潤迅通信國際有限公司
China Motion Telecom International Limited
(Incorporated in Bermuda with limited liability)

Interim Report 2005/06

Connecting the world

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
HAU Tung Ying (Chairman)
SHUI Ming Hua
LI Bin

Non-executive Directors
LI Yi Sheng (Deputy Chairman)
YIP Sam Lo†
HO Chung Tai, Raymond†
PANG Tsun Loy, Michael†

† Independent Non-executive Directors

AUDIT COMMITTEE

YIP Sam Lo (Chairman)
HO Chung Tai, Raymond
PANG Tsun Loy, Michael

REMUNERATION COMMITTEE

YIP Sam Lo (Chairman)
PANG Tsun Loy, Michael
LI Bin

NOMINATION COMMITTEE

LI Bin (Chairman)
YIP Sam Lo
HO Chung Tai, Raymond
PANG Tsun Loy, Michael

COMPANY SECRETARY

CHAN Siu Mei

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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PRINCIPAL SHARE REGISTRAR

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Rosebank Centre
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Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Abacus Share Registrars Limited
G/F., Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

SINGAPORE SHARE TRANSFER AGENT

Barbinder & Co Pte Ltd
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PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited

AUDITORS

PricewaterhouseCoopers
22nd Floor Prince's Building
Central
Hong Kong

STOCK CODE

SEHK Code: 0989

Unaudited Condensed Consolidated Profit and Loss Account

	Note	Six months ended 30 September 2005 HK$'000	2004 (Restated) HK$'000
Turnover	4	**419,524**	377,843
Cost of sales and services		**(372,418)**	(296,187)
Gross profit		**47,106**	81,656
Other income		**6,173**	7,454
Distribution expenses		**(2,483)**	(3,345)
Administrative expenses		**(105,019)**	(107,485)
Provision for impairment for non-current assets	5	**(58,028)**	–
Gain on disposal of properties		**1,732**	10,380
Finance costs		**(1,846)**	(1,614)
Share of profits less losses of associated companies	5, 12	**(46,347)**	(6,292)
Loss before taxation	6	**(158,712)**	(19,246)
Taxation	7	**(832)**	970
Loss for the period		**(159,544)**	(18,276)
Attributable to:			
Equity holders of the Company		**(142,147)**	(17,051)
Minority interests		**(17,397)**	(1,225)
		(159,544)	(18,276)
Loss per share for loss attributable to the equity holders of the Company during the period			
– Basic	9	**(27.05) HK cents**	(3.24) HK cents
– Diluted		**N/A**	N/A
Dividend	8	**–**	–

Unaudited Condensed Consolidated Balance Sheet

	Note	30 September 2005 HK$'000	31 March 2005 (Restated) HK$'000
Non-current assets			
Property and equipment	10	**164,092**	180,904
Investment properties	10	**72,300**	89,500
Prepayment of leasehold land held for own use	10	**49,161**	52,675
Investments in associated companies	12	**16,339**	61,044
Deferred tax assets		**121**	1,055
Other non-current assets	11	**15,995**	72,908
		318,008	458,086
Current assets			
Inventories		**4,253**	4,939
Receivables and prepayments	13	**364,977**	380,187
Financial assets held at fair value through profit or loss		**261**	–
Marketable securities		**–**	334
Pledged bank deposits		**6,880**	9,187
Bank and cash balances	14	**28,814**	33,919
		405,185	428,566
Current liabilities			
Trade and other payables	15	**502,564**	471,999
Taxation payables		**7,063**	7,409
Borrowings	16	**31,240**	49,406
		540,867	528,814
Net current liabilities		**(135,682)**	(100,248)
Total assets less current liabilities		**182,326**	357,838
Non-current liabilities			
Borrowings	16	**40,972**	51,989
Trade payable		**12,683**	24,772
Deferred tax liabilities		**1,974**	2,232
		55,629	78,993
		126,697	278,845
Capital and reserves			
Equity attributable to equity holders of the Company			
Share capital	18	**394,107**	394,107
Non-distributable capital reserves		**546,365**	540,243
Accumulated losses		**(830,629)**	(688,482)
		109,843	245,868
Minority interests		**16,854**	32,977
Total equity		**126,697**	278,845

Unaudited Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company			Minority	
		Non-		interests	Total
	Share	distributable	Accumulated		
	capital	capital reserves	losses		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note 18)				
Balance at 1 April 2004, as previously reported as equity	394,107	540,243	(228,783)	–	705,567
Balance at 1 April 2004, as previously separately reported as minority interests	–	–	–	45,217	45,217
Balance at 1 April 2004, as restated	394,107	540,243	(228,783)	45,217	750,784
Loss for the period	–	–	(17,051)	(1,225)	(18,276)
Total recognized loss for the period	–	–	(17,051)	(1,225)	(18,276)
Balance at 30 September 2004	394,107	540,243	(245,834)	43,992	732,508
Balance at 1 April 2005, as previously reported as equity	394,107	540,243	(688,482)	–	245,868
Balance at 1 April 2005, as previously separately reported as minority interests	–	–	–	32,977	32,977
Balance at 1 April 2005, as restated	394,107	540,243	(688,482)	32,977	278,845
Currency translation differences	–	6,122	–	1,274	7,396
Loss for the period	–	–	(142,147)	(17,397)	(159,544)
Total recognized income/(loss) for the period	–	6,122	(142,147)	(16,123)	(152,148)
Balance at 30 September 2005	**394,107**	**546,365**	**(830,629)**	**16,854**	**126,697**

