MOBILE TELECOM NETWORK (HOLDINGS) LIMITED
流動電訊網絡（控股）有限公司 *

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 8266)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2009

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

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

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

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

* *For identification purpose only*

HIGHLIGHTS

- Notwithstanding the worsening global economy during the year, the turnover of the Group increased moderately by 2.9% to HK$20,321,000 compared to that of previous financial year.

- In light of the Group's continuous focus on higher margin business, gross profit margin of the Group was improved from 44.2% to 47.4%.

- Turnover of the Group's China associate increased to HK$8,062,000 for the year, increased significantly by 130.8% compared to that of HK$3,493,000 in previous financial year.

- The ongoing increase in share of profit from the Group's China associate results in the Group's net profit to reach HK$748,000 for the year, representing a double of that of previous financial year.

- Basic earnings per share was 0.16 cent for the year ended 31 March 2009 compared to that of 0.08 cent for the previous financial year.

- The Directors do not recommend the payment of a final dividend.

AUDITED CONSOLIDATED INCOME STATEMENT

The board of Directors (the "Board") is delighted to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2009, together with the comparative audited figures for the corresponding year ended 31 March 2008 as follows:

		2009	2008
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**20,321**	19,742
Other income and gains, net	*2*	**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		**(2,909)**	(2,861)
Operating (loss)/profit	*3*	**(70)**	47
Share of profit of an associate		**824**	334
Profit before taxation		**754**	381
Taxation	*4*	**(6)**	(8)
Profit for the year		**748**	373
Attributable to:			
Equity holders of the Company		**748**	382
Minority interests		**–**	(9)
		748	373
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic	*6(a)*	**0.16 cent**	0.08 cent
– diluted	*6(b)*	**0.16 cent**	0.08 cent

AUDITED CONSOLIDATED BALANCE SHEET

At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**331**	162
Interest in an associate		**8,124**	6,738
		8,455	6,900
Current assets			
Trade and other receivables	*7*	**3,619**	3,695
Cash and deposits with banks		**19,781**	20,019
		23,400	23,714
Total assets		**31,855**	30,614
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**36,977**	36,930
Reserves		**(9,680)**	(10,470)
Total equity		**27,297**	26,460
LIABILITIES			
Current liabilities			
Trade and other payables	*8*	**4,558**	4,154
Total liabilities		**4,558**	4,154
Total equity and liabilities		**31,855**	30,614
Net current assets		**18,842**	19,560
Total assets less current liabilities		**27,297**	26,460

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

	Attributable to equity holders of the Company						
	Share capital	**Share premium**	**Other reserves**	**Accumulated losses**	**Total**	**Minority interests**	**Total equity**
	HK$'000	*HK$'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	–	–	277	–	277	–	277
Currency translation differences	–	–	30	–	30	–	30
Acquisition of a subsidiary	–	–	–	–	–	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	47	18	(11)	–	54	–	54
Recognition of share option benefits at fair value	–	–	32	–	32	–	32
Currency translation differences	–	–	3	–	3	–	3
Share options forfeited	–	–	(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**

Notes:

1. **Basis of preparation**

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 GEM of the Stock Exchange (the "Listing Rules"). The consolidated financial statements have been prepared under the historical cost convention.

Change 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

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.

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

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

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

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**

	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

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

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

3. Operating (loss)/profit

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

	2009	2008
	HK$'000	*HK$'000*
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	**7,308**	6,644
Operating lease rentals of premises and facilities	**1,229**	1,160
Share of associate's taxation	**77**	42

4. Taxation

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

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.

	2009	2008
	HK$'000	*HK$'000*
Taxation charge		
Current tax		
– Overseas taxation	**6**	8

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:

	2009	2008
	HK$'000	*HK$'000*
Profit before taxation	**754**	381
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	**104**	118
Taxation charge	**6**	8

5. Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 March 2009 (2008: Nil).

6. Earnings per share

(a) Basic earnings per share

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

	2009	2008
	HK$'000	*HK$'000*
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.

	2009	2008
	HK$'000	*HK$'000*
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
Weighted average number of ordinary shares issued at no consideration on deemed exercise of all shares options outstanding during the year	**2,901,072**	6,010,138
	476,136,545	478,821,501
Diluted earnings per share	**0.16 cent**	0.08 cent

7. Trade and other receivables

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**2,895**	2,416
Prepayments, other receivables and deposits	**724**	1,279
	3,619	3,695

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

	2009	2008
	HK$'000	*HK$'000*
Less than 30 days	**1,259**	1,556
31 to 60 days	**758**	354
61 to 90 days	**261**	29
Over 90 days	**617**	477
	2,895	2,416

