	11	-
Recognition of share options benefit at fair value	-	-	-	-	-	187	-	187
Other comprehensive income:								
Exchange difference arising on translation of foreign operations	-	-	-	-	(8)	-	-	(8)
Loss for the period	-	-	-	-	-	-	(145)	(145)
Balance at 31 December 2009	<u>36,977</u>	<u>35,582</u>	<u>16,375</u>	<u>2,943</u>	<u>535</u>	<u>496</u>	<u>(65,577)</u>	<u>27,331</u>



*NOTES:***1. Basis of preparation**

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), which collective term include all applicable individual HKFRS, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2009 except in relation to the following new and revised HKFRS that are adopted for the first time for the current period’s financial information.

HKFRS 7 (Amendments)	<i>Financial Instruments: Disclosure – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 27 (Amendments)	<i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate</i>

The Group has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective.

**2. Income tax**

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 profit (2008: 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.

	Unaudited			
	Three months ended		Nine months ended	
	31 December		31 December	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Taxation charge				
Current tax				
– Overseas taxation	<u>1</u>	<u>2</u>	<u>7</u>	<u>2</u>

### 3. (Loss)/Earnings per share

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

Basic (loss)/earnings per share is calculated by dividing the loss (2008: 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		Nine months ended	
	31 December		31 December	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit for the period attributable to equity holders of the Company	<u>(79)</u>	<u>126</u>	<u>(145)</u>	<u>630</u>
Weighted average number of ordinary shares in issue during the period	<u>473,411,363</u>	<u>473,177,908</u>	<u>473,411,363</u>	<u>473,177,908</u>
Basic (loss)/earnings per share	<u>(0.017) cents</u>	<u>0.027 cents</u>	<u>(0.031) cents</u>	<u>0.133 cents</u>

**(b) Diluted (loss)/earnings per share**

Diluted (loss)/earnings per share is calculated by dividing the loss (2008: 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		Nine months ended	
	31 December		31 December	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit for the period attributable to equity holders of the Company	(79)	126	(145)	630
Weighted average number of ordinary shares in issue during the period	473,411,363	473,177,908	473,411,363	473,177,908
Weighted average number of ordinary shares issued at no consideration on the deemed exercise of all shares options outstanding during the period	6,626,465	2,977,093	6,626,465	2,977,093
	<u>480,037,828</u>	<u>476,155,001</u>	<u>480,037,828</u>	<u>476,155,001</u>
Diluted (loss)/earnings per share	<u>(0.017) cents</u>	<u>0.026 cents</u>	<u>(0.031) cents</u>	<u>0.132 cents</u>

**5. INDEBTEDNESS**

At the close of business on 31 March 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other contingent liabilities.

Save as aforesaid, the Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 March 2010.

**6. MATERIAL CHANGES**

Save for the following, the Directors confirm that there is no material change in the financial or trading position or outlook of the Group since 31 March 2009, the date to which the latest published audited financial statements of the Group were made up:

- (1) As disclosed in the third quarterly report of the Company for the nine months ended 31 December 2009, during the period under review, the Group's turnover was inevitably impacted by the global economic recession in the year of 2009. As such, the Group's turnover decreased to HK\$13,453,000, representing a 11.9% decline compared to that of the corresponding period of last year, and the Group recorded a loss of HK\$145,000 as compared to a profit of HK\$630,000 for the corresponding period of last year.

Further details of the changes in turnover and profit of the Group have been set out in the sections headed "MANAGEMENT DISCUSSION AND ANALYSIS" and "UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT" together with the relevant notes in the third quarterly report of the Company for the nine months ended 31 December 2009.

Based on preliminary review of the unaudited annual consolidated management accounts of the Group, the Directors estimate a consolidated net loss result of the Group for the year ended 31 March 2010 as compared to a profit for the year ended 31 March 2009. Please refer to the announcement of the Company dated 31 May 2010 on the relevant profit warning.

- (2) As disclosed in the interim report of the Company for the six months ended 30 September 2009, the Group recognised “Financial assets at fair value through profit or loss” as at 30 September 2009 (representing certain foreign currency-linked premium deposits placed for short-term investment purposes with a financial institution with maturity period ranging from 1 month to 2 months).

Further details of the changes in financial position/performance of the Group have been set out in the sections headed “MANAGEMENT DISCUSSION AND ANALYSIS” and “CONDENSED CONSOLIDATED BALANCE SHEET” together with the relevant notes in the interim report of the Company for the six months ended 30 September 2009.