Unaudited Condensed Consolidated Cash Flow Statement

	Six months ended 30 September	
	2005	2004
	HK$'000	HK$'000
Net cash inflow from operating activities	**5,105**	13,370
Net cash inflow/(outflow) from investing activities	**15,990**	(9,865)
Net cash outflow from financing activities	**(24,901)**	(6,705)
Net decrease in cash and cash equivalents	**(3,806)**	(3,200)
Exchange realignment	**678**	–
Cash and cash equivalents at 1 April	**31,942**	45,361
Cash and cash equivalents at 30 September	**28,814**	42,161
Analysis of balances of cash and cash equivalents:		
Bank and cash balances	**28,814**	46,868
Bank overdrafts	**–**	(4,707)
	28,814	42,161

1. Basis of preparation and accounting policies

These unaudited interim accounts are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). These interim accounts should be read in conjunction with the annual accounts for the year ended 31 March 2005.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

HKICPA may issue new and revised standards and interpretations subsequent to the date of issuance of these interim accounts. In addition, interpretations on the application of HKFRS will continue to develop. These factors may require adoption of new accounting policies.

The Group incurred a loss attributable to equity holders of the Company of approximately HK$142,147,000 during the six months ended 30 September 2005 (six months ended 30 September 2004: HK$17,051,000; year ended 31 March 2005: HK$459,699,000) and had net current liabilities of approximately HK$135,682,000 as at 30 September 2005 (31 March 2005: HK$100,248,000), as well as commitments that are payable in the next twelve months as detailed in note 19 to the accounts. The directors, after taking into consideration the historical payment patterns for the Group's liabilities and the Group's available financial resources, consider the Group will be able to meet its liabilities as and when they fall due and accordingly, the accounts have been prepared on a going concern basis.

2. Changes in accounting policies

The Group has adopted the new or revised standards of HKFRS below, which are relevant to its operations. Accordingly, the comparative figures have been amended, as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employees Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investment in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 34	Interim Financial Reporting
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets

2. Changes in accounting policies *(continued)*

The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 33, 34, 36, 37, 38 and HK-Int 4 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures.

– HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 33 and HK-Int 4 had no material effect on the Group's policies.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

All the above standards require retrospective application except for HKAS 21, which requires prospective accounting for goodwill and fair value adjustments as part of foreign operations. The effect of the adoption of certain new HKFRSs, which results in substantial changes to the Group's accounting policies is set out below:

HKAS 17

The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property and equipment to prepaid operating leases. The up-front prepayments made for the leasehold land are presented on the face of the balance sheet as prepayment of leasehold land held for own use and expensed in the profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment. This change in accounting policy has been applied retrospectively and resulted in:

	30 September 2005 HK$'000	31 March 2005 HK$'000
Decrease in property and equipment	**(49,161)**	(52,675)
Increase in prepayment of leasehold land held for own use	**49,161**	52,675

2. Changes in accounting policies *(continued)*

HKAS 32 and HKAS 39

The adoption of HKASs 32 and 39 has resulted in a change in accounting policy relating to the classification of marketable securities and club debentures which are classified as financial assets held at fair value through profit or loss on the condensed balance sheet. Financial assets in this category are initially recognized at fair value and realized and unrealized gains and losses arising from changes in the fair value are included in the profit and loss account in the period in which they arise. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within twelve months of the balance sheet date. In prior years, marketable securities were accounted for similarly. Club debentures were stated at cost less provision for impairment loss. This change in the accounting policy has no material effect on the condensed accounts other than the presentational changes at 1 April 2005, as follows:

	HK$'000
Increase in financial assets held at fair value through profit and loss	
– included in current assets	**334**
– included in other non-current assets	**3,739**
Decrease in	
– marketable securities in current assets	**(334)**
– club debentures included in other non-current assets	**(3,739)**

HKAS 39 does not allow retrospective application. The new accounting policies and reclassification of the financial assets resulting from the adoption of HKAS 39 are effective from 1 April 2005. The Group applied the previous Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investment in Securities" for comparative information.

HKAS 40

The adoption of HKAS 40 has resulted in a change in the accounting policy relating to investment properties. Changes in fair values of investment properties are recorded in the profit and loss account. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the profit and loss account. Since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information and any adjustment should be made to the retained earnings as at 1 April 2005, including the reclassification of any amount held in revaluation surplus for investment property. This change in accounting policy has no material effect on the condensed accounts.

2. Changes in accounting policies *(continued)*

HKAS-Int 21

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. The Interpretation removes the presumption that the carrying amounts of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now measured on the basis that reflect the tax consequences from the manner in which the Group expects to recover the properties at each balance sheet date. In prior years, the carrying amount of that asset was expected to be recovered through sale. This change in accounting policy which has been applied retrospectively has no material effect on the condensed accounts.

HKFRS 2

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 March 2005, the provision of share options to employees did not result in an expense in the profit and loss account. Effective on 1 April 2005, the Group expenses the cost of share options in the profit and loss account. As a transitional provision, the cost of share options granted after 7 November 2002 and not yet vested on 1 April 2005 was expensed retrospectively in the profit and loss account of the respective periods. However, since all share options to employees were granted by the company before 7 November 2002, the adoption of HKFRS 2 has no material effect on the condensed accounts.

HKFRS 3

The adoption of HKFRS 3 has resulted in a change in the accounting policy for goodwill. In prior years, goodwill was amortized on a straight line basis over a period ranging from 5 to 20 years and assessed for an indication of impairment at each balance sheet date. In accordance with the provision of HKFRS 3, the Group ceased amortization of goodwill included in investments in associated companies from 1 April 2005 and the accumulated amortization as at 31 March 2005 has been eliminated with a corresponding decrease in the cost of goodwill included in investments in associated companies. From the year ending 31 March 2006 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment. The adoption of HKFRS 3 has resulted in a decrease of goodwill amortization expense of approximately HK$3,089,000 for the six months ended 30 September 2005.

