07
Annual Report 年報

拓展通信世界

Expanding Communication World

潤 迅 通 信 國 際 有 限 公 司

China Motion Telecom International Limited

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

(Stock Code 股份代號：989)

Corporate Profile

Established in 1990, China Motion Telecom International Limited ("China Motion" or the "Company", together with its subsidiaries collectively referred as the "Group") is a well regarded telecommunications company with strong networks in Hong Kong, Mainland China and other key overseas markets. The Company is listed on The Stock Exchange of Hong Kong Limited. With consistency, innovation and commitment to market needs and customer satisfaction, the Group has transformed into a multi-faceted telecommunications service provider. Its three core businesses include international telecommunications services, mobile communications services and distribution and retail chain.

企業背景

潤迅通信國際有限公司（「潤迅」或「本公司」；連同其附屬公司統稱「本集團」）於一九九零年成立，乃一家於香港、中國內地及其他主要海外市場擁有強大網絡的電信企業，並於香港聯合交易所有限公司上市。一直以來，本集團本著努力不懈、創新求變的原則以迎合市場及客戶需要，致力成為一家多元化的綜合電信服務供應商。現今核心業務包括國際電信服務、移動通信服務與分銷及零售。

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

TING Pang Wan, Raymond *(Chairman)*
WU Chi Chiu *(Deputy Chairman and Chief Executive Officer)*
FAN Wei

Independent Non-executive Directors

LO Chi Ho, William
HUANG An Guo
WONG Fei Tat

BOARD COMMITTEES

Audit Committee

LO Chi Ho, William *(Chairman)*
HUANG An Guo
WONG Fei Tat

Remuneration Committee

LO Chi Ho, William *(Chairman)*
HUANG An Guo
WONG Fei Tat
FAN Wei

Nomination Committee

WU Chi Chiu *(Chairman)*
LO Chi Ho, William
HUANG An Guo

QUALIFIED ACCOUNTANT

LUNG Yuet Kwan

COMPANY SECRETARY

CHAN Siu Mei

LEGAL ADVISORS

Iu, Lai & Li, Solicitors & Notaries
Tsun & Partners, Solicitors
Boase Cohen & Collins, Solicitors & Notaries

AUDITORS

Mazars CPA Limited
Certified Public Accountants

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2604-08, 26th Floor
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong
Tel : (852) 2209 2888
Fax : (852) 2209 1888
Website: http://www.chinamotion.com

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Abacus Share Registrars Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

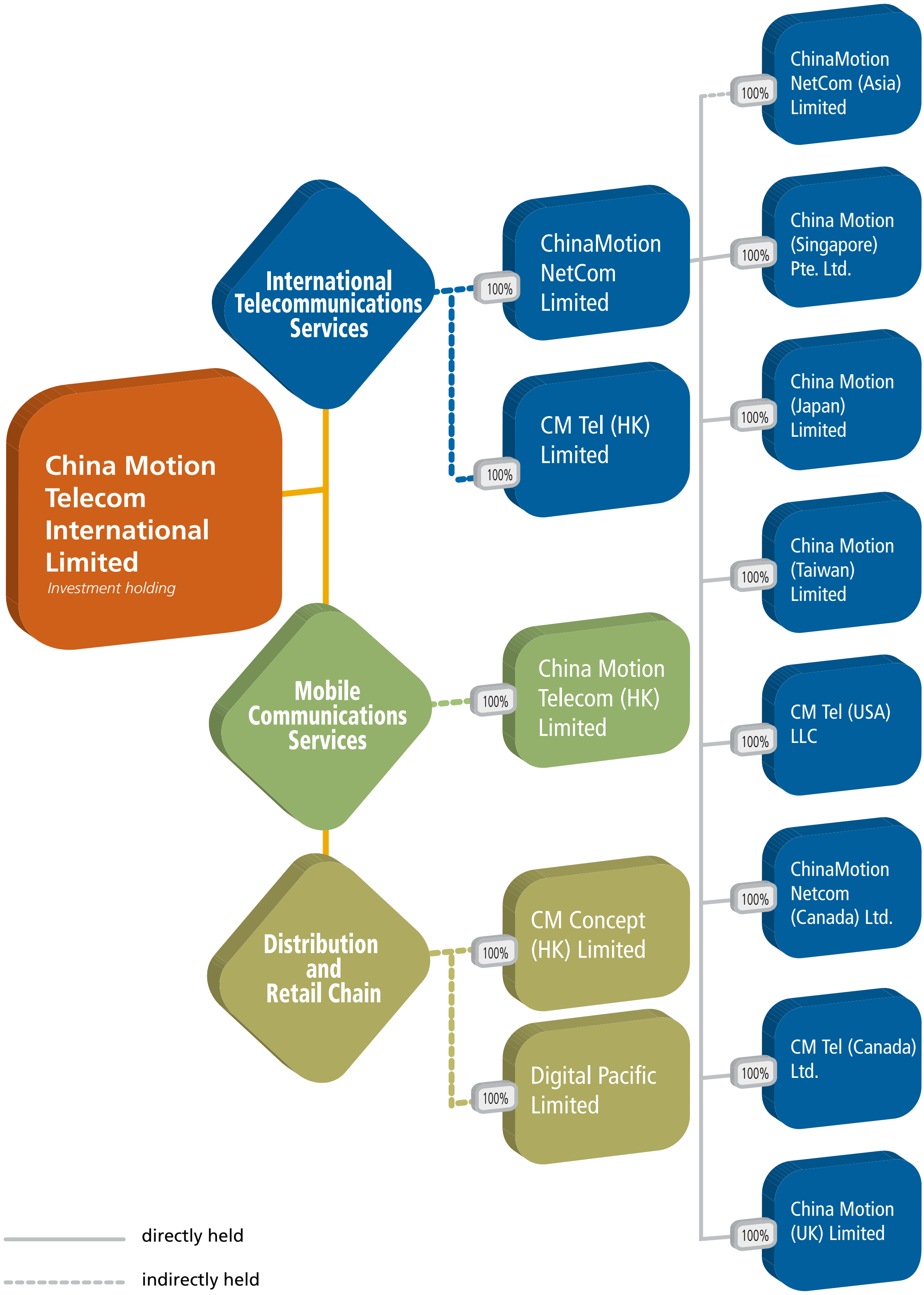
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE

989

Group Structure

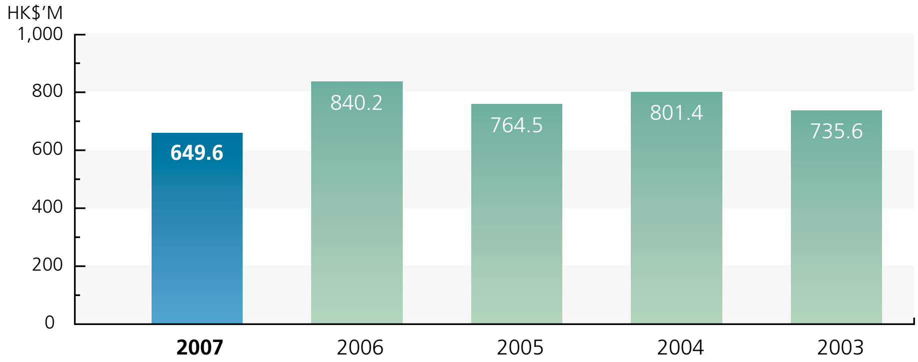
The following chart shows the core businesses and principal subsidiaries of the Group:



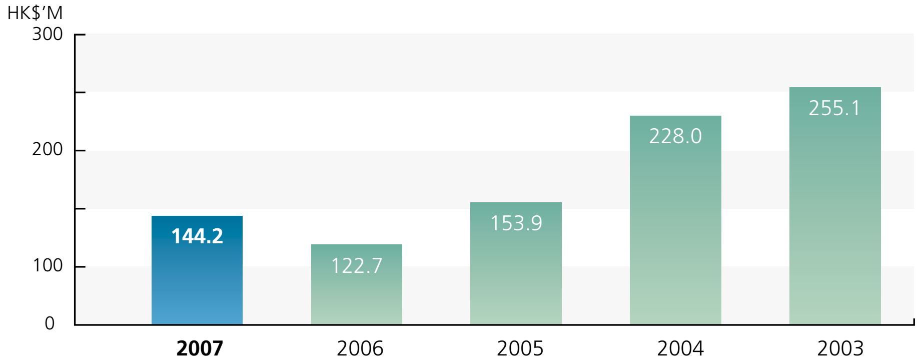
Financial Highlights

	2007	2006	2005	2004	2003
Turnover (HK$ million)	**649.6**	840.2	764.5	801.4	735.6
Gross profit (HK$ million)	**144.2**	122.7	153.9	228.0	255.1
Profit (loss) before taxation (HK$ million)	**71.8**	(229.6)	(470.5)	(38.6)	25.3
Profit (loss) for the year (HK$ million)	**71.8**	(228.5)	(471.9)	(47.4)	12.8
Earnings (loss) per share (HK cents)	**5.3**	(38.3)	(87.5)	(9.0)	1.4
Total assets (HK$ million)	**400.6**	460.8	886.7	1,223.9	1,204.1
Total liabilities (HK$ million)	**228.4**	408.1	607.8	473.1	404.5
Net assets (HK$ million)	**172.2**	52.7	278.9	750.8	799.6
Net assets value per share (HK$)	**0.07**	0.10	0.53	1.43	1.52
Working capital ratio	**0.56**	0.57	0.81	0.78	0.84
Long-term debt to equity	**0.14**	0.72	0.28	0.09	0.10