8. Trade and other payables

	2009	2008
	HK$'000	*HK$'000*
Trade payables	**2,272**	2,598
Accrued expenses	**1,759**	950
Other payables	**515**	594
Deposits received	**12**	12
	4,558	4,154

The ageing analysis of trade payables is as follows:

	2009	2008
	HK$'000	*HK$'000*
Less than 30 days	**701**	994
31 to 60 days	**636**	383
61 to 90 days	**228**	134
Over 90 days	**707**	1,087
	2,272	2,598

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group recorded turnover of HK$20,321,000 for the year, compared to that of HK$19,742,000 previous financial year. Notwithstanding the worsening global economy during the year, the turnover of the Group increased moderately by 2.9% compared to that of previous financial year. During the year, in light of the Group's continuous focus on higher margin business, gross profit margin of the Group was improved from 44.2% to 47.4%. It was noteworthy that the global financial crises did affect the Group's main operating result but has not affected the Group's China operation. The Group's Asia Pacific operation for the year turned to a slight loss of HK$70,000 from a profit of HK$47,000 in previous financial year. The turnover of our China operation increased to HK$8,062,000 for the year, increased significantly by 130.8% compared to that of HK$3,493,000 previous financial year. As a result, the ongoing increase in share of profit from the Group's China associate results in the Group's net profit to reach HK$748,000 for the year, representing a double of that of previous financial year.

Business review

The Group continues to develop new services and expand into new markets. The trend of the mobile data business, in which the Group operates, is to embrace the emerging new offerings such as the Apple 3G iPhone and mobile TV. We are participating in the launching of the iPhone services with 3HK in Hong Kong and also offering various mobile TV services across the region. In term of actual business model, the Group continues to focus in two main value drivers, the value added services business and the outsourcing business with the mobile operators in the Greater China and Asia Pacific markets.

The Group has developed a very strong position in the Sport & Entertainment Services for mobile users across the region through key partnerships with the leading global news agencies. The mobile entertainment experience has becoming richer and user-friendlier thus delivering more real value for the subscribers. Beginning June 2008, the Group has worked with the leading global news agencies to deliver the two major sports events with Euro 2008 football services and the Beijing Olympic 2008 services in the region including Hong Kong, Macau, Indonesia, Singapore, and Vietnam market. After the major sports event, the Group has continued the business relationships with National Basketball Association (NBA) to acquire the exclusive mobile license rights in Hong Kong & Macau market which is the 3rd consecutive year deal. We also continue to deploy new services into Indonesia, Pakistan, Sir Lanka, etc. in order to fully utilize our unique GloDan (Global Data Network) network connections. We have coordinated the rights from branded content owners to distribute relevant content via the region's mobile operators' networks.

In mainland China, MTel China continues to cooperate with China Mobile with focus on the development of electronic channels as well as new business lines. In 2008, the business was expanded gradually to other provinces in addition to China Mobile – Guangdong, including China Mobile – Jiangsu, China Mobile – Beijing and China Mobile – Inner Mongolia. In respect of the development of electronic channels, the main goal is to raise the transaction volume of portals, WAP business handling, SMS. In respect of exploring new business lines, the main objective is to increase the number of users of new products such as (instant messaging product) Fetion, mobile newspapers, mobile music and so on. Furthermore, MTel China beginning from the second half of 2008 are expanding gradually to the major cities in Guangdong and working closely with China Mobile – Shenzhen, China Mobile – Guangzhou and China Mobile – Foshan.

In the other market, the Group has also been able to offer a full range of multi-media services and business know-how to the operators throughout Southeast Asia. Under our strong content portfolios and our large library of offerings in 3G service provisioning in Hong Kong and Macau, the Group has successfully extended and continually expanded our services to the emerging markets including Malaysia, Pakistan, Singapore, Sri Lanka, Vietnam and Indonesia.

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

For mobile game business, the Group has entered into major partnerships with games & content developers to distribute their games & content on the region's mobile networks and we are now signing more than 90+ games & content developers. We further assist our games & content partners to enter the other Asian markets through the GloDan system to streamline the workflow of game launch. The Group has launched a JAVA Games Portal with Mobilink and Dialog, the largest mobile subscribers in Pakistan and Sri Lanka market to deliver the latest JAVA games and a range of mobile value added services. In Hong Kong, PCCW mobile has appointed the Group as Master Game Provider to manage the entire JAVA Games business and the service has commenced in December 2008. Apart from single player JAVA Games, the Group has launched a series of multi-player JAVA games titles with CSL, the largest mobile operator in Hong Kong in July 2008. The Group will continue to provide exceptional service quality & efficiency in the MVAS business. This is likely to lead to more operators to collaborate with us in their MVAS operations.