3. Critical accounting estimate and judgments

Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldomly equal the related actual results.

Major areas where critical estimates and assumptions are applied include those related to impairment for investment, useful lives and impairment for telecommunications equipment and deferred taxation.

(a) Impairment for investment

In preparing the accounts for the Group, management are required to make estimates and assumptions in relation to the determination of possible impairment of investment and recoverability of amounts due from China Motion Telecom Holdings Limited ("CMTH"). These estimates and assumptions affect the reported amounts of assets as well as expenses. Actual results could differ from these estimates, and the differences could be significant. The determination of whether or not a decline in value of the investments in telecommunications projects has occurred and the recoverability of the amounts due from CMTH requires the exercise of significant judgement by management. It also depends on the success of the telecommunications projects undertaken by CMTH including but not limited to VoIP related business of China Motion NetCom Services Co., Ltd. ("CM NetCom") (see note 5). Given the inherent risk associated with CMTH and the telecommunications projects, management believes that it has made reasonable judgements based on all relevant and available facts and information about CMTH including the telecommunications projects undertaken by CMTH and the financing facilities available for these projects in assessing the recoverability of carrying amounts of the funding provided to a telecommunications project receivable. Adjustments to management's estimates will be made as the Group receives updated information about the business performance of CMTH and the telecommunications projects in which it is involved.

3. Critical accounting estimate and judgments *(continued)*

(b) Useful lives and impairment for telecommunications equipment

The equipment used in the network are long-lived but may be subject to technical and commercial obsolescence. The annual depreciation charges are sensitive to the estimated economic useful lives the Group allocates to each type of fixed assets. Management performs annual reviews to assess the appropriateness of their estimated economic useful lives. Such reviews take account of assumptions about technological evolution, market demand of the Group's services and physical wear and tear of the assets concerned. Management also regularly reviews whether there are any indications of impairment and will recognize an impairment loss if the carrying amount of an asset is lower than its recoverable amount which is the greater of its net selling price or its value in use. In determining the value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. Management estimates the future cash flows based on certain assumptions, such as the market competition and development, the expected growth in subscribers and average revenue per subscriber.

(c) Deferred taxation

As part of the process of preparing the consolidated financial statements, management estimates the profit taxes in each of the taxing jurisdictions in which the Group operates. This process involves estimating the Group's actual current tax expense together with assessing any temporary differences resulting from the different treatment of certain items, such as the timing for recognizing expenses, for tax and financial reporting purposes. These differences may result in deferred tax assets and liabilities, which are included in the consolidated balance sheet. The management is required to assess the likelihood that deferred tax assets, which include tax loss carry forwards and temporary differences that are expected to be deductible in future years, will be recoverable from future taxable income or other tax planning strategies. If recovery is not probable, deferred tax assets are recognized to the extent based on estimates of future taxable profit in the various taxing jurisdictions, and the amount of deferred taxes that are ultimately realizable. The provision for tax liabilities involves evaluations and judgments of uncertainties in the interpretation of complex tax regulations by various taxing authorities. In situations involving tax related uncertainties, the Group provides for deferred tax liabilities when such liabilities are probable.

4. Segment information

The Group is principally engaged in the provision of international telecommunications services, mobile communications services and distribution and retail sales of telecommunications products and services.

An analysis of the Group's turnover and results for the period by business segments and geographical segments are as follows:

(a) Primary reporting format – business segments

Six months ended 30 September 2005	**International Telecom-munications services HK$'000**	**Mobile Communications services HK$'000**	**Distribution and retail chain HK$'000**	**Unallocated items HK$'000**	**Consolidated HK$'000**
Turnover	**312,000**	**54,274**	**53,250**	**–**	**419,524**
Segment results	**(42,889)**	**(4,380)**	**601**	**(63,943)***	**(110,611)**
Net finance income/(expense)					**(1,754)**
Share of profits less losses of associated companies					**(46,347)**
Loss before taxation					**(158,712)**
Taxation					**(832)**
Loss for the period					**(159,544)**

Six months ended 30 September 2004	International Telecom-munications services HK$'000	Mobile Communications services HK$'000	Distribution and retail chain HK$'000	Unallocated items HK$'000	Consolidated HK$'000
Turnover	260,009	47,221	70,613	-	377,843
Segment results	(2,621)	(688)	(5,588)	(6,324)	(15,221)
Net finance income/(expense)					2,267
Share of profits less losses of associated companies					(6,292)
Loss before taxation					(19,246)
Taxation					970
Loss for the period					(18,276)

4. Segment information *(continued)*

(b) Secondary reporting format – geographical segments

During the period under review, the Group changed its geographical segment classification by separating the operation in Hong Kong from other Asia Pacific regions. Comparative figures have been restated for presentational purpose.

	Turnover		Segment results	
	2005	2004	**2005**	2004
Six months ended 30 September	**HK$'000**	HK$'000	**HK$'000**	HK$'000
The People's Republic of China (the "PRC")	**2,407**	1,244	**(3,752)**	(5,793)
Hong Kong	**236,537**	224,088	**(35,848)**	(4,813)
North America and United Kingdom	**117,492**	92,759	**(3,037)**	(2,222)
Other Asia Pacific regions	**63,088**	59,752	**(4,031)**	3,931
	419,524	377,843	**(46,668)**	(8,897)
Unallocated items	**–**	–	**(63,943)***	(6,324)
	419,524	377,843	**(110,611)**	(15,221)

* These unallocated items primarily include provision for non-current assets. See note 5 for further details. These items cannot be allocated to any business segments or geographical segments on a reasonable basis.