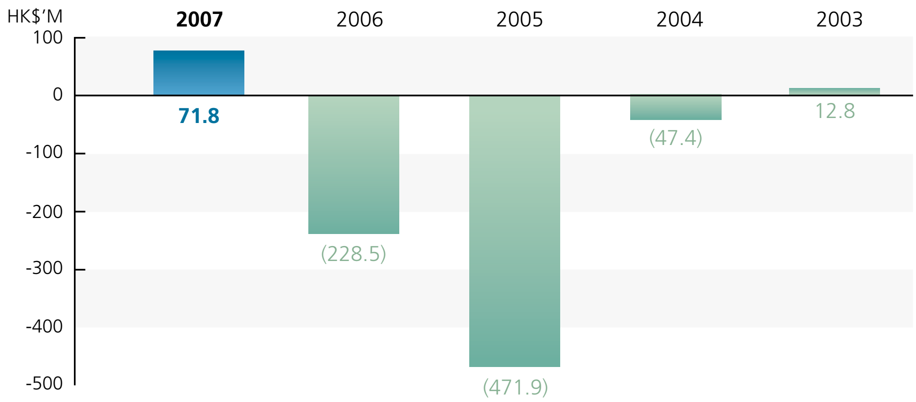
TURNOVER



GROSS PROFIT



PROFIT (LOSS) FOR THE YEAR



Chairman's Statement

Dear Shareholders,

I am pleased to present the encouraging results for the fiscal year of 2006/07, which was driven by our strategic transformation. It was a special year for China Motion Telecom International Limited (the "Company") and its subsidiaries (collectively, the "Group"), as we were able to turn around business performance through expeditious implementation of the restructuring of management and operations as well as effective business strategy.

Effective risk management, cost control measures and consolidation of the Group's resources improved efficiency and productivity during the year under review, which resulted in positive cashflow and significant reduction in debts. The Group also shifted its focus to high-margin services to satisfy the demand of our targeted customers and thus, enhance our competitive advantages.

Leveraging on the various licenses we have obtained around the world and our quality cross-border telecom services, the Group continues to provide comprehensive telecommunication services through its well-established network infrastructure and strong partnerships with leading telecom carriers in the Mainland China, Hong Kong and overseas.

We have also been working diligently to broaden our targeted customer base as well as market coverage by providing services with high quality, reinforcing partnerships with the Mainland China telecom carriers and expanding its industry clientele in different countries.

During the year under review, although total turnover decreased by 23% to HK$649,605,000, the Group was still able to achieve a higher margin of 22% with a net profit of HK$71,834,000, compared to the net loss of HK$228,478,000 in the previous financial year.

I have full confidence that, building on the accomplishment already made by the management through the Group's effective business strategy, we will realise our vision of becoming one of the key providers of multi-faceted telecommunication services.

Like all great institutions, we constantly strive to capture every good opportunity in all our different business areas and all markets, old and new. We will continue to ensure strong growth in our core businesses and will seek to realise the full potential of the non-core businesses to broaden revenue base. We will also strive to enhance shareholders' value through feasible business opportunities.

Finally, I would like to take this opportunity to express my sincere appreciation to our shareholders, directors, business partners and customers for their unwavering support. It has been a challenging year, and we are deeply grateful to our employees for their dedication and efforts. We look forward to their further contribution to delivering dynamic growth to the Group.

TING Pang Wan, Raymond
Chairman

Hong Kong, 29 June 2007

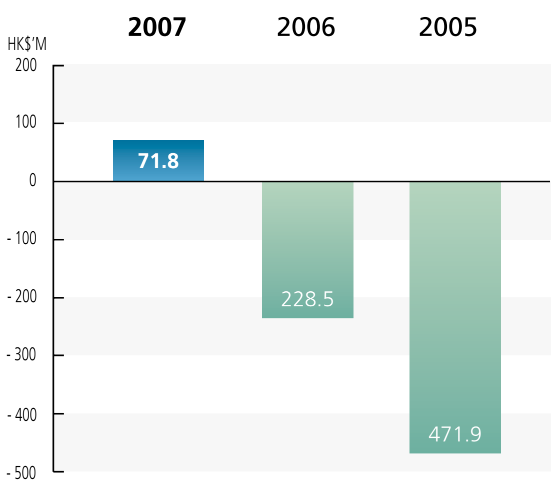
Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 March 2007, the Group continued to take advantage of its role as an intermediary that linked up telecommunication service markets of the Mainland China and overseas countries. In particular, the cross-border telecommunication services that targeted frequent travelers between the Mainland China and Hong Kong, were the growth drivers. Capitalising on its various telecommunication licenses around the world, the Group provided comprehensive telecom services through its well-established infrastructure and strong partnerships with leading telecom carriers in the Mainland China, Hong Kong and overseas.

