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 2010

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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, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* *For identification purpose only*

HIGHLIGHTS

- The Group turned to loss for the financial year ended 31 March 2010 mainly due to the relatively weak performance in provision of mobile value added services amid the global economic recession during the year.

- The Group's turnover decreased to HK$18,134,000 for the year compared to that of HK$20,321,000 last year, representing a decline of 10.8%.

- The Group recorded a loss of HK$679,000 as compared to a profit of HK$748,000 for the last year.

- The Group has managed to retain its gross profit margin at 46.2% which slightly dropped from 47.4% recorded in the last year.

- The Board does 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 2010, together with the comparative audited figures for the corresponding year ended 31 March 2009 as follows:

	Notes	2010 HK$'000	2009 HK$'000
Turnover	2	**18,134**	20,321
Other income and gains, net	2	**478**	641
Telecom operators and content providers costs		**(9,756)**	(10,685)
Employment costs		**(5,841)**	(5,797)
Research and development expenses		**(1,515)**	(1,511)
Depreciation of property, plant and equipment		**(184)**	(130)
Other operating expenses		**(2,643)**	(2,909)
Operating loss	3	**(1,327)**	(70)
Share of profit of an associate		**656**	824
(Loss)/profit before taxation		**(671)**	754
Taxation	4	**(8)**	(6)
(Loss)/profit for the year		**(679)**	748
Attributable to:			
Equity holders of the Company		**(679)**	748
Minority interests		**–**	–
		(679)	748
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year			
– basic	6(a)	**(0.14) cent**	0.16 cent
– diluted	6(b)	**N/A**	0.16 cent

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2010

	2010 *HK$'000*	2009 *HK$'000*
(Loss)/profit for the year	**(679)**	748
Other comprehensive income for the year:		
Exchange differences arising on translation of financial statements of foreign operations	**29**	3
Total comprehensive (loss)/income for the year	**(650)**	751
Attributable to:		
Equity holders of the Company	**(650)**	751
Minority interests	**–**	–
Total comprehensive (loss)/income for the year	**(650)**	751

AUDITED CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**301**	331
Interest in an associate		**8,731**	8,124
		9,032	8,455
Current assets			
Trade and other receivables	7	**3,757**	3,619
Financial assets designated as at fair value through profit or loss		**8,184**	–
Cash and deposits with banks		**10,178**	19,781
		22,119	23,400
Total assets		**31,151**	31,855
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**36,977**	36,977
Reserves		**(10,092)**	(9,680)
Total equity		**26,885**	27,297
LIABILITIES			
Current liabilities			
Trade and other payables	8	**4,266**	4,558
Total liabilities		**4,266**	4,558
Total equity and liabilities		**31,151**	31,855
Net current assets		**17,853**	18,842
Total assets less current liabilities		**26,885**	27,297

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2010

	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 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
Share options forfeited	–	–	(13)	13	–	–	–
Total comprehensive income for the year	–	–	3	748	751	–	751
Balance at 31 March 2009	36,977	35,582	20,181	(65,443)	27,297	–	27,297
Recognition of share option benefits at fair value	–	–	238	–	238	–	238
Share options forfeited	–	–	(2)	2	–	–	–
Total comprehensive (loss)/income for the year	–	–	29	(679)	(650)	–	(650)
Balance at 31 March 2010	**36,977**	**35,582**	**20,446**	**(66,120)**	**26,885**	**–**	**26,885**

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 ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") 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 consolidated financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules. The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets designated as at fair value through profit or loss, which are carried at fair value.

Changes in accounting policies

The HKICPA has issued certain new and revised HKFRS that are first effective for the current accounting period of the Group as follows:

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Amendments)	Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligation Arising on Liquidation
HKFRS 2 (Amendments)	Share-based Payments – Vesting Conditions and Cancellations
Amendments to HKFRS 7	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKFRSs (Amendments)	Improvements to HKFRSs (2008)
HK(IFRIC) – Int 9 & HKAS 39	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfer of Assets from Customers

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 except that the following set out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements. Accordingly, no prior period adjustment has been made.

