



Mobile Telecom Network (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8266)



First Quarterly Report 2007

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

The board of Directors is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred as the "Group") for the three months ended 30 June 2007, together with the unaudited comparative figures for the corresponding periods in 2006 as follows:

UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the three months ended 30 June 2007

	<i>Note</i>	For the three months ended 30 June	
		2007	2006
		HK\$'000	HK\$'000
Turnover		4,835	7,732
Other revenue		203	127
Telecom operators costs		(2,700)	(5,029)
Employment costs		(1,166)	(1,583)
Research and development expenses		(372)	(208)
Depreciation of property, plant and equipment		(24)	(24)
Other operating expenses		(656)	(926)
Operating Gain		120	89
Finance costs		—	(2)
Share of profit of an associate		117	120
Share of loss of a jointly controlled entity		—	(1)
Profit before taxation		237	206
Taxation	2	—	—
Profit after taxation		237	206
Attributable to:			
Equity holders of the Company		225	39
Minority interests		12	167
		237	206
Earning per share	3		
— basic (HK cent)		0.048	0.008
— diluted (HK cent)		0.047	0.008

Notes:

1. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention.

The accounting policies and methods of computation used in the preparation of the quarterly financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2007.

2. Taxation

No provision for Hong Kong profit tax is made in the financial statements as the Group has sufficient tax losses brought forward available to offset the current estimated profits (three months ended 30 June 2006: Nil). Taxation on overseas profits has been calculated on the estimated profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

3. Earning per share

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

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to equity holders of the Company	<u>225</u>	<u>39</u>
Weighted average number of ordinary shares in issue	472,811,363	472,811,363
Effect of dilutive potential ordinary shares: Options	<u>10,258,113</u>	<u>5,530,000</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u><u>483,069,476</u></u>	<u>478,341,363</u>

4. Movement of reserves

	Share Premium	Capital reserve	Capital redemption reserve	Cumulative translation adjustments	Convertible notes reserve	Share — based payment reserve	Accumulated deficits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1								
April 2006	35,564	16,375	2,943	572	44	—	(74,479)	(18,981)
Profit for the period	—	—	—	—	—	—	39	39
Redemption of convertible notes	—	—	—	—	(44)	—	44	—
At 31 June 2006	35,564	16,375	2,943	572	—	—	(74,396)	(18,942)
Balance at 1								
April 2007	35,564	16,375	2,943	510	—	35	(66,586)	(11,159)
Profit for the period	—	—	—	—	—	—	225	225
At 30 June 2007	35,564	16,375	2,943	510	—	35	(66,361)	(10,934)

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2007 (three months ended 30 June 2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The succession of positive results achieved in the first quarter of 2007, net profit attributable to equity holders of the Company was increased by 477% in comparison with the first quarter of 2006, to HK\$225,000. The Group had sold its subsidiary company Mobilemode Limited in August 2006 and which has an adverse impact on the Group's turnover this quarter in comparison with the first quarter of 2006. Turnover of the Group was decreased by 37.5% to HK\$4,835,000. In light of the Group's continuous focus on high margin business, the margin in gross profit for the period has continuously improved further by 9% to 44%, while earnings per share increased by 500% to 0.048 cent.

Business Review

As a pioneer in the Asian mobile data business, the Group is also a market leader in the provisioning of multimedia third generation (3G) mobility services specifically to operators all over the region. The Group's applications for entertainment and information content are extremely popular among the younger generation and its target segments. Our unique licensing business focus is coordinating the rights to distribute relevant content via the region's mobile operators' networks. We connect content and services through our own patented GloDan distribution network.

The Group has cooperated with the biggest operator in China, the China Mobile Communications Corporation, for providing various services first in the Guangdong province and working comprehensively with China Mobile Guangdong in areas include brand promotion, value added services provision, etc. In the passed year we had carried out the "M-Zone" brand promotion cooperation, EDGE video-on-demand trial promotion, portal consultation services cooperation and won a 3-year exclusive contract on "M-Zone" brand promotion.