During the first half of financial year under review, the Group significantly restructured its internal operation, which resulted in a turnaround for the whole financial year. For the year ended 31 March 2007, net profit amounted to HK$71,834,000. Gross profit margin increased to 22% for the year under review, compared with 15% in the previous financial year. The turnaround was also helped by our effective risk management, better resources allocation, stringent cost control, reformed market position and substantial reduction in administrative expenses.

Profit (loss) for the year



Total turnover decreased by 23% to HK$649,605,000. It was mainly due to the consolidation and restructuring of the Group's operations for improving negative cashflow in the first half of the year. The decrease was also the result of the shift of the Group's focus to high-margin services, the limited capacity for voice traffic provided by the telecom carrier in the first half of the financial year under review, and the rebuilding of the Group's business in the second half.

International Telecommunications Services

The Group handled about 20% of the total China IDD minutes in the world in 2006 through its international telecommunications services, which comprise wholesale and retail IDD services. In the financial year under review, revenue from this line of business decreased by 34% to HK$439,022,000, and accounted for 68% of the Group's turnover. This was due to negative cashflow and the limited capacity for voice traffic provided by the telecom carrier during the first half of the year. The earthquake in Taiwan at the end of 2006 only had limited impact on the international telecommunications services, since the Group has a well-distributed routing of traffic. The restructuring and consolidation of the Group's operations also affected the sales to a certain extent. In addition, the Group's strategy of shifting focus to high-margin services from business volume also weighed down the revenue. As a result, the IDD voice traffic decreased by 19% to 2,770 million minutes, of which the Mainland China accounted for 76%, and the rest of the world 24%. However, the profit margin increased from 11% of the previous financial year to 14% due to the reduction in both direct and indirect costs together with effective credit control policies and recovery of bad debts provided previously. As a whole, the business recorded a net operating profit of HK$18,149,000 during the year, compared with the net operating loss of HK$111,286,000 for last year.

International Telecommunications Services (continued)

The Group's efforts to build overseas markets in the past several years spawned a wide global service network which covered the Mainland China, Hong Kong, Taiwan, Singapore, Vietnam, Japan, South Korea, Australia, the United Kingdom, the United States, Canada and Cuba. It is now the right timing for the Group to expand the markets in Western Europe and Japan as well as to make its first forays into India, Pakistan, Africa and Eastern Europe.

Wholesales IDD business continued to be the Group's major income source and accounted for 62% of the total turnover. Intensifying competition led to a significant decline in the per-minute sales tariff for voice traffic in the Mainland China. To lessen the impact, the Group had been expanding its business from Asia to other parts of the world such as the North America and Europe. The well-established infrastructure of the Group's global network enabled the Group to get 30% of the market for North America's outbound wholesale IDD traffic to the Mainland China, and 25% of the market for Asia Pacific's outbound wholesale IDD traffic to the Mainland China. The Group had also started developing and promoting various services tailored for small and medium-sized enterprises, shifting the focus from individual users to corporate customers. Moreover, with the effective cost control program, it created significant decline of our overall direct costs.

The Group's retail IDD business, which is marketed under the "ChinaOne" brand, had already built a strong customer base and gained popularity by enhancing service quality and marketing efforts. It continued to cooperate with major telecommunications operators of the Mainland China and Hong Kong and overseas telecom carriers to maintain a strong platform for its services. The number of subscribers of "ChinaOne" services reached around 113,000. In particular, the Group had 30% of North America's market for China calling cards, and 20% of Singapore's market for China calling cards.

However, the IDD business has been facing certain operating challenges when developing new markets in other countries and regions and further penetrating into the market of small and medium-sized enterprises. The Group may therefore consider the introduction of partnerships in these areas to strengthen the operating efficiency and the competitive advantages, with the ultimate aim to maximise shareholders' value of the Group.

China Motion - Global Network Coverage

Mobile Communications Services

The Group runs its mobile communications services mainly as a Mobile Virtual Network Operator ("MVNO") under the brand "CM Mobile". The Group launched the China-HK Dual SIM services in 2002 and introduced the HK-Taiwan and HK-Singapore Dual SIM services in 2004. After gradually enhancing the services, the business became a growth driver with a net profit of HK$19,251,000 for the financial year under review. The gain was mainly attributable to the improvement in risk management and operational efficiency together with the growth of cross-border business. The Group has adopted measures to improve credit and receivables control. Revenue from the mobile communications services increased 14% to HK$120,423,000, and accounted for 19% of the Group's turnover.