(a) HKAS 1 (Revised 2007) – "Presentation of Financial Statements"

As a result of the adoption of HKAS 1 (Revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expense in a revised statement of changes in equity. All other terms of income and expense are presented either in a one-statement (i.e. a single "Consolidated Statement of Comprehensive Income") or a two-statement (i.e. a "Consolidated Income Statement" together with a "Consolidated Statement of Comprehensive Income") approach. In addition, the "Consolidated Cash Flow Statement" is renamed as the "Consolidated Statement of Cash Flows". Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

(b) HKFRS 7 – "Financial Instruments: Disclosures"

As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

(c) HKFRS 8 – "Operating Segments"

HKFRS 8 requires segment disclosure to be based on the way that the Group's top management regards and manages the Group, with the amount reported for each reportable segment being the measures reported to the Group's top management for the purposes of assessing segment performance and making decisions about operating matters. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's top management. In the past, the Group reported its segment by geographical segments only. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the reportable segments determined in accordance with HKAS 14, or has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss *(see note 2)*.

(d) HKFRSs (Amendments) – "Improvements to HKFRSs (2008)"

The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the Group's accounting policies:

As a result of amendments to HKAS 28, investments in associates, impairment losses recognised in respect of the associates and jointly controlled entities carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the Group allocated impairment losses (if any) to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current of future periods and those impairment losses (if any) of previous periods have not been restated.

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

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

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

	2010	2009
	HK$'000	*HK$'000*
Turnover		
Service fees from provision of mobile data solutions and related services	**18,134**	20,122
Provision of consultancy services	**–**	199
	18,134	20,321
Other income		
Interest income	**101**	308
Sundry income	**328**	301
	429	609
Gains, net		
Exchange gains	**65**	32
Net realised gain on financial assets designated as at fair value through profit or loss	**38**	–
Fair value losses on financial assets designated as at fair value through profit or loss	**(54)**	–
	49	32
	478	641
	18,612	20,962

The Group has determined the operating segments based on the reports reviewed by the Group's top management that are used to make strategic decisions. As the Group is mainly engaged in the mobile data solutions business, the Group's top management considers the business mainly from a geographic perspective.

The segment information provided to the Group's top management for the reportable segments for the year ended 31 March 2010 is as follows:

	Hong Kong/ Macau 2010 *HK$'000*	**PRC 2010** *HK$'000*	**Australia 2010** *HK$'000*	**Singapore 2010** *HK$'000*	**Taiwan 2010** *HK$'000*	**Others* 2010** *HK$'000*	**Total 2010** *HK$'000*
Turnover	**17,054**	**–**	**176**	**448**	**264**	**192**	**18,134**
Segment results	**1,839**	**(147)**	**25**	**136**	**(640)**	**57**	**1,270**
Unallocated costs							**(2,597)**
Operating loss							**(1,327)**
Share of profit of an associate							**656**
Loss before taxation							**(671)**
Taxation							**(8)**
Loss for the year							**(679)**

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

The segment information for the year ended 31 March 2009 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

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

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

3. Operating loss

Operating loss is stated after charging the following:

	2010	2009
	HK$'000	*HK$'000*
Auditors' remuneration	**186**	197
Depreciation of property, plant and equipment	**184**	130
Staff costs, including directors' emoluments and amount classified as research and development expenses	**7,356**	7,308
Operating lease rentals for premises and facilities	**1,176**	1,229
Share of associate's taxation	**179**	77

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 (2009: 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.

	2010	2009
	HK$'000	*HK$'000*
Taxation charge		
Current tax – Overseas taxation	**8**	6

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

	2010	2009
	HK$'000	*HK$'000*
(Loss)/profit before taxation	**(671)**	754
Calculated at a taxation rate of 16.5% (2009: 16.5%)	**(111)**	124
Tax effect of income not subject to taxation	**(111)**	(148)
Tax effect of expenses not deductible for taxation purposes	**441**	361
Tax effect of temporary differences for the year unrecognised	**1**	(26)
Tax effect of utilisation of previously unrecognised tax losses	**(320)**	(409)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**108**	104
Taxation charge	**8**	6

5. Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 March 2010 (2009: Nil).

6. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

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

	2010	2009
	HK$'000	*HK$'000*
(Loss)/profit for the year attributable to equity holders of the Company	**(679)**	748
Weighted average number of ordinary shares in issue during the year	**473,411,363**	473,235,473
Basic (loss)/earnings per share	**(0.14) cent**	0.16 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
	HK$'000
Profit for the year attributable to equity holders of the Company	748
Weighted average number of ordinary shares in issue during the year	473,235,473
Weighted average number of ordinary shares issued at no consideration on deemed exercise of all shares options outstanding during the year	2,901,072
	476,136,545
Diluted earnings per share	0.16 cent

No diluted loss per share has been calculated for the year ended 31 March 2010 as the conversion of the Company's outstanding share options could result in a decrease in the loss per share.

7. Trade and other receivables

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**3,073**	2,895
Prepayments, other receivables and deposits	**684**	724
	3,757	3,619

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

	2010	2009
	HK$'000	*HK$'000*
Less than 30 days	**1,637**	1,259
31 to 60 days	**652**	758
61 to 90 days	**227**	261
Over 90 days	**557**	617
	3,073	2,895

8. Trade and other payables

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**1,954**	2,272
Accrued expenses	**1,557**	1,759
Other payables	**755**	515
Deposits received	**–**	12
	4,266	4,558

The ageing analysis of trade payables is as follows:

	2010	2009
	HK$'000	*HK$'000*
Less than 30 days	**641**	701
31 to 60 days	**471**	636
61 to 90 days	**220**	228
Over 90 days	**622**	707
	1,954	2,272

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Mobile Telecom Network (Holdings) Limited and its subsidiaries (the "Group") turned to loss for the financial year ended 31 March 2010 mainly due to the relatively weak performance in provision of mobile value added services amid the global economic recession during the year. Despite preventive measures taken by the Group to moderate the effect, the Group's turnover decreased to HK$18,134,000 for the year compared to that of HK$20,321,000 last year, representing a decline of 10.8%. As such, the Group recorded a loss of HK$679,000 as compared to a profit of HK$748,000 for the last year. Notwithstanding, the Group has managed to retain its gross profit margin at 46.2% which slightly dropped from 47.4% recorded in the last year.

BUSINESS REVIEW

Due to the ongoing changes in mobile technologies and platforms, especially the market permeation of the iPhone and other smart phones, the Group has been refining current mobile value added services ("MVAS") for such transitions in consumer behaviors. For the competitions stemming from Apple's application stores, the Group has suffered a decrease of MVAS revenue from the mobile operators' on-portal business. As a result, the Group is exploring new business models to complement the established "on-portal" operator business and the emerging "off-portal" business marketed directly to the consumers.

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. After the successful football season ended in April 2009, our Sports MVAS revenues in 2009 were boosted in part by the coverage of major international sporting events, such as the World Cup Qualifying football services and East Asian Games 2009. The Group is also developing multiple services for the upcoming World Cup event. The Group's real time soccer info streaming service was selected by the Hong Kong Wireless Development Centre for the Innovative TD-SCDMA Services and Applications Awards and showcased at the Hong Kong Cyberport TD-SCDMA Service Development Centre.

We have also deployed the sports services into Indonesia, Taiwan, Singapore, Sri Lanka, and 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 regional mobile operators' networks.

The mobile entertainment experience has becoming richer and user-friendlier thus delivering more real value for the subscribers. Leveraging on its partnerships with various content and technology providers, the Group continued to offer a wide range of quality content targeted at the mobile users, creating an innovative and targeted platform with a new business model for potential advertisers. The Group has extended the Sports & Entertainment services into mobile application platforms and launching the applications individually into handset's App stores. The Group has appointed several media agencies to explore with potential advertisers to form new business partnerships.

We are participating in the launching of the mobile TV services with 3HK in Hong Kong and also offering various mobile TV services across the region. Besides operating all the movie channels with all 6 mobile operators in Hong Kong, the Group has partnered with Nokia Hong Kong to deploy the mobile ticketing service. The mobile ticketing service is the 1st Nokia Widget mobile payment application which compatible with all latest N60 series handsets in Hong Kong. The group believes mobile TV and mobile payment service will be a natural extension from our value added services business.

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 services 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 as Channel [V] into the mobile channels both for the mobile TV services, Video on Demand, and interactive blogging services with the integration with Channel [V] Web portal. The Channel [V] mobile service is now available in all 3G mobile operators in the Hong Kong market. Following the successful cooperation with Channel [V], The National Geographic Channel has also appointed MTel as a technical partner to deploy the National Geographic Mobile application for Blackberry handsets and the application is now available in the Australia market.