5. Provision for impairment for non-current assets and investments in associated companies

(a) The Group has entered into an acquisition agreement with CMTH to acquire 50% in CM NetCom which is engaged in a VoIP business providing long distance call related services in the PRC in two stages at an aggregate consideration of approximately HK$258,000,000. Stage one of the acquisition was completed in August 2003. The stage two acquisition of 25% shareholding in CM NetCom of approximately HK$129,000,000 was to be completed in December 2005. The consideration for the stage two acquisition was to be paid for by offsetting against part of the receivables from CMTH included in "Other non-current assets" in the balance sheet (see notes 12 and 21). At 31 March 2005, the Group recognized an impairment charge of approximately HK$72,599,000 against the carrying value of the receivables from CMTH which has been designated for use in making the stage two acquisition and an impairment charge of approximately HK$54,000,000 for goodwill included in the carrying value of its current interests in CM NetCom.

5. Provision for impairment for non-current assets and investments in associated companies *(continued)*

(a) *(continued)*

The Group continued to monitor the recoverable value of its interests in CM NetCom during the six months ended 30 September 2005. A revised evaluation, which took account of that CMTH would not be able to transfer the stage two acquisition of 25% shareholding in CM NetCom to the Group (note 22) and other assumptions including the availability of financing to CM NetCom and the future discounted cash flows of the VoIP business of CM NetCom, was performed to assess the recoverable value and, as a result, a further impairment charge of approximately HK$58,028,000 and HK$47,697,000, against the carrying value of the remaining receivables from CMTH which has been designated for use in making the stage two acquisition and the goodwill included in the carrying value of its current interest in CM NetCom respectively, was made at 30 September 2005. The Group's current investment in CM NetCom is included in investments in associated companies in the balance sheet (see note 12).

(b) Details of the balances with CMTH and its subsidiaries are set out in note 21.

6. Loss before taxation

Loss before taxation is stated after crediting and charging the following:

	Six months ended 30 September	
	2005	2004 (Restated)
	HK$'000	HK$'000
Crediting:		
Write-back of provision for slow moving inventories	**94**	118
Charging:		
Provision for impairment against the carrying value of the receivables from CMTH designated for use in making the stage two acquisition (notes 5 and 21(b))	**58,028**	–
Provision for goodwill impairment (notes 5 and 12)	**47,697**	–
Depreciation of property and equipment (note 10)	**22,109**	19,437
Amortization of prepayment of leasehold land held for own use (note 10)	**573**	840
Cost of inventories sold	**16,477**	31,543
Operating lease rentals for land and buildings and lease lines	**33,581**	34,762
Staff costs (including directors' emoluments)	**47,791**	51,994
Provision for doubtful debts	**1,603**	2,246

7. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended 30 September	
	2005	2004
	HK$'000	HK$'000
HK taxation		
– current period	**156**	–
PRC taxation		
– current period	**–**	3
– over provision in prior periods	**–**	(725)
Overseas taxation		
– current period	**–**	10
Deferred taxation	**676**	(258)
	832	(970)

8. Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2005 (2004: Nil).

9. Loss per share

The calculation of basic loss per share is based on the Group's loss attributable to equity holders of the Company of approximately HK$142,147,000 (2004: HK$17,051,000) and the weighted average number of 525,475,573 (2004: 525,475,573) ordinary shares in issue during the six months ended 30 September 2005.

Diluted loss per share for the six months period ended 30 September 2005 and 2004 have not been presented as the conversion of potential ordinary shares to ordinary shares would have anti-dilutive effect on the basic loss per share.

10. Fixed assets and prepayment of leasehold land

	Property and equipment HK$'000	**Investment properties** HK$'000	**Prepayment of leasehold land held for own use** HK$'000
Opening net book value at 1 April 2005	180,904	89,500	52,675
Additions	8,122	–	–
Disposals	(3,190)	(17,200)	(2,941)
Depreciation/amortization	(22,109)	–	(573)
Exchange differences	365	–	–
Closing net book value at 30 September 2005	**164,092**	**72,300**	**49,161**

	Property and equipment (Restated) HK$'000	Investment properties HK$'000	Prepayment of leasehold land held for own use (Restated) HK$'000
Opening net book value at 1 April 2004	148,067	66,500	79,836
Additions	6,724	–	–
Disposals	(490)	–	(25,713)
Depreciation/amortization	(19,437)	–	(840)
Closing net book value at 30 September 2004	134,864	66,500	53,283

11. Other non-current assets

	30 September 2005 HK$'000	31 March 2005 HK$'000
Long-term investments		
Financial assets held at fair value through profit and loss*	**3,739**	–
Club debentures*	**–**	3,739
Other, unlisted (notes 5 and 21(b))	**–**	56,401
	3,739	60,140
Prepayment	**12,256**	12,768
	15,995	72,908

* As explained in note 2, HKAS 39 does not allow retrospective application, therefore the comparative amounts have not been restated.

12. Investments in associated companies

	2005 HK$'000	2004 HK$'000
At 1 April	**61,044**	136,308
Share of associates' results		
– profit/(loss) before taxation	**1,529**	(49)
– taxation	**(179)**	–
	1,350	(49)
Exchange differences	**1,642**	–
Provision for goodwill impairment	**(47,697)**	–
Amortization of goodwill	**–**	(6,243)
At 30 September	**16,339**	130,016
Investments in associated companies	**16,339**	117,516
Loan receivable included in current assets	**–**	12,500
	16,339	130,016

12. Investments in associated companies *(continued)*

The Group has entered into an acquisition agreement with CMTH to acquire 50% in CM NetCom which is engaged in a VoIP business providing long distance call related services in the PRC in two stages at an aggregate consideration of approximately HK$258,000,000. Stage one of the acquisition was completed in August 2003. The stage two acquisition of 25% shareholding in CM NetCom of approximately HK$129,000,000 was to be completed in December 2005. The consideration for the stage two acquisition was to be paid for by offsetting against part of the receivables from CMTH included in "Other non-current assets" in the balance sheet (see note 5).