In addition, the Group is pleased to announce that MTel China has signed a significant exclusive contract with China Mobile (Guangdong), continuing on the promotion and operation of China Mobile (Guangdong)'s M-Zone brand for 3 more years. The Group shall act as the enabler to develop all various SMS, MMS, WAP, Ringback-tone, Interactive Voice Recognition, and EDGE mobile values added services to all China Mobile (Guangdong) users. We have also won the bid for China Mobile (Guangdong)'s Portal Design contract where MTel China will continue to cooperate closely with China Mobile (Guangdong) in both the Internet and mobile services. In particular, for our Products Initiation and Operations Consulting Service with China Mobile (Guangdong), we provide key Products Life Cycles Process Evaluation and Diagnostic Improvement services. MTel China also undertakes the planning and design work of China Mobile (Guangdong)'s special projects on WAP, SMS and Self-service Terminal Electronic Channels.

In last quarter, MTel China assisted China Mobile (Gaungdong) in their launching of Fetion ("飛訊") in areas covering sales strategy & sales platform. MTel China also worked with China Mobile (Guangdong) on the Mobile Music Club service, which included the formulation of sales strategy and the construction of sales platform. We continue this year to work with China Mobile (Guangdong) closely on their WEB portal construction.

We are ranked 38th on the 2006 Top 100 of the most influence and innovation enterprises award in China. The ranking is recognizing the Group's innovation and creativeness in telecommunication technology development. In addition, the Group has participated in the event activities and contributed substantially to the creation of M-Zone that won the 2nd position of the 2006 Top 10 marketing events in China award. This award is to recognize the success of the event activities "M-Zone" which organized by China Mobile (Guangdong).

Despite the intense competition in the other Asia 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 portfolios and dominated position in 3G service provisioning in Hong Kong and Macao, the Group has successfully extended and continually launching our services to Sri Lanka, Vietnam and Indonesia.

In the Hong Kong market, it is noteworthy that Hong Kong CSL and New World Mobility as well as other leading operators in the region have outsourced its entire Java game operation to the Group. At present, the Group has entered into major partnerships with over 60 games developers and obtaining the rights to distribute their games on the region's mobile networks. The Group further assists our game partners to enter the other Asian markets through its' wide GloDan distribution network. The Group is continually proving us in areas of providing service quality & efficiency in outsourcing business. This is likely to lead to more operators to appoint the Group in a cooperation of launching various mobile services.

It is vital for the Group to aggressively expand its' content provider pool in order to maintain its competitive edge in content offering. In particular, its value added mobile business in Hong Kong and China has grown with even richer line-ups of branded content including the winning of several major projects from the leading operators.

The entertainment segment is still dominated by games, ringtones, and wallpapers which contributed more than half of the total entertainment segment. Mobile games, which we first started as an operator outsourcing business, now grow to become a major service platform for us. The Group is also scaling its game hosting business to serve the various channels & exploring new markets such as China, Indonesia, Vietnam, Sri Lanka, etc. In this regard, more operators consider outsourcing their existing data products and services to independent third parties. The Group has benefited by this trend and has won several outsourcing projects from operators in this region. For example, Macao CTM, the largest operator in Macao, has appointed the Group to operate its entire mobile gaming business including JAVA games and online multi-players gaming business. Others including Hutchison 3HK also recognizes the Group of its experience and expertise in gaming business and considers the Group as the key player in this arena to assist 3HK to operate the games and numerous other value added business in both 2G and 3G markets. In addition, the Group has cooperated with ClubiT, a listed company in Japan for the provision of game on demands services in Hong Kong.

The Group has formed a partnership with Warner Bros Online on wireless distribution of its rich content pool that brings iconic Warner Bros. Mobile to 3G and 2G mobile users in Hong Kong. Thru our Goldan network, Warner Bros Mobile has recently been made available to Hong Kong subscribers of all network operators and the services are also available in various forms, including graphic images, audio and video contents, 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.