The mobile entertainment segment is increasingly Internet bounded. The Group's Mobilesurf service platform for full entertainment service provisioning is relevant to this trend. Instead of a typical operator wall garden approach to content delivery, the launching of the iPhone brings Internet content such as YouTube & Google map mobile sites in a fashion that is similar to our Mobilesurf service platform. We plan to further expand our Mobilesurf platform to deliver content via the Internet and look for iPhone type opportunities in China. The Group also partnered with Hutchison 3HK to launch four key value added services on 3G iPhone that tie into the handset launching on July 11, 2008.

Apart from the licensed content business, the Group through Hutchison 3HK launched the SHOWME! services under our service platform. The service has integrated full power of mobile and Internet such that at anytime and anyplace users can enjoy the pleasure and fun of blogging and communicating with friends. Users can publish articles; upload photos or videos to their own blog that can be viewed immediately. Contents are updated instantly to the mobile and Internet version. The latest campaign is the 1st launching of Eason Chan official blogsite, the famous Hong Kong singer, together with the competition campaign on Web and Mobile platform via on SHOWME! associated with the new Mandarin album released in June 2008. The objective is to recruit more target audiences in different segments in order to leverage the SHOWME! platform.

Mobile games, which we first started as an operator outsourcing business, now grow to become a major MVAS platform for us. The Group is also scaling its game hosting business to serve the various channels & exploring new markets such as China, Indonesia, Pakistan, Vietnam, Sir Lanka, etc. In this regard, more operators consider outsourcing their existing data products and services to independent third parties. The Group has benefited by this trend and has won several outsourcing projects from operators in this region. The Group is now serving 7 mobile operators in Hong Kong and Macau to operate the entire mobile game business including 3HK & Macau, CSL & New World Mobility, PCCW Mobile, China Mobile Hong Kong, and Macau CTM. This collaboration shows the strong recognition to the Group of its experience and expertise in gaming business and considers the Group as the key player in this arena to assist mobile operators to operate the games and numerous other MVAS business in both 2G and 3G markets.

The Group has formed a partnership with several international content providers to distribute its branded content on wireless distribution of its rich content pool that brings iconic branded titles such as Monsters vs Aliens, Transformers, GI Joe, X Men, and Harry Porter content to 3G and 2G mobile users in Hong Kong and other countries. Through our GloDan network, Marvel Mobile has recently been made available to Hong Kong subscribers and the services are also available in various forms, including graphic images, audio, and games. The Group is strongly poised to provide consumers with innovative new product that targets the teen and young adult market, offering a diversified range of mobile content products, personalized and located to the market.

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

Prospect

Since the latter part of the year 2008 with the worldwide financial crisis, the Group has been strengthening our key business into our existing key markets. The mobile entertainment market is getting increasingly competitive with major corporations creating new companies or divisions to enter this market in a major way. The Group will also explore new opportunities to diversify its main dependence on mobile service provisioning. The outsourcing business seems to be a growing trend in periods of economical crises and the Group will focus to expand more in this direction.

We expand content aggregation business to include IP rights management for our partners. For some of the new market such as Philippines, Vietnam, Sri Lanka, and Indonesia, the Group will plan to act as a master content aggregator on behalf of the local operators and defined the solid business cases for them in order to maximize the revenue and minimize the resources allocation. In addition, the Group will also share its experience and strategy of our successful services with operators in new market in order to achieve the mutual benefit between both parties. The Group has recently signed up with more content partners including established brands such as Star TV to distribute its programs in the region and the world's leading gaming companies. In addition, the Group shall extend more business relationships with WiFi service providers and handset manufacturers as more new handsets shall support the WiFi connection.

For the more advance 3G markets such as Australia, Hong Kong, Malaysia, Singapore and Taiwan, the Group believes diversification of multi-media with interactive services to attract customers from different content types will be the focus of the near future. The Group continues to operate its 3G services in Malaysia and Singapore and plans to expand our offerings to more operators there. The Group will develop applications and create more interactive services with the 3G operators to bring 3G technologies to the business and the consumer markets. Once the market acceptance has adopted and increased more traffic in hit rates of individual service, the mobile advertising will be the next curve into the business and the Group shall also play a key role in this business with launching more than 100 + mobile value added services with the mobile operators in Asia market. In addition, the Group has formed and extended our focus into the mobile enterprise market which tackles into the vertical market with SME business. The Group believes it will be driven another new revenue stream both on recurrent and project based business.

The Group brings to the telecom operators with a broad frontier of new businesses and entertainment services based on our extensive experience in mobile data services provisioning since 1999. The Group's newly developed services include video blogging & messaging with the subscribers in combination with easily downloading clips from films, music, sports and information services channels. The Group believes SHOWME!, the user-generated content revolution has begun and will become into a mainstream business in mobile arena.