For the year under review, the Group further promoted the value-added services that targeted the high-consumption frequent travelers between the Mainland China and Hong Kong. With the partnership of leading network operators in China and Hong Kong, the Group has provided reliable one-stop services to end users. Furthermore, the Group also launched a variety of value-added services for corporate customers. In order to enlarge customer base, the Group stepped up its sales efforts by increasing different sales channels and targeting the high-end individual users with high demand for quality cross-border services between Hong Kong and the Mainland China.

Distribution and Retail Chain

The Group markets its telecommunications products and services, including subscription services, prepaid calling cards, prepaid SIM cards, handsets (cellular phones and fittings), and other value-added services at its one-stop-shops under the "CM Concept" brand. The retail outlets also function as specialty shops for selling the Group's Mainland China-Hong Kong cross-border communications services. For the year ended 31 March 2007, the number of the one-stop-shops reached 23 *(17 in the previous financial year)*. The Group continued to maintain its dominant position in Hong Kong's market for China calling cards.

The retail outlets were renovated to project a new energetic corporate image with an aim to attract the middle-income group. Some of the shops were relocated to areas with strong pedestrian flow and lower rents to

maximise cost-efficiency. The Group also developed an extensive sales network that comprised of approximately 1,000 direct dealerships to cope with the steep market competition. These moves are believed to have helped boost sales. Revenue from the distribution and retail chain business rose 15% to HK$115,017,000 for the financial year under review. As a result, the Group has turned around the business and recorded an operating profit of HK$338,000 as compared with the operating loss of HK$4,081,000 for the previous financial year.

Management Discussion and Analysis

Non-Core Businesses

Next Generation Network Services

In 2005, the Group launched its NGN (Next Generation Network) product, which is broadband phone services, under the brand "CM Phone" in Hong Kong and the United States. Not only will this service transmit voice, but data and images at high speed, to enhance the traditional IDD service. The market for Next Generation Network has yet to take off. However, with the first mover advantage, the Group believes it will be able to gain a better position in the market by enhancing its services and marketing strategies.

Trunked Radio Services

The Group is one of the few trunked radio licensees in Hong Kong. The coverage of its trunked radio is able to extend to the Mainland China and being widely adopted by businesses such as transportation firms, security companies and warehouse and port operators in the Pearl River Delta.

Property

The Group owns properties in Hong Kong and the Mainland China for its own use and investment purposes. As at 31 March 2007, the market value of the properties totalled HK$274,550,000.

By renting out surplus office spaces to maximise the usage of the Group's properties, the Group recorded an additional stable income of HK$3,222,000 in the financial year under review. Additionally, in order to focus resources on the core businesses, the Group had also disposed a property with profit of HK$571,000 and cash inflow of HK$2,371,000.

PROSPECTS

The Group will realise the full potential of other existing telecommunication businesses, with the aim to capture emerging investment opportunities and thus to broaden its revenue base. For instance, the Group will consider expanding the business of Next Generation Network, trunked radio, data transmission and cross-border services.

Meanwhile, the Group will continue to implement cost control measures to ensure cost-efficiency, when focusing resources in its core businesses. It will also seek to transform its other existing telecommunication businesses to develop their full potential. The management will also improve its source of financing through the introduction of strategic investors to facilitate the Group's business plans. It will tip a balance between cost control and business expansion to ensure good returns for the shareholders.

FINANCIAL POSITION

As at 31 March 2007, the Group's bank balances and cash amounted to approximately HK$21,707,000. Total borrowings and obligations under finance leases amounted to approximately HK$68,867,000. The Group's bank loans are repayable monthly and the last monthly installment will be in May 2013. The gearing ratio of total borrowings as a percentage of the total capital and reserves attributable to equity holders of the Company was 42% *(2006: 182%)*.

As at 31 March 2007, the Group had aggregate banking facilities of approximately HK$62,564,000 (excluding property mortgage loans), of which HK$17,922,000 were unutilised.

In August 2006, the Company raised net proceeds of approximately HK$4,600,000 through a placement of 25,000,000 shares at HK$0.189 per placing share with at least six independent investors. Subsequently, the Company further raised proceeds of HK$36,000,000 from the subscription of 1,800,000,000 shares at HK$0.02 per subscription share and obtained a standby facility of HK$30,000,000 from a substantial shareholder in October 2006. The net proceeds from the placement and the subscription have been retained for general working capital purpose.

With the proceeds from the placement and the subscription together with the Group's unutilised facilities, the rental income and cash inflow from disposal of non-core business, the Group has significantly improved its liquidity. However, the Group will continue to implement stringent cost control measures and explore fund-raising opportunities in order to further enhance and strengthen its liquidity position and financial resources for operational requirements.