The sport segment is still dominating the premium information service revenue for the premium content market. We have collaborated with the National Basketball Association, to launch the 1st NBA Mobile in Hong Kong. Recently the Group has successfully launched the COPA America 2007 football mobile content with two major operators, Hong Kong CSL and Hutchison 3HK on a new wireless service offering football fans access to football video highlights content via mobile phone with stimulating users' experience.

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

Prospects

The Group will continue to provide leading operators in Southeast Asia and in particular the greater China region with the quality and advance data services through various platforms, i.e. SMS, WAP, MMS, JAVA and 3G. It is widely expected that China will issue one or more 3G licenses very soon. We focus on expanding our PRC position by starting a new operation in Beijing and exploring opportunities in various provinces. We expand content aggregation business to include IP rights management for our partners. For some of the new market such as Vietnam and Indonesia, the Group will plan to act as a master content aggregator on behalf with the local operators in order to maximize the revenue and minimize the resources allocation.

For the more advance 3G markets such as Australia, Hong Kong, Malaysia, Singapore and Taiwan, the Group believes diversification of multi-media 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 plan to expand our offerings to more operators there. The Group will develop applications and create more services with the 3G operators to bring 3G technologies to the business and the consumer markets.

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. In addition, more other content services include Entertainment, Lifestyle & Leisure, Dining, Movie, Cartoon, Games, Fortune Telling, and etc. will be available as well. In the advance services, the Group shall deploy more Interactive gaming services and video broadcasting services such as mobile TV in order to enhance the user behaviours 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 totalling several hundreds further positions the Group to capture more business opportunities as they quickly emerge in the PRC market.

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

Youth targeted lifestyle applications & services such as dating services, mobile blogging, and mobile comics are also gaining popularity in Hong Kong. Operators are expecting a high demand for Internet-based, interactive, multimedia mobile communication services such as chat, video, and interactive games in the near term. Although Hong Kong is still a small market, the Group is expected to achieve a high growth in the medium term. Two main drivers for the growth would be popularity of the mobile gaming and mobile blogging.

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

In future business development in China, the Group will continue to participate in China Mobile (Guangdong)'s M-Zone annual event, which starts in August 2007 and the cooperation with China Mobile (Shenzhen) on its WAP Online Business Centre. In the anticipation of granting the 3G licenses to the major operators there, the Group with its edge and experiences in 3G services will provide domestic and international content that are well suited to the Chinese culture as well as services to meet customers' demands. When 3G arrives in China, the Group plans to at the same time deepen the brand promotion cooperation with China Mobile (Guangdong) and allowing more customers to experience the 3G services.

The Group is focusing its business to serve the various brands to mobilize their contents 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 contents and services. The devices will be available to consumers in Hong Kong and afterward will be extending into a number of markets across Asia.

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

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

As at 30 June 2007, the interests and short positions of the Directors and chief executives of the Company in the Shares, debentures or underlying Shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in Shares — interests in the Shares

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

Note: By virtue of the SFO, Dr. Chan Chung is deemed to be interested in the 177,785,861 Shares held by Silicon Asia Limited ("Silicon"), a private company beneficially wholly owned by him.

Long positions in underlying Shares of equity derivatives — interest in option of the Company

Name of Directors	Capacity	Date of grant	Number of underlying Shares	Approximate percentage of issued share capital	Option Period	Consideration	Exercise price
						for the grant of the option	per share
						HK\$	HK\$
Dr. Chan Chung (Note)	Beneficial owner	27 March 2003	300,000	0.063%	9 May 2003 — 8 May 2013	1.00	0.103
		18 September 2006	4,728,113	1.000%	18 September 2006 — 17 September 2016	1.00	0.078
Mr. Chan Wai Kwong, Peter (Note)	Beneficial owner	27 March 2003	100,000	0.021%	9 May 2003 — 8 May 2013	1.00	0.103
			5,128,113	1.084%			

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

Save as disclosed above, as at the date of this report, none of the Directors and chief executives of the Company has or was deemed to have any interests or short positions in any Shares, debentures or underlying Shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

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

The register of Substantial Shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 June 2007, the Company had been notified of the following Substantial Shareholders' interests and short positions, being 5% or more of the issued share capital of the Company.