During this summer holidays, the Group has partnership with GME model agency and has launched the 1st Hong Kong Young idols channel featuring the hottest idol – Miss Chrissie Chau and other 8 top young idols. This channel is now exclusive with Hutchison 3HK and now has extended into the iPhone application. The Group has also conducted with several major joint promotions with movie distributors and mobile operators for major blockbuster movies including Transformers 2, Harry Porter, Monsters vs Aliens, GI Joe, and etc. Our movie channels have already deployed our mobile interactive gaming services with mobile operators including CSL, Hutchison 3 HK, SmarTone-Vodafone, PCCW Mobile, and China Mobile Hong Kong as a joint promotion with movie distributors. This interactive gaming service has also extended into other content channels which 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 and the recent mobile campaigns including Transformers 2, GI Joe, Hasbro, M&Ms, and etc. 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 Electronic Art Mobile and THQ Wireless, 2 major game developers to distribute their games & content in Hong Kong and Macau market and we are now signing more than 100+ games & content developers. Beside the game distribution, the group has allocated more resources into the marketing promotion of launching several key campaigns with the mobile operators and game providers. 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 MVAS. In Hong Kong, China Mobile Hong Kong has appointed the Group as a Master Game Provider to manage the entire JAVA Games business and the service has commenced in April 2009 and the Group is now working as a Master Game provider in JAVA Games business with 7 major mobile operators in Hong Kong and Macau. 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 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, Widget type of client application 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 since 11 July 2008 and the Group started to develop more widget applications with handset manufacturers.

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, Electronic Art Mobile has recently been made available to Hong Kong subscribers and the services are also available in various forms, including the popular brands with movie, TV drama, console game, and toy related titles. 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 licensed our content management and delivery system to Hong Kong Jockey Club, facilities to manage workflow needed to collaboratively publish various kinds of digital media and content feed and dispatch into various types of media channel or external parties.

The Group continues to develop new services in China including portals and e-business platforms development supporting services to China Mobile and e-business platform development with China Mobile – Inner Mongolia on B2C business. The Group also provided services to China Mobile at both provincial and municipal levels include China Mobile – Beijing, China Mobile – Guangdong, China Mobile – Jiangsu, China Mobile – Inner Mongolia, China Mobile – Dongguan, China Mobile – Foshan and China Mobile – Guangzhou. On 31 July 2009, The Hong Kong Wireless Development Center signed an MOU with Jiangmen 3G Application Industrial Base and MTel will be appointed as the 1st MVAS provider to cooperate with five other parties inclusive of: Information Office of Jiangmen Municipal, Pengjian District People's Government of Jiangmen City, China Mobile, China Telecom and China Unicom to further foster partnership and new business opportunities.

PROSPECT

Since Hong Kong is slowly recovering from the worldwide financial crisis, the Group has been increasing its investment in human resources on strengthening key business in existing key markets and exploring new business with mobile applications. 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 both in premium services and advertising model associated with existing channels with mobile operators business and mobile application with handsets' App stores business. 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 as more demands from various handset manufacturers.

We expand content aggregation business to include IP rights management for our partners. For some of the new markets 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 define 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 markets 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. In term of the content strategy, the Group is exploring the cross platform value added services with mobile operators and the Group shall extend some of the core values added services into the Web platform business as well as the mobile operators have extended their business strategy into the mobile broadband. In addition, the Group is extending several key value added services into the client applications and launching with handset manufacturers for pre-install application or handset vendors' application stores.

For the more advance 3G markets such as 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.

In addition, the Group is working closely with mobile operators to strengthen our sports channel as well as the new football services riding on the World Cup. The Group believes the Sports channel shall be one of our key value added services in mobile market and the Group is partnerships with various media agencies to explore the mobile advertising into our Sports channel. More other content services include Entertainment, Lifestyle & Leisure, Dining, Movie, Cartoon, Games, Fortune Telling, 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 Game business, the Group is focusing on our key partners and providing them with greater levels of innovation, support and attention; this has enabled us to significantly reduce overheads and generate more margin of business for the year.