In accordance with the provision of HKFRS 3, the Group ceased amortization of goodwill from 1 April 2005 and accumulated amortization as at 31 March 2005 has been eliminated with a corresponding decrease in the cost of goodwill. From the year ending 31 March 2006 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment. Based on the revised estimated future cash flows of the VoIP business of CM NetCom (which took account of the available finance to CM NetCom), a further impairment charge of approximately HK$47,697,000 was made against the investment in CM NetCom at 30 September 2005 (See note 5).

Investments in associates at 30 September 2005 included goodwill of approximately HK$3,792,000 (31 March 2005 : HK$50,045,000).

13. Receivables and prepayments

Included in receivables and prepayments are trade debtors and their ageing analysis is as follows:

	30 September 2005 HK$'000	31 March 2005 HK$'000
0 – 30 days	**68,709**	76,391
31 – 60 days	**39,707**	33,656
61 – 90 days	**31,277**	27,773
Over 90 days	**181,769**	189,122
Total	**321,462**	326,942

The Group has a defined credit policy. The general credit term is 30 to 60 days.

14. Bank and cash balances

Included in bank and cash balances of the Group is approximately HK$3,432,000 (31 March 2005: HK$3,017,000) which represents bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency.

15. Trade and other payables

Included in trade and other payables are trade creditors and their ageing analysis is as follows:

	30 September 2005 HK$'000	31 March 2005 HK$'000
0 – 30 days	**62,459**	49,379
31 – 60 days	**41,414**	39,964
61 – 90 days	**30,764**	25,948
Over 90 days	**234,905**	245,116
Total	**369,542**	360,407

16. Borrowings

	30 September 2005 HK$'000	31 March 2005 HK$'000
Current		
Bank overdraft – secured	**–**	1,977
Bank loans – secured	**28,640**	43,351
Obligations under finance leases (note 17)	**2,600**	4,078
	31,240	49,406
Non-current		
Bank loans – secured	**40,640**	50,346
Obligations under finance leases (note 17)	**332**	1,643
	40,972	51,989
Total	**72,212**	101,395

16. Borrowings *(continued)*

The movement in the borrowings during the period is as follows:

	2005	2004
	HK$'000	HK$'000
Balance at 1 April	**101,395**	126,282
Addition	**–**	14,927
Repayments	**(29,183)**	(15,320)
Balance at 30 September	**72,212**	125,889

At 30 September 2005, the Group's borrowings (excluding finance lease liabilities) were repayable as follows:

	30 September	31 March
	2005	2005
	HK$'000	HK$'000
Within one year	**28,640**	45,328
In the second year	**6,164**	8,224
In the third to fifth year	**17,803**	21,162
After the fifth year	**16,673**	20,960
	69,280	95,674

17. Obligations under finance leases

At 30 September 2005, the Group's finance lease liabilities were repayable as follows:

	30 September	31 March
	2005	2005
	HK$'000	HK$'000
Within one year	**2,685**	4,211
In the second year	**332**	1,666
	3,017	5,877
Future finance charges on finance leases	**(85)**	(156)
Present value of finance lease liabilities	**2,932**	5,721

17. Obligations under finance leases *(continued)*

The present value of finance lease liabilities is as follows:

	30 September 2005 HK$'000	31 March 2005 HK$'000
Within one year	**2,600**	4,078
In the second year	**332**	1,643
	2,932	5,721

18. Share capital

	Ordinary shares of HK$0.75 each	
	Number of shares	**HK$'000**
Authorised:		
At 31 March and 30 September 2005	1,040,000,000	780,000
Issued and fully paid:		
At 31 March and 30 September 2005	525,475,573	394,107

19. Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 September 2005 HK$'000	31 March 2005 HK$'000
In respect of land and buildings, including transmission sites:		
Within one year	**21,171**	22,511
In the second to fifth year	**10,320**	14,471
	31,491	36,982
In respect of leased lines:		
Within one year	**4,590**	9,293
In the second to fifth year	**3,000**	3,127
Beyond five years	**4,098**	4,800
	11,688	17,220

20. Charges on assets

At 30 September 2005, the net book value of fixed assets and prepayment of leasehold land pledged as security for banking facilities of the Group amounted to approximately HK$148,500,000 (31 March 2005: HK$171,500,000).

21. Related party transactions

(a) The Group had the following transactions with related parties, including minority shareholders of subsidiaries during the period, which were carried out in the normal course of business and on terms arranged by or between the parties concerned are as follows:

	Six months ended 30 September	
	2005	2004
	HK$'000	HK$'000
Income/(expense)		
ChinaMotion Telecare (HK) Limited, a company owned by a director		
Hotline service fee	**91**	–
PA center services fee	**289**	–
Rental income	**(79)**	–
IDD wholesales	**(232)**	–
Super Asset Investment Limited, a company owned by the spouse of a director		
Rental expenses	**380**	–
Significant transactions with minority shareholders of subsidiaries		
China Motion Telecom Holdings Limited ("CMTH")		
Call center services expenses	**–**	(1,892)
Interest income	**–**	3,708
Shenzhen China Motion Telecom United Company Limited ("SCMTU")		
Sales of telecommunications equipment	**415**	–
Shenzhen ChinaMotion Telecare Limited		
Hotline service fee	**74**	–
PA center services fee	**238**	–