CONTINGENT LIABILITIES

As at 31 March 2007, the Group had contingent liabilities amounting to approximately HK$26,980,000 *(2006: HK$38,673,000)* in respect of guarantees given to third parties against non-performance of contractual obligations by subsidiaries.

CHARGE ON ASSETS

As at 31 March 2007, the Group's leasehold buildings, premium for land lease and investment properties with aggregate carrying value of approximately HK$174,620,000 (*2006: HK$206,894,000)* were pledged as security for banking facilities.

EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES

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

SHARE CAPITAL

During the year, the Company has following movements in the share capital:

(a) Pursuant to a capital reorganisation of the Company, involving capital reduction and authorised share capital cancellation, diminution and increase, implemented on 23 May 2006, the nominal value of each share of the Company was reduced from HK$0.75 to HK$0.01; the authorised share capital and the issued share capital of the Company were reorganised to HK$780,000,000 divided into 78,000,000,000 shares of HK$0.01 each and HK$5,255,000 divided into 525,475,573 shares of HK$0.01 each respectively;

(b) The Company placed 25,000,000 new shares of the Company through a placing agent to at least 6 independent investors at HK$0.189 per placing share on 10 August 2006 pursuant to a placing agreement dated 31 July 2006; and

(c) Marvel Bonus Holdings Limited, a company of which is beneficially owned by Mr. Ting Pang Wan, Raymond, a director of the Company, and Mr. Yam Tak Cheung in equal shares, subscribed 1,800,000,000 new shares of the Company, representing approximately 76.58% of the issued share capital of the Company, at subscription price of HK$0.02 per share on 18 October 2006 pursuant to subscription agreement dated 5 September 2006 (as supplemented by a supplemental subscription agreement dated 18 September 2006) and subsequently, increased its shares to 1,801,167,578 shares, representing approximately 76.63% of the issued share capital of the Company, following the unconditional mandatory offers closed on 13 November 2006. In compliance with the minimum requirement of 25% public float, it completed to place 46,167,578 shares of the Company through a placing agent to 32 independent placees at HK$0.57 per placing share on 20 November 2006 pursuant to a placing agreement dated 14 November 2006.

As at 31 March 2007, the Company had 2,350,475,573 shares in issue with total shareholders' fund of the Group amounting to approximately HK$165,402,000.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2007, the Group had 309 full-time staff. Total staff costs (including directors' emoluments) incurred for the year amounted to approximately HK$73,373,000 *(2006: HK$98,393,000)*. The Group's remuneration policy is in line with prevailing market practice on performance of individual staff.

In addition to salaries, the Group also offers a benefits package to its staff, including training allowance and provident fund.

2 ABC
6 MNO

Biographical Details of Directors

Mr. TING Pang Wan, Raymond, aged 34, was appointed as executive director of the Company in October 2006 and became the Chairman of the Group in November 2006. Mr. Ting is also a substantial shareholder of the Company through his corporate interest. He has over 12 years of experience in property development and investments in the People's Republic of China (the "PRC"). He is currently the sole shareholder and director of LT International Holdings Limited which was established by Mr. Ting's father and other business partners and is a holding company with subsidiaries principally engaged in property development and investments in Guangzhou, Shanghai and Beijing, the PRC and investment in securities since 1991. Mr. Ting studied in Beloit College in the United States of America majoring in Economics and International Relation from 1992 to 1994. He is responsible for the business development and overall strategic planning of the Group.

Mr. WU Chi Chiu, aged 44, was appointed as executive director of the Company in February 2006 and as Deputy Chairman and Chief Executive Officer of the Group in March 2006. Mr. Wu is also a member and the Chairman of Nomination Committee and holds directorships in various subsidiaries of the Company. Mr. Wu is an experienced investor in local property market. He has over 11 years of experience in the field of property investment and development in Hong Kong and securities investment in local equity market. Mr. Wu holds a Bachelor of Science degree from the University of Toronto. He is responsible for business management of the Group.

Ms. FAN Wei, aged 51, was appointed as executive director of the Company in February 2006 and is the Deputy Chief Executive Officer of the Group. Ms. Fan is also a member of Remuneration Committee and holds directorships in various subsidiaries of the Company. Ms. Fan has substantial years of experience in the media industry. She has been employed by Sky Dragon Digital Television and Movies Limited since 2003 and is the general manager and a director of that company. She had been an executive director of China Chief Cable TV Group Limited, a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 2005 to 2006. She was the deputy general manager of ATV Enterprises Limited from 2000 to 2003 and responsible for TV content distribution. Ms. Fan possesses a Master degree in Business Administration from the Murdoch University in Australia.