Long positions in Shares — interest in the Shares

Name of shareholders	Capacity	Number of Shares held	Approximate percentage of the issued share capital
Silicon	Beneficial owner	177,785,861	37.6%
Dr. Chan Chung	(Note 1)	177,785,861	37.6%
Vodatel Information Limited	Beneficial owner	94,573,696	20.0%
Vodatel Networks Holdings Limited ("Vodatel")	(Note 2)	94,573,696	20.0%
Go Capital Limited	Beneficial owner	31,902,233	6.7%
Culturecom Holdings Limited ("Culturecom")	(Note 3)	31,902,233	6.7%
UOB.com Pte Ltd	Beneficial owner	27,495,584	5.8%
United Overseas Bank Limited ("UOB")	(Note 4)	27,495,584	5.8%
Lake Haven Limited	Beneficial owner	23,881,144	5.1%
Hutchison Whampoa Limited ("Hutchison Whampoa")	(Note 5)	23,881,144	5.1%
			75.2%

Notes:

1. Silicon, a company incorporated in the British Virgin Islands, is an investment holding company. Silicon is directly wholly owned by Dr. Chan Chung. Dr. Chan Chung is deemed, by virtue of the SFO, to be interested in the same 177,785,861 Shares held by Silicon.

2. Vodatel is deemed, by virtue of the SFO, to be interested in the 94,573,696 Shares held by Vodatel Information Limited as Vodatel Information Limited is a direct wholly-owned subsidiary of VDT Mobile Holdings Limited which is a direct wholly-owned subsidiary of Vodatel Holdings Limited, a direct wholly-owned subsidiary of Vodatel. Vodatel is a company incorporated in Bermuda whose shares are listed on GEM (Stock code 8033). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Vodatel or in accordance with whose directions or instructions Vodatel or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Vodatel is interested under the SFO will be deemed to be interested in the 94,573,696 Shares which Vodatel is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Vodatel can be found in the information published by Vodatel from time to time and from the GEM website at www.hkgem.com. According to the latest quarterly report of Vodatel, as at 31 March 2007, Mr. Jose Manuel dos Santos and LRL were both interested or deemed to be interested in more than one-third of the then issued share capital of Vodatel.

3. Culturecom is deemed, by virtue of SFO, to be interested in the 31,902,233 Shares held by Go Capital Limited as Go Capital Limited is a direct wholly-owned subsidiary of Culturecom Investments Limited which is a direct wholly-owned subsidiary of Culturecom Holdings (BVI) Limited, a direct wholly-owned subsidiary of Culturecom. Culturecom is a company incorporated in Bermuda whose shares are listed on the Main Board (Stock code 343). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Culturecom or in accordance with whose directions or instructions Culturecom or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Culturecom is interested under the SFO will be deemed to be interested in the 31,902,233 Shares which Culturecom is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Culturecom can be found in the information published by Culturecom from time to time and from the website of the Stock Exchange at www.hkex.com.hk. According to the latest interim report of Culturecom, as at 30 September 2006, no person was interested or deemed to be interested in more than one-third of the then issued share capital of Culturecom.

4. UOB is deemed, by virtue of the SFO, to be interested in the 27,495,584 Shares held by UOB.com Pte Ltd as UOB.com Pte Ltd is a direct wholly-owned subsidiary of UOB. UOB is a company incorporated in Singapore, the shares of which are listed on Singapore Stock Exchange Securities Trading Limited. Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of UOB or in accordance with whose directions or instructions UOB or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which UOB is interested under the SFO will be deemed to be interested in the 27,495,584 Shares which UOB will be deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in UOB can be found in the information published by UOB from time to time and from the website of Singapore Stock Exchange Securities Trading Limited at www.sgx.com. According to the latest annual report of UOB, as at 31 December 2006, no person was interested or deemed to be interested in more than one-third of the then issued share capital of UOB.