21. Related party transactions *(continued)*

(b) At 30 September 2005, the amounts due from CMTH and its subsidiaries are as follows:

		30 September 2005 HK$'000	31 March 2005 HK$'000
(i)	Non-current assets		
	Others, unlisted		
	Funding to a telecommunications project	**209,173**	207,546
	Less: provision for impairment (note 5)	**(209,173)**	(151,145)
		–	56,401
(ii)	Trade receivables		
	CMTH	**31,398**	30,357
	CMM	**102,612**	101,862
	SCMTU	**128,084**	123,566
		262,094	255,785
	Less: provision for doubtful debts	**(262,094)**	(255,785)
		–	–

(c) At 30 September 2005, outstanding non-trade payables included payables to minority shareholders of subsidiaries are as follows:

	30 September 2005 HK$'000	31 March 2005 HK$'000
Guangdong Mobile Communication Corporation	**827**	827

(d) On 10 March 2005, HAU Tung Ying, an executive director and the chairman of the Company, and Goldtop Holdings Limited ("Goldtop"), a substantial shareholder of which was beneficially owned as to 60% by Mr. HAU and as to 40% by his spouse, TING Yat Shui, respectively entered into guarantees in favour of a bank in the PRC whereby Mr. HAU and Goldtop, as guarantors, shall unconditionally and irrevocably guarantee the repayment obligations of CMTH, as borrower, in favour of the bank, as lender, respectively in respect of a loan in the sum of approximately RMB376,000,000 lent by the bank to CMTH together with the interest and expenses in relation thereto.

22. Subsequent event

Pursuant to an acquisition agreement dated 30 January 2003 (as amended by the first supplemental agreement dated 18 February 2003 and the second supplemental agreement dated 23 December 2004) entered into between CM NetCom, Shenzhen Motion Mobile Telecom Services Co., Ltd ("SMMT"), a non wholly-owned subsidiary of the Company, and CMTH, the 50% registered capital of CM NetCom which is engaged in a VoIP business providing long distance call related services in the PRC shall be acquired by SMMT in two stages being 25% at stage one and 25% at stage two at an aggregate consideration of approximately HK$258 million. The stage one of the acquisition was completed in August 2003 while the stage two was to be completed by 31 December 2005. The Group was informed by CMTH that CMTH pledged all its interests in the registered capital of CM NetCom to a bank and accordingly, it would not be able to transfer the said 25% of the registered capital to SMMT free from encumbrances by 31 December 2005. By reason of CMTH's anticipatory breach of the acquisition agreement, SMMT issued a notice of rescission to CMTH on 19 December 2005 to rescind the acquisition agreement. However, SMMT has reserved the right to claim damages against CMTH as a result of the rescission.

REVIEW OF RESULTS AND OPERATIONS

During the six months ended 30 September 2005 under review, the Group achieved remarkable growth in turnover despite the fiercely competitive telecommunications market. Turnover increased by 11% to HK$420 million compared to the same period of last year. However, the Group recorded a loss of HK$142 million, mainly attributable to the significant drop in profit margin of international telecommunications services business and a material provision of HK$106 million for an investment in a VoIP related business in China Mainland.

International Telecommunications Services

During the first half of the year, IDD voice traffic totalled 1.9 billion minutes, an outstanding increase of 46% compared with the same period last year. Meanwhile, the Group's International Telecommunications Services business reported a 20% increase in turnover to reach HK$312 million.

Growth in the voice traffic and turnover of the Group's wholesale IDD business benefited from its commitment to establish an overseas presence in previous years. This business continues to be the most important area of the Group's operations, accounting for almost 72% of the Group's turnover. However, keen competition in the wholesale IDD market and adjustment in the interconnection charge of major carrier in China Mainland, which is significant partner of the Group, caused a severe decline in profit margin and resulted in an operating loss of HK$40 million during the half year under review. Furthermore, in view of our increasing voice traffic, the Group keeps on negotiating with partners in China Mainland for continuous support of services provided and improvement in the interconnection charge.

Since the launch of the Group's retail IDD business two years ago, the business has established a stable customer base and maintained customer loyalty through an effective customer retention strategy. This business further narrowed its loss to HK$3 million.

Mobile Communications Services

The Group's Mobile Communications Services business posted a turnover of HK$54 million, representing a 15% increase over the same period last year. The Mobile Virtual Network Operator (MVNO) business, operating under the brand 'CM Mobile', has recorded a significant increase in turnover and maintained stable profit.

The outstanding results achieved by the MVNO business were attributable to several strategic initiatives taken during the period. These included expanding the proprietary distribution and sales channels for CM Mobile, the successful realignment of the division's customer retention and recruitment strategy, a more diversified product portfolio and an improvement in the variety of the Group's services. These efforts enabled the business to penetrate effectively into market segments and established a solid foundation for the business to grow further. During the period under review, the business contributed HK$2 million in profit to the Group.

The mobile service business in China Mainland reported a loss of HK$8 million mainly due to Renminbi appreciation during the period under review.

Distribution and Retail Chain

The Group's Distribution and Retail Chain business recorded turnover of HK$53 million, a 25% reduction compared with the same period last year. This was partly due to a decrease in handsets sales as a result of the Group's change of focus to telecommunications services subscription sales, rather than handsets sales, in the Retail Chain business.

The Group's Distribution business maintained turnover by expanding its sales network. Leveraging the Group's brand recognition among Mainland travellers, this business benefited from strong calling card sales in the first half and reported a profit of HK$2 million, the first time a profit has been recorded since its launch in 2003.