Mr. LO Chi Ho, William, aged 41, was appointed as independent non-executive director of the Company in February 2006. Mr. Lo is also a member and the Chairman of Audit Committee and Remuneration Committee and a member of Nomination Committee. Mr. Lo has over 18 years of accounting and corporate finance experience working as senior management in international accounting firms in the United Kingdom and Hong Kong, multinational consumable goods company, international investment banks, and was formerly a director of Skynet (International Group) Holdings Limited, a company listed on the Main Board of the Stock Exchange. He currently is the chief executive officer and an executive director of Sino Gas Group Limited, a company listed on the Main Board of the Stock Exchange and is also an independent non-executive director of China Spacesat Technology Co., Ltd., an A-Share company listed on the Shanghai Stock Exchange in the PRC. He holds an honour Bachelor degree in Chemical Engineering and Fuel Technology from Sheffield University in the United Kingdom. Mr. Lo has obtained Chartered Accountant qualification in the United Kingdom and is a fellow of the Hong Kong Institute of Certified Public Accountants.

Biographical Details of Directors

Mr. HUANG An Guo, aged 53, was appointed as independent non-executive director of the Company in February 2006 and was the Chairman of the Group from April 2006 to November 2006. Mr. Huang is also a member of Audit Committee, Remuneration Committee and Nomination Committee. Mr. Huang has substantial years of experience in the advertising industry. He is an experienced project coordinator in the field of public relation for media business. He currently is a director of Shanghai Jin Li Advertising Company Limited and China Digital Broadcasting Company Limited. Mr. Huang graduated from Shanghai Fudan University.

Ms. WONG Fei Tat, aged 32, was appointed as independent non-executive director of the Company in February 2006. Ms. Wong is also a member of Audit Committee and Remuneration Committee. Ms. Wong has over 11 years of experience in the accounting field. She holds a Bachelor degree in Commerce from the University of Sydney and a postgraduate diploma in Corporate Administration and a Master degree in Corporate Governance from the Hong Kong Polytechnic University. She is an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Chartered Secretaries and is a Certified Practising Accountant of CPA Australia.

Directors' Report

The board of directors of the Company (the "Board") is pleased to submit its report together with the audited financial statements of the Group for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. Its three core businesses include international telecommunications services, mobile communications services and distribution and retail chain. The principal activities and other particulars of its subsidiaries are set out in note 39 to the financial statements.

Details of the analysis of the performance of the Group for the year by business segments and geographical segments are set out in note 8 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2007 are set out in the consolidated income statement on page 40.

The Board does not recommend the payment of any dividend for the year ended 31 March 2007.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 31 to the financial statements.

DONATION

Charitable and other donations made by the Group during the year amounted to HK$508,000.

DISTRIBUTABLE RESERVES

In accordance with the Companies Act 1981 of Bermuda (as amended) and the Company's Bye-laws, the Company has no distributable reserves as at 31 March 2007.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of the movements in investment properties and property, plant and equipment of the Group during the year are set out in notes 15 and 16 to the financial statements respectively.

Directors' Report

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year are set out in notes 29 and 30 to the financial statements respectively.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and there is no restriction against such rights under the laws of Bermuda.

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 year ended 31 March 2007.

DIRECTORS

The directors of the Company who held office during the year and up to the date of this report were:

Executive Directors

Mr. TING Pang Wan, Raymond, *Chairman*	(appointed as director on 23 October 2006 and as Chairman on 14 November 2006)
Mr. WU Chi Chiu, *Deputy Chairman and Chief Executive Officer*	
Ms. FAN Wei	
Mr. WANG Jeffrey	(resigned on 14 November 2006)

Non-executive Director

Mr. HAU Tung Ying	(resigned on 10 April 2006)

Independent Non-executive Directors

Mr. LO Chi Ho, William	
Mr. HUANG An Guo	(appointed and resigned as Chairman on 10 April 2006 and 14 November 2006 respectively)
Ms. WONG Fei Tat	

DIRECTORS (continued)

In accordance with bye-law 86(1) of the Company's Bye-laws, Mr. Wu Chi Chiu and Ms. Fan Wei shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with bye-law 85(2) of the Company's Bye-laws, Mr. Ting Pang Wan, Raymond, being a director appointed by the Board subsequent to the previous annual general meeting, shall hold office only until the forthcoming annual general meeting and, being eligible, offer himself for re-election.