5. Hutchison Whampoa is deemed, by virtue of the SFO, to be interested in the 23,881,144 Shares held by Lake Haven Limited as Lake Haven Limited is an indirect wholly-owned subsidiary of Hutchison Whampoa. Hutchison Whampoa is a company incorporated in Hong Kong whose shares are listed on the Main Board (Stock code 13). 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 Hutchison Whampoa or in accordance with whose directions or instructions Hutchison Whampoa or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Hutchison Whampoa is interested under the SFO will be deemed to be interested in the 23,881,144 Shares which Hutchison Whampoa will be deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Hutchison Whampoa can be found in the information published by Hutchison Whampoa from time to time and from the website of the Stock Exchange at www.hkex.com.hk.

SHARE OPTIONS RULES

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

Pursuant to the Share Option Scheme and the Pre-IPO Share Option Scheme, certain Directors and participants have been granted options to subscribe for shares. Details of the share options granted under the Share Option Scheme and the Pre-IPO Share Option Scheme outstanding as at 30 June 2007 are set out as below:

Pre-IPO Share Option Scheme

Name	Date of grant	Number of share options				Out- standing as at 30 June 2007	Approximate percentage of issued share capital	Option period	Consideration for the grant of the option	Exercise price per Share
		Outstanding as at 1 April 2007	Transferred during the period under review	Exercised during the period under review	Lapsed during the period under review					
Executive Directors										
Dr. Chan Chung	27 March 2003	300,000	—	—	—	300,000	0.063%	9 May 2003 — 8 May 2013	1.00	0.103
Mr. Chan Wai Kwong, Peter	27 March 2003	100,000	—	—	—	100,000	0.021%	9 May 2003 — 8 May 2013	1.00	0.103
Other Participants										
Employees in aggregate (Note)	27 March 2003	785,000	—	—	—	785,000	0.166%	9 May 2003 — 8 May 2013	1.00	0.103
	09 Feb 2007	1,045,000	—	—	—	1,045,000	0.221%	9 Feb 2007 — 8 Feb 2017	1.00	0.090
Business Consultant										
Mr. Young Antony, Michael	27 March 2003	300,000	—	—	—	300,000	0.063%	9 May 2003 — 8 May 2013	1.00	0.114
		<u>2,530,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,530,000</u>	<u>0.534%</u>			

Note: Employees working under employment contracts that were regarded as “continuous contracts” for the purpose of the Employment Ordinance (Chapter 57 of the laws of Hong Kong).

Save as disclosed above, no options pursuant to the Pre-IPO Share Option Scheme have been exercised and cancelled during the period under review.

Share Option Scheme

Name	Date of grant	Number of share options				Out-standing as at 30 June 2007	Approximate percentage of issued share capital	Option Period	Consideration for the grant of the option	Exercise price per share
		Out-standing as at 1 April 2007	Granted during the year under review	Exercised during The year under review	Lapsed during the year under review					
Executive Directors										
Dr. Chan Chung	18 September 2006	4,728,113	—	—	—	4,728,113	1%	18 September 2006 — 17 September 2016	1.00	0.078
		4,728,113	—	—	—	4,728,113	1%			

Save as disclosed above, no options pursuant to the Share Option Scheme have been exercised and cancelled during the period under review.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members comprising all independent non-executive directors namely Mr. Jeffery Matthew Bistrong, Mr. Chu Chin Tai, Mr. Chen Kwok Wang. The primary duties of the audit committee are to oversee that management (i) has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company; (ii) has established and maintained processes to assure that an adequate system of internal control is functioning within the Company; and (iii) has established and maintained processes to assure compliance by the Company with all applicable laws, regulations and corporate policy. The audit committee has reviewed with the management this unaudited quarterly report for the three months end 30 June 2007 and has provided advice and comments thereon.

By Order of the Board
Chan Chung
Chairman

Hong Kong, 13 August 2007

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