During the period under review, CM Concept, the Group's Retail Chain business recorded a loss of HK$5 million. The Group will intensify its focus on the retail chain with a view to enhancing its profitability.

PROVISION

Stage two of the acquisition of a 25% shareholding in CM NetCom, which currently provides VoIP related services in China, has not been completed as targeted. In addition, the management has reassessed the estimated value of the VoIP related business in China Mainland. As a result, a provision of HK$106 million has been made in respect of the VoIP related projects during the period under review. The provision has a material impact on the Group's financial results but has no material adverse effect on the daily operations or working capital of the Group.

The Group has meanwhile continued to use its best efforts to secure a resolution of the CMTH Group's outstanding financial obligations to the Group. The Group has sought legal and financial advice in Hong Kong and the Mainland and has maintained an active dialogue with the CMTH Group on this issue. The Group reserves the right to pursue legal action to recover the debts with a view to serving the best interests of its shareholders.

PROSPECTS

The Group will continue to leverage its established overseas presence to cement and progressively expand its market position in its various business areas while focusing intensively on its cost structure.

The Group will realign its wholesale and retail IDD operations with a view to strengthening the profit structure of the International Telecommunications Services business. At the same time, in light of the market response to Next Generation Network (NGN), the Group will continue to view this as a new business field and pursue such projects cautiously.

Moving into the second half of 2005/06 fiscal year, the Group will further centralize its resources and increase the synergies between its various areas of operation with a view to enhancing its competitiveness in an increasingly challenging market.

FINANCIAL POSITION

At 30 September 2005, the Group's cash and bank balances amounted to approximately HK$36 million. Total bank borrowings were approximately HK$72 million. The Group's bank loans are repayable in monthly installments and the last monthly installment will be in August 2013. The current total borrowings as a percentage of shareholders' funds was 66% (31 March 2005: 41%).

At 30 September 2005, the Group had aggregate banking facilities of approximately HK$50 million (excluding property mortgage loans), of which HK$30 million was utilized. It is anticipated that the Group's cash and bank balances, as at the balance sheet date, together with the unutilized banking facilities, will be sufficient to discharge its debts and to fund its operations.

CONTINGENT LIABILITIES

At 30 September 2005, the Company has executed guarantees in favour of bank and financial institutions in respect of facilities granted to certain subsidiaries in the amount of approximately HK$244 million (31 March 2005: HK$244 million).

EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES

The Group is exposed to the fluctuations in Renminbi and United States dollars as certain expenses payable and trade receivables from customers are settled in these currencies respectively.

EMPLOYEES AND REMUNERATION POLICIES

At 30 September 2005, the Group had 311 full-time staff. Total staff costs (including directors' emoluments) incurred for the period amounted to HK$48 million. The Group's remuneration policy is in line with prevailing market practice and performance of individual staff.

In addition to salaries, the Group also offers a staff benefits package to its employees, including training allowance, provident fund and medical insurance. The Group also granted share options to certain directors of the Company and certain employees of the Group.

OTHER DISCLOSURES

The directors of the Company are not aware of any material changes from the information disclosed in the annual report of the Company for the year ended 31 March 2005, other than disclosed in this announcement.

DIRECTORS' INTERESTS IN SECURITIES

At 30 September 2005, the directors and chief executive of the Company or their respective associates had the following interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning the Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which such director or chief executive was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Listing Rules, to be notified to the Company and the Stock Exchange:

(a) Interests in shares of the Company

Name of director	No. of ordinary shares held	Nature of interest	Position	Approximate shareholding percentage
HAU Tung Ying	216,198,000 (Note)	Corporate	Long	41.14%
SHUI Ming Hua	250,000	Personal	Long	0.05%

Note: The 216,198,000 shares were held by Goldtop, a company of which was beneficially owned as to 60% by HAU Tung Ying and as to 40% by his spouse, TING Yat Shuk at 30 September 2005. Mr. HAU was therefore deemed to be interested in the 216,198,000 shares held by Goldtop.

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(b) Interests in share options of the Company

At 30 September 2005, details of share options granted to the directors of the Company and others under the 1998 Share Option Scheme (as described under the heading of "Share Option Schemes" below), were as follows:

					Number of share options		
Grantee	Date of grant	Exercise price HK$	Exercise period	Vesting period	At 1 April 2005	Lapsed during the period	At 30 September 2005
Directors:							
HAU Tung Ying	20/03/2001	0.75	20/03/2002-19/03/2011	20/03/2002-20/03/2004	2,000,000	–	2,000,000
SHUI Ming Hua	25/02/2000	3.19	25/02/2001-17/03/2008	N/A	378,499	–	378,499
	17/10/2000	1.22	17/10/2001 - 17/03/2008	N/A	432,570	–	432,570
	20/03/2001	0.75	20/03/2002-19/03/2011	20/03/2002-20/03/2004	2,000,000	–	2,000,000
							2,811,069
LI Bin	17/10/2000	1.22	17/10/2001-17/03/2008	N/A	108,143	–	108,143 (Note)
	20/03/2001	0.75	20/03/2002-19/03/2011	20/03/2002-20/03/2004	700,000	–	700,000 (Note)
							808,143
Others:	29/06/1998	0.751	29/06/1999 - 17/03/2008	N/A	92,693	(41,197)	51,496
	19/08/1999	2.00	19/08/2000-17/03/2008	N/A	834,242	(92,693)	741,549
	25/02/2000	3.19	25/02/2001-17/03/2008	N/A	460,893	–	460,893
	17/10/2000	1.22	17/10/2001-17/03/2008	N/A	1,632,437	(56,646)	1,575,791
	20/03/2001	0.75	20/03/2002-19/03/2011	20/03/2002-20/03/2004	11,550,000	(700,000)	10,850,000
	28/01/2002	0.75	28/01/2003-27/01/2012	28/01/2003-28/01/2005	300,000	–	300,000
							13,979,729
					20,489,477	(890,536)	19,598,941

Note : The 108,143 and 700,000 share options included 36,048 and 200,000 share options held by GU Jie, the spouse of Li Bin respectively.