In addition, more other content services include Entertainment, Lifestyle & Leisure, Dining, Movie, Cartoon, Games, Fortune Telling, and etc. will be available as well. The Group is ideally positioned to benefit from this development, as the Group is currently one of the largest 3G content providers with longest track record to provide 3G related services to operators in Hong Kong and it is also expected to be introduced soon in Singapore, Taiwan, and Malaysia especially with the Asian content for Chinese community in the region. In the advance services, the Group shall deploy more Interactive gaming services and video broadcasting services such as mobile TV in order to enhance the user behaviors on the mobile phone. The Group has recently signed up with more content partners including established brands and leading gaming companies. Our extensive experience in offering different types of mobile services totaling several hundreds further positions the Group to capture more business opportunities as they quickly emerge in the PRC market.

For the existing markets, China, Hong Kong, Singapore, Taiwan, Malaysia and Australia continue to be the Group's major revenue markets. The Group shall continue to expand its outsourcing projects with operators in order to maintain steady revenue on a recurrent basis. Although the manpower cost is relatively high in Hong Kong, the Group benefits from further outsource lower requirement projects to its associate company in the PRC. In addition, the Group believes its business model can be extended into other new markets such as Vietnam, Pakistan, Indonesia or any other new potential markets for business cooperation. The scale in terms of both quantity of content and operators remains the Group's strongest differentiation point.

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

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

In future business development in China, given the fact that 3G licenses have been granted to the major operators there, the Group with its edge and experiences in 3G services will provide domestic and international content that are well suited to the Chinese culture as well as services to meet customers' demands.

The Group is focusing its business to serve the various brands to mobilize their content and brands from more traditional media platforms. The Group is cooperating with handset manufacturers for efficient service provisioning. The efforts include pre-load and prominently feature and the Group's services with optimized handsets, giving consumers quick and easy access to their Internet content and services. The devices will be available to consumers in Hong Kong and afterward will be extending into a number of markets across Asia.

At present, the Group covers most of the telecom operators and portals in the Asia Pacific region. We continue to work steadily with partners in other regions such as Korea, Indonesia, Philippines, Sri Lanka, Pakistan, Thailand and Vietnam. We plan to develop our 2G & 3G services in terms advances in technology, customer services, user experience and quality of services as our strongest differentiation from any competitors in the region.

Liquidity and Financial Resources

The Group maintains a stable financial position. As at 31 March 2009, the Group had net current assets of approximately HK$18,842,0000 (2008: HK$19,560,000), of which approximately HK$19,781,000 (2008: HK$20,019,000) were bank balances and cash. The Group's other current assets recorded at 31 March 2009 mainly comprised approximately HK$3,619,000 (2008: HK$3,695,000) in trade receivables, other receivables, deposits and prepayments which decreased by 2.1% when compared with previous financial year. Current liabilities of the Group increased by 9.7% amounting to HK$4,558,000 (2008: HK$4,154,000). The Group did not have any long-term liabilities as at 31 March 2009.

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

Gearing Ratio

The gearing ratio of the Group, based on total liabilities to shareholders' equity, was 0.17 as at 31 March 2009 (2008: 0.16).

Foreign Exchange Exposure

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

Capital Structure

There was no change in the capital structure of the Group as at 31 March 2009 as compared with that as at 31 March 2008.

Material Acquisition and Disposal

As at 31 March 2009, the Group had no material acquisitions or disposals during the year.

Charges on the Group's Assets

As at 31 March 2009, the Group did not have any charges on the Group's assets.

Contingent Liabilities

As at 31 March 2009, the Group did not have any contingent liabilities.

Employee Information

As at 31 March 2009, the Group had a total of 23 employees in Hong Kong while our China associate employed 51 staffs in China. The Group's employees are remunerated in accordance with their work performance, experience and prevailing industry practices. Total staff costs, including Directors' emoluments, amounted to approximately HK$7,308,000 for the year ended 31 March 2009 (2008: HK$6,644,000). Share options and bonuses are also available to the Group's employees at the discretion of the Directors and depending upon the financial performance of the Group.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practice (the "Code") except code provision A2.1 and A4.2, as set out in Appendix 15 of the GEM Listing Rules for the year ended 31 March 2009.

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

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

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members comprising all independent non-executive directors namely Mr. Jeffery Matthew Bistrong, Mr. Chu Chin Tai, Eric and Mr. Chen Kwok Wang, Kester. The primary duties of the audit committee are to oversee that management (i) has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company; (ii) has established and maintained processes to assure that an adequate system of internal control is functioning within the Company; and (iii) has established and maintained processes to assure compliance by the Company with all applicable laws, regulations and corporate policy. During the year, the audit committee has met four times to review the Company's financial reporting process. The Company's annual results for the year ended 31 March 2009 have been reviewed by the audit committee of the Company.

By order of the Board
Chan Chung
Chairman

Hong Kong, 19 June 2009

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

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