As at the Latest Practicable Date, the Group had outstanding foreign currency-linked premium deposits of approximately HK\$1,000,000 that were mainly linked to Australian Dollars.

Up to the Latest Practicable Date,

- (a) the Group had so far converted cash in Hong Kong Dollar of approximately HK\$10,000,000 to foreign currencies (mainly British Pounds) upon maturity of certain foreign currency-linked premium deposits; and
  - (b) the Directors estimate the net investment loss of the Group's financial assets through profit or loss, namely foreign currency-linked premium deposits, would so far be approximately HK\$400,000.
- (3) the Directors estimate the Group's share of the total fees and expenses arising from appointing the professional parties in connection with the Offers would be not more than HK\$1,000,000, based on data available up to the Latest Practicable Date.

Attention of the Independent Shareholders and the Independent Optionholders are drawn to (i) the Letter from AsiaVest Partners Limited reporting on profit warning announcement issued by the Company on 31 May 2010 as set out on pages 57 to 58 of this Composite Document and (ii) the Letter from Ting Ho Kwan & Chan reporting on profit warning announcement issued by the Company on 31 May 2010 as set out on pages 59 to 61 of this Composite Document.

**1. RESPONSIBILITY STATEMENT**

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to PAEH, the Offeror and parties acting in concert with any of them), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by PAEH, the Offeror and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement (other than those relating to PAEH, the Offeror and parties acting in concert with any of them) contained in this Composite Document misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Group, the Vendor and parties acting in concert with any of them), and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Group, the Vendor and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement (other than those relating to the Group, the Vendor and parties acting in concert with any of them) contained in this Composite Document misleading.

All the directors of PAEH jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Group, the Vendor and parties acting in concert with any of them), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Group, the Vendor and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement (other than those relating to the Group, the Vendor and parties acting in concert with any of them) contained in this Composite Document misleading.

## 2. CORPORATE INFORMATION OF THE COMPANY

The Company is an investment holding Company incorporated in the Cayman Islands and through its subsidiaries, is principally engaged in development, provision and sale of mobile internet communication, telecommunications and related services.

The Company was incorporated in the Cayman Islands on 25 May 2000 as an exempted Company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is Room 2516, 25/F, North Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong.

Pursuant to a group reorganisation (the “Reorganisation”) in preparation for the listing of the Company’s shares on the GEM, the Company acquired the entire issued capital of Mobile Telecom (BVI) Limited through a share swap and became the holding company of Mobile Telecom (BVI) Limited and its subsidiaries. Details of the Reorganisation are set out in the Prospectus of the Company dated 30 April 2003. The shares of the Company were listed on GEM on 9 May 2003.

## 3. SHARE CAPITAL AND SHARE OPTIONS OF THE COMPANY

The authorised share capital of the Company as at the Latest Practicable Date was US\$20,000,000.

The issued share capital of the Company as at the Latest Practicable Date comprised:

	<b>Number of Shares held as at the Latest Practicable Date</b>	<b>Approximate percentage of shareholding (%)</b>
The Offeror and parties acting in concert with it	177,785,861	37.14%
Vodatel Information Limited ( <i>Note</i> )	81,325,696	16.99%
Director – Mr. Chan Wai Kwong, Peter	4,064,036	0.85%
Subtotal	263,175,593	54.98%
Public Shareholders	215,567,383	45.02%
Total	<u>478,742,976</u>	<u>100.00%</u>

*Note:* 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 Networks Holdings Limited which is a company incorporated in Bermuda whose shares are listed on GEM (Stock code: 8033).

All existing issued Shares rank *pari passu* in all respect including all rights as to dividends, voting and interests in capital.

An aggregate of 5,331,613 new Shares have been issued on 13 May 2010 upon the exercise of Share Options by two Optionholders. Save as disclosed herein, no new Shares were issued since 31 March 2009 (being the date on which the latest published audited consolidated financial statements of the Company were made up) and up to the Latest Practicable Date.