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(b) Interests in share options of the Company *(continued)*

All interests disclosed above represent long positions.

During the period, there were no share options granted, exercised or cancelled under the share option schemes.

Save as disclosed above, at 30 September 2005, none of the directors, chief executive of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which such director or chief executive was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors, nor chief executive of the Company, or any of their spouses or children under the age of 18 had any interests in, or had been granted, any rights to subscribe for any securities in or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2005, the following shareholders, other than the directors and chief executive of the Company, had or were deemed to have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	No. of ordinary shares held	Position	Approximate shareholding percentage
Goldtop	216,198,000	Long	41.14%
TING Yat Shuk	216,198,000 (notes 1 and 3)	Long	41.14%
Midsino International Limited	54,049,500	Long	10.29%
YANG Jun	54,049,500 (note 2)	Long	10.29%
MA Lin	54,049,500 (note 2)	Long	10.29%

Notes:

(1) The 216,198,000 shares were held by Goldtop, a company of which was beneficially owned as to 40% by TING Yat Shuk and as to 60% by her spouse, HAU Tung Ying, a director of the Company at 30 September 2005. TING Yat Shuk was therefore deemed to be interested in the 216,198,000 shares held by Goldtop.

(2) The 54,049,500 shares were held by Midsino International Limited ("Midsino"), a company of which was beneficially owned as to 50% by YANG Jun and as to 50% by his spouse, MA Lin at 30 September 2005. Each of YANG Jun and MA Lin was therefore deemed to be interested in the 54,049,500 shares held by Midsino.

(3) The interests disclosed represent the same interests as the corporate interests of HAU Tung Ying as disclosed under the heading of "Directors' interests in securities" above.

Save as disclosed above, there was no person known to the directors or chief executive of the Company, other than the directors or chief executive of the Company, who, at 30 September 2005, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the auditors of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including the review of the unaudited consolidated interim results for the six months ended 30 September 2005.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the period.

CORPORATE GOVERNANCE

During the six months ended 30 September 2005, the Company has complied with the applicable code provisions in Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules except for the following deviations:

(a) Code Provision A.4.2

The second part of this code provision stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Under the Company's Bye-laws, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three(3), the number nearest to but not less than one-third or such other manner or rotation as may be required by the Listing Rules (as modified from time to time) or other codes, rules and regulations as may be prescribed by the applicable regulatory authority from time to time) shall retire from office by rotation provided that notwithstanding anything herein, 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. To comply with this code, relevant amendments to the Bye-laws of the Company will be proposed at the next annual general meeting of the Company to be held in 2006, so that every director shall be subject to retirement by rotation at least once every three years.

(b) Code Provision B.1.4

This code provision stipulates that the remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board.

The terms of reference of the remuneration committee have been established and will be placed on the website of the Company as soon as practicable to ensure full compliance with this code.

(c) Code Provision C.3.4

This code provision stipulates that the audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board.

The terms of reference of the audit committee have been established and will be placed on the website of the Company as soon as practicable to ensure full compliance with this code.

CORPORATE GOVERNANCE *(continued)*

(d) Code Provision D.1.2

This code provision stipulates that an issuer should formalize the functions reserved to the Board and those delegated to management. It should review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the issuer.

The respective functions of the Board and the management of the Company will be formalized as soon as practicable.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

On 20 July 2005, the Company has adopted its own Code for Securities Transactions by Directors (the "Code") on terms no less exacting the required standard set out in the Model Code as contained in Appendix 10 of the Listing Rules. All directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standard as set out in the Code and the Model Code throughout the period.

ADVANCES TO ENTITIES

In accordance with the requirement under paragraph 13.20 of the Listing Rules, the directors of the Company report the details of advances to CMTH and its subsidiaries at 30 September 2005 as follows:

	Total HK$'000
Trade receivables from	
CMTH	31,398
CMM	102,612
SCMTU	128,084
	262,094
Less: provision for doubtful debts	(262,094)
	–

SUBSEQUENT EVENT

Pursuant to an acquisition agreement dated 30 January 2003 (as amended by the first supplemental agreement dated 18 February 2003 and the second supplemental agreement dated 23 December 2004) entered into between CM NetCom, Shenzhen Motion Mobile Telecom Services Co., Ltd ("SMMT"), a non wholly-owned subsidiary of the Company, and CMTH, the 50% registered capital of CM NetCom which is engaged in a VoIP business providing long distance call related services in the PRC shall be acquired by SMMT in two stages being 25% at Stage one and 25% at stage two at an aggregate consideration of approximately HK$258 million. The stage one of the acquisition was completed in August 2003 while the stage two was to be completed by 31 December 2005. The Group was informed by CMTH that CMTH pledged all its interests in the registered capital of CM NetCom to a bank and accordingly, it would not be able to transfer the said 25% of the registered capital to SMMT free from encumbrances by 31 December 2005. By reason of CMTH's anticipatory breach of the acquisition agreement, SMMT issued a notice of rescission to CMTH on 19 December 2005 to rescind the acquisition agreement. However, SMMT has reserved the right to claim damages against CMTH as a result of the rescission.

By order of the Board
Hau Tung Ying
Chairman

Hong Kong, 19 December 2005