For the existing markets, China, Hong Kong, Singapore and Taiwan 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, multi-media 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.

The Group believes the advertising and MVAS businesses are robust in recent years because of a strong local economy, growth in mobile users and a shift of advertising budgets from traditional media to online media. In order to grow our mobile user base and attract new advertisers, the Group expects to continue to invest in new and innovative services and services enhancement, expand the content and services on our network and distribution channels. The Group also expects to continue to invest in marketing initiatives both on-portal and off-portal business to increase the awareness of our brand to both users and advertisers.

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 of advances in technology, customer services, user experience and quality of services as our strongest differentiation from any competitors in the region.

DEVELOPMENTS SINCE THE FINANCIAL YEAR-END

There have been several developments involving shareholdings in the Company since the end of the year under review. The controlling shareholder of the Company, Silicon Asia Limited that is beneficially wholly owned by Dr. Chan Chung, entered a sale and purchase agreement dated 22 April 2010 to sell 177,785,861 shares of the Company to China Oil Resources Group Limited, a direct wholly owned subsidiary of PetroAsian Energy Holdings Limited whose issued shares are listed on the Main Board of the Stock Exchange (stock code: 850). This transaction has substantially altered the shareholding structure of the Company and, in accordance with the Hong Kong Code on Takeovers and Mergers, China Oil Resources Group Limited was required to make the mandatory conditional cash offer for all the issued shares of the Company hold by other shareholders at a price of HK$0.2 per share in cash and a comparable cash offer for cancellation of all then outstanding share options. Further details of the mandatory conditional cash offer are set out in the composite offer and response document dated 3 June 2010 jointly published by the Company, China Oil Resources Group Limited and PetroAsian Energy Holdings Limited.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a stable financial position. As at 31 March 2010, the Group had net current assets of approximately HK$17,853,000 (2009: HK$18,842,000), of which approximately HK$10,178,000 (2009: HK$19,781,000) were bank balances and cash. The Group's other current assets recorded at 31 March 2010 mainly comprised approximately HK$11,941,000 (2009: HK$3,619,000) in trade receivables, other receivables, deposits and prepayments, and financial assets designated as at fair value through profit or loss, which increased by 230.0% when compared with previous financial year. Current liabilities of the Group decreased by 6.4% amounting to HK$4,266,000 (2009: HK$4,558,000). The Group did not have any long-term liabilities as at 31 March 2010.

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

GEARING RATIO

The gearing ratio of the Group, based on total liabilities to shareholders' equity, was 0.16 as at 31 March 2010 (2009: 0.17).

FOREIGN EXCHANGE EXPOSURE

As at 31 March 2010, the Group had fixed deposits of approximately HK$4,800,000 (2009: Nil) in Pounds Sterling and premium deposits linked with foreign currencies of approximately HK$8,000,000 (2009: Nil) that were mainly linked to Australian Dollars and Pounds Sterling, being financial products with defined and limited risks and not belonging to any kind of accumulators.

Save for the above, the income and expenditure of the Group are mainly denominated in Hong Kong Dollars and thus the impact of foreign exchange exposure to the Group is considered minimal in this respect and 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 2010 as compared with that as at 31 March 2009.

MATERIAL ACQUISITION AND DISPOSAL

As at 31 March 2010, the Group had no material acquisitions or disposals during the year.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2010, the Group did not have any charges on the Group's assets.

CONTINGENT LIABILITIES

As at 31 March 2010, the Group did not have any contingent liabilities.

EMPLOYEE INFORMATION

As at 31 March 2010, the Group had a total of 27 employees in Hong Kong while our China associate employed 82 staff 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$7,356,000 for the year ended 31 March 2010 (2009: HK$7,308,000). 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 2010.

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 three executive directors playing key management role. The Chairman of the Board and Executive Director, Dr. Chan Chung, is the founder 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 2010 have been reviewed by the audit committee of the Company.

By order of the Board
Mobile Telecom Network (Holdings) Limited
Chan Chung
Chairman

Hong Kong, 23 June 2010

As at the date of this announcement, the Board comprises three executive directors namely Dr. Chan Chung (Chairman), Mr. Chan Wai Kwong, Peter and Mr. Siu King Nin, 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 and the Company's website at www.mtelnet.com.