Set out below are details of the Share Options as at the Latest Practicable Date:

<b>Number of Share Options</b>	<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price</b>
3,000,000	4 September 2001	From 9 May 2003	HK\$0.078
400,000	27 March 2003	9 May 2003 – 8 May 2013	HK\$0.103
300,000	27 March 2003	9 May 2003 – 8 May 2013	HK\$0.114
4,728,113	18 September 2006	18 September 2006 – 17 September 2016	HK\$0.078
10,000	9 February 2007	9 February 2007 – 8 February 2017	HK\$0.090
4,748,113	12 February 2008	12 February 2008 – 11 February 2018	HK\$0.191
5,234,113	13 February 2009	13 February 2009 – 12 February 2019	HK\$0.101
5,034,113	17 February 2010	17 February 2010 – 16 February 2020	HK\$0.134

As at the Latest Practicable Date, apart from the Share Options, the Company has no other outstanding options, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares.



**4. MARKET PRICES**

The table below shows the closing prices of the Shares quoted on the Stock Exchange on (i) the last Trading Day for each of the calendar months during the Relevant Period on which trading of the Shares took place; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

<b>Date</b>	<b>Closing price per Share HK\$</b>
30 October 2009	0.139
30 November 2009	0.179
31 December 2009	0.133
29 January 2010	0.140
26 February 2010	0.155
31 March 2010	0.160
19 April 2010 (being the Last Trading Day)	0.229
30 April 2010	0.405
31 May 2010 (being the Latest Practicable Date)	N/A
	<i>(Note)</i>

*Note:* Trading of Shares was suspended as at the Latest Practicable Date

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.495 per Share (on 28 April 2010) and HK\$0.110 per Share (on 9 November 2009) respectively.

## 5. DISCLOSURE OF INTERESTS

(a) **Interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) 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 (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) ***Interests in Shares***

<b>Name of Directors</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate % of issued Shares as at the Latest Practicable Date</b>
Mr. Chan Wai Kwong, Peter	Beneficial owner	4,064,036	0.85%

*(ii) Interests in Shares pursuant to Share Options*

Name of Directors	Capacity	Date of grant	Number of underlying shares	Approximate percentage of issued share capital	Option period	Consideration for the grant of the option HK\$	Exercise price per share HK\$
Dr. Chan Chung <i>(Note)</i>	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	0.988%	18 September 2006 – 17 September 2016	1.00	0.078
		12 February 2008	4,728,113	0.988%	12 February 2008 – 11 February 2018	1.00	0.191
		13 February 2009	4,734,113	0.989%	13 February 2009 – 12 February 2019	1.00	0.101
		17 February 2010	4,734,113	0.989%	17 February 2010 – 16 February 2020	1.00	0.134
Mr. Chan Wai Kwong, Peter <i>(Note)</i>	Beneficial owner	27 March 2003	100,000	0.021%	9 May 2003 – 8 May 2013	1.00	0.103
			19,324,452	4.038%			

*Note:* Share Options to Dr. Chan Chung and Mr. Chan Wai Kwong, Peter were granted under the Pre-IPO share option scheme and the share option scheme which were approved by the shareholders of the Company on 27 March 2003. All of the above Share Options are physically settled equity derivatives.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of 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 any interests or 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 the Model Code, to be notified to the Company and the Stock Exchange.

**(b) Interests and short positions of the Substantial Shareholders in the shares, underlying shares and debentures of the Company**

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital were as follows:

**(i) Interest in the Shares**

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate % of issued Shares as at the Latest Practicable Date</b>
The Offeror	Beneficial owner	177,785,861	37.14%
PAEH	Interest in controlled corporation	177,785,861 (Note 1)	37.14%
Vodatel Information Limited	Beneficial owner	81,325,696	16.99%
Vodatel Networks Holdings Limited (“Vodatel”)	Interest in controlled corporation	81,325,696 (Note 2)	16.99%

*Notes:*

1. These Shares were held by the Offeror which is wholly-owned by PAEH. PAEH was deemed to be interested in all these Shares by virtue of its shareholding interest in the Offeror.
  
2. 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 which 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 81,325,696 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 quarterly report of Vodatel for the three months ended 31 March 2010, Mr. Jose Manuel dos Santos, Miss Lei Hon Kin, Lois Resources Limited and Eve Resources Limited were interested or deemed to be interested in more than one-third of the then issued share capital of Vodatel.

All the interests stated above represent long position.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, no other persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

**6. INTEREST IN THE COMPANY AND THE OFFEROR**

As at the Latest Practicable Date,

- (a) none of the Company and the Directors were interested in or owned or controlled any shares, convertible securities, warrants options or derivatives of the Offeror;
- (b) save as disclosed in section 5 of this Appendix, none of the Offeror, its sole director, parties acting in concert with the Offeror nor directors of PAEH was interested in or owned or controlled any Shares, Share Options, derivatives, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares;
- (c) save for the S&P Agreement and the arrangement of resignation contemplated thereunder as set out under the section headed “Proposed change of composition of the Board” in the “Letter from Taifook Securities” on page 16 and in the “Letter from the Board” on page 26 respectively of this Composite Document, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers;
- (d) save for the S&P Agreement and the arrangement of resignation contemplated thereunder as set out under the section headed “Proposed change of composition of the Board” in the “Letter from Taifook Securities” on page 16 and in the “Letter from the Board” on page 26 respectively of this Composite Document, there was no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any person acting in concert with it and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offers;
- (e) none of the subsidiaries of the Company and pension fund of the Company or of a subsidiary of the Company owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;
- (f) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who was an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code or with the Offeror or any person acting in concert with it;
- (g) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;

- (h) no Independent Shareholder or Independent Optionholder prior to the posting of this Composite Document had irrevocably committed himself or herself or itself to accept or reject the Offers;
- (i) none of the advisers to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code (excluding exempt principal traders) owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;
- (j) none of the Company or any of its Directors has borrowed or lent any Shares or any convertible securities, warrants, options or derivatives issued by the Company;
- (k) Dr. Chan Chung intended to accept the Option Offer in respect of a part of his own beneficial holdings of Share Options and Mr. Chan Wai Kwong, Peter intended to accept the Share Offer and accept the Option Offer in respect of his own beneficial holdings of Shares and Share Options respectively and remaining Directors were not interested in any Shares and Share Options; and
- (l) save for the S&P Agreement, there was no agreement or arrangement to which the Offeror was a party which related to the circumstances in which the Offeror may or may not invoke or seek to invoke a condition to the Offers.

## **7. DEALINGS IN SECURITIES**

During the Relevant Period,

- (a) save as disclosed in section headed “Dealings in securities of the Company” in the “Letter from Taifook Securities” in this Composite Document, none of the Offeror, its sole director, parties acting in concert with the Offeror nor the directors of PAEH had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company;
- (b) none of the Company or the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror;
- (c) no fund managers (other than exempted fund managers) who were connected with the Company had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company which were managed on a discretionary basis;
- (d) none of the advisers to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code (excluding exempt principal traders) had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company; and

- (e) none of the subsidiaries of the Company and pension fund of the Company or of a subsidiary of the Company had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company.

## 8. DIRECTORS' SERVICE CONTRACTS AND OTHER INTERESTS

Each of the independent non-executive Directors, Mr. Jeffery Matthew Bistrong, Mr. Chu Chin Tai, Eric and Mr. Chen Kwok Wang, Kester has renewed their respective service agreement for a fixed term of two years in February 2010 following the expiration of their respective previous service agreement, details as follows:—

Name of non-executive Directors	Commencement date of the service agreement	Expiry date of the service agreement	Fixed remuneration payable under the service agreement	Variable remuneration payable under the service agreement	Fixed remuneration payable under the previous service agreement	Variable remuneration payable under the previous service agreement
Mr. Jeffery Matthew Bistrong	27 March 2010	26 March 2012	HK\$100,000	nil	HK\$100,000	nil
Mr. Chu Chin Tai, Eric	06 March 2010	05 March 2012	HK\$84,000	nil	HK\$84,000	nil
Mr. Chen Kwok Wang, Kester	31 March 2010	30 March 2012	HK\$84,000	nil	HK\$84,000	nil

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies (a) which (including continuous or fixed term contracts) were entered into or amended within 6 months before the commencement of the Offer Period; (b) which were continuous contracts with a notice period of 12 months or more, or (c) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

None of the Directors has entered into any service contract or has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

No benefit (other than statutory compensation) has been or will be given to any Director as compensation for loss of office or otherwise in connection with the Offers.

Save for the S&P Agreement, there was no material contract to which the Offeror is a party in which any Director has a material personal interest.



**9. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

**10. MATERIAL CONTRACT**

The following contract (being contracts not entered into in the ordinary course of business of the Group) has been entered into by the members of the Group after the date of two years immediately preceding 27 April 2010, being the date of the Joint Announcement, and up to and including the Latest Practicable Date, which is or may be material:

- a. On 22 April 2009, the Company entered into a contract with Citibank (Hong Kong) Limited for premium deposits linked to foreign currencies (“Foreign Currency-Linked Deposits”). More details of the Foreign Currency-Linked Deposits are set out in item (2) under section headed “Material changes” on page II-88 of this Composite Document.

**11. CONSENTS AND QUALIFICATIONS**

The followings are the names and the qualifications of the professional advisers whose letters, opinions or advice are contained or referred to in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Taifook Securities	A corporation licensed to carry out Types 1 (dealing in securities), 3 (leveraged foreign exchange trading) and 4 (advising on securities) regulated activities under the SFO
Taifook Capital	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Mitsubishi UFJ	A registered institution licensed to carry out Types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO
AsiaVest Partners Limited	A corporation licensed to carry out Types 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO
Ting Ho Kwan & Chan	Certified Public Accountants

Taifook Securities, Taifook Capital, Mitsubishi UFJ, AsiaVest Partners Limited and Ting Ho Kwan & Chan have given and have not withdrawn their respective written consents to the issue of this Composite Document with the inclusion herein of their respective letters, opinions or advice (as the case may be) and references to their names in the form and context in which they respectively appear.

## **12. GENERAL**

- (a) The registered office of the Offeror is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgins Islands and the correspondence address of the Offeror is at Suite 1006, 10th Floor, Ocean Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong. The registered office of PAEH is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of PAEH is Suite 1006, 10th Floor, Ocean Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong. The Offeror is a direct wholly-owned subsidiary of PAEH whose issued shares are listed on main board of the Stock Exchange. The sole director of the Offeror is Mr. Poon Sum and the board of directors of PAEH comprises three executive directors, namely Mr. Poon Sum, Mr. Wong Kwok Leung and Mr. Poon Wai Kong; and three independent non-executive directors, namely Mr. Chan Kam Ching, Paul, Mr. Chan Shu Kin and Mr. Cheung Kwan Hung.
- (b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company is at Room 2516, 25th Floor, North Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Board comprises two executive Directors, namely Dr. Chan Chung 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.
- (c) The company secretary of the Company is Mr. Ho Yu, Jason.
- (d) The registered office of Taifook Capital and Taifook Securities is situated at 25th Floor, New World Tower, 16-18 Queen's Road Central, Hong Kong.
- (e) In the event of inconsistency, the English texts of this Composite Document and the Forms of Acceptance shall prevail over their respective Chinese texts.

**13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:30 a.m. to 6:00 p.m. on Monday to Friday except during public holidays) at (i) the principal place of business of the Company in Hong Kong at Room 2516, 25th Floor, North Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong; (ii) the website of the SFC at [www.sfc.hk](http://www.sfc.hk); and (iii) the website of the Company at [www.mtelnet.com](http://www.mtelnet.com) from 3 June 2010, the date of this Composite Document up to and including the First Closing Date or the close of the Offers, whichever is later:

- (a) the memorandum and articles of association of the Offeror;
- (b) the memorandum and articles of association of the Company;
- (c) the annual reports of the Company for the two years ended 31 March 2009;
- (d) the interim report of the Company for the six months ended 30 September 2009;
- (e) the third quarterly report of the Company for the nine months ended 31 December 2009;
- (f) the letter dated 3 June 2010 from Taifook Securities as set out on pages 7 to 18 of this Composite Document;
- (g) the letter dated 3 June 2010 from the Board as set out on pages 19 to 27 of this Composite Document;
- (h) the letter dated 3 June 2010 from the Independent Board Committee to the Independent Shareholders and Independent Optionholders as set out on pages 28 to 29 of this Composite Document;
- (i) the letter dated 3 June 2010 from Mitsubishi UFJ to the Independent Board Committee as set out on pages 30 to 56 of this Composite Document;
- (j) the letter dated 31 May 2010 from AsiaVest Partners Limited to the Board reporting on profit warning announcement issued by the Company on 31 May 2010 as set out on pages 57 to 58 of this Composite Document;
- (k) the letter dated 31 May 2010 from Ting Ho Kwan & Chan to the Board reporting on profit warning announcement issued by the Company on 31 May 2010 as set out on pages 59 to 61 of this Composite Document;

- (l) the letters of consents referred to under the paragraph headed “Consents and qualifications” in this Appendix;
- (m) the service contracts referred to under the paragraph headed “Directors’ service contracts and other interests” in this Appendix;
- (n) the material contract referred to under the paragraph headed “Material contract” in this Appendix; and
- (o) the S & P Agreement.