The Company has received from each of the independent non-executive directors an annual confirmation as regards their independence to the Company pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all its independent non-executive directors are independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors are set out on pages 15 and 16.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the section of "Connected Transactions" described hereinunder, no other contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2007, the directors and chief executive of the Company or their respective associates had the following interests or short positions in shares, underlying shares or debentures of the Company or any of 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 (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 Issuers (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
Mr. TING Pang Wan, Raymond	1,755,000,000	Corporate *(Note)*	Long	74.67%

Note: The corporate interest of Mr. Ting Pang Wan, Raymond was beneficially owned by Marvel Bonus Holdings Limited ("Marvel Bonus"), the entire issued share capital of which was owned as to 50% by Integrated Asset Management (Asia) Limited ("Integrated Asset") and as to the remaining 50% by Shanghai Assets (BVI) Limited ("Shanghai Assets"). Shanghai Assets was wholly and beneficially owned by Mr. Ting. Mr. Ting was therefore deemed to be interested in the 1,755,000,000 shares held by Marvel Bonus. Mr. Ting was also a director of Marvel Bonus and a director of Shanghai Assets. Subsequently, 100,000,000 shares were disposed by Marvel Bonus in April 2007.

(b) Interests in shares of associated corporation of the Company

Name of director	Name of associated corporation	Relationship with the Company	No. of share held	Nature of interest	Position	Approximate shareholding percentage
Mr. TING Pang Wan, Raymond	Marvel Bonus	Holding company of the Company	1	Corporate *(Note)*	Long	50.00%

Note: The corporate interest of Mr. Ting Pang Wan, Raymond in Marvel Bonus was beneficially owned by Shanghai Assets. Shanghai Assets was wholly and beneficially owned by Mr. Ting. Mr. Ting was therefore deemed to be interested in the 1 share held by Shanghai Assets in Marvel Bonus.

DIRECTORS' INTERESTS IN SECURITIES (continued)

(c) Interests in share options of the Company

As at 31 March 2007, details of share options granted to the directors of the Company, employees of the Group and others under the 1998 Share Option Scheme (as described under the section of "Share Option Schemes" below), were as follows:

Grantee	Number of share options: Outstanding as at 1 April 2006	Granted during the year	Lapsed during the year	Outstanding as at 31 March 2007	Date of grant	Exercise period	Exercise price per share HK$	Share price on date of grant *(Note 1)* HK$	Share price on date of exercise HK$
Director:									
Mr. HAU Tung Ying *(resigned on 10 April 2006)*	2,000,000	–	(2,000,000)	–	20/03/2001	20/03/2002 – 19/03/2011	0.75	0.87	N/A
Employees and Others:	51,496	–	–	51,496	29/06/1998	29/06/1999 – 17/03/2008	0.751	1.45	N/A
	597,359	–	–	597,359	19/08/1999	19/08/2000 – 17/03/2008	2.00	3.05	N/A
	839,392	–	(756,998)	82,394	25/02/2000	25/02/2001 – 17/03/2008	3.19	3.80	N/A
	1,792,075	–	(885,738)	906,337	17/10/2000	17/10/2001 – 17/03/2008	1.22	1.59	N/A
	11,500,000	–	(4,450,000)	7,050,000	20/03/2001	20/03/2002 – 19/03/2011	0.75	0.87	N/A
	200,000	–	–	200,000	28/01/2002	28/01/2003 – 27/01/2012	0.75	0.71	N/A
	16,980,322	–	(8,092,736)	8,887,586 *(Note 2)*					

Notes:

1. The price of the shares disclosed as at the date of grant of share options refers to the closing price of shares on the trading date immediately prior to the date of grant of share options.

2. All the share options remaining unexercised on 23 April 2007 had lapsed on that date as a result of the unconditional mandatory cash offers commenced in October 2006 pursuant to the terms of the share option scheme.

All interests disclosed above represent long positions.

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

DIRECTORS' INTERESTS IN SECURITIES (continued)

Save as disclosed above, as at 31 March 2007, 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 year 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 year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2007, so far as being known to the directors and chief executive of the Company, the following parties (other than the directors and chief executive of the Company) had or were deemed to have the following 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 as being directly or indirectly interested in 5% or more of the issued share capital of the Company:

Name of shareholder	No. of ordinary shares held	Nature of interest	Position	Approximate shareholding percentage
Mr. YAM Tak Cheung	1,755,000,000	Corporate *(Notes)*	Long	74.67%
Integrated Asset	1,755,000,000	Corporate *(Notes)*	Long	74.67%
Shanghai Assets	1,755,000,000	Corporate *(Notes)*	Long	74.67%
Marvel Bonus	1,755,000,000	Beneficial owner	Long	74.67%

SUBSTANTIAL SHAREHOLDERS (continued)

Notes:

1. Marvel Bonus was owned as to 50% by Integrated Asset and as to the remaining 50% by Shanghai Assets. Integrated Asset and Shanghai Assets were therefore deemed to be interested in the 1,755,000,000 shares held by Marvel Bonus. Integrated Asset was in turn wholly and beneficially owned by Mr. Yam Tak Cheung. Mr. Yam was therefore also deemed to be interested in the 1,755,000,000 shares held by Marvel Bonus. Subsequently, 100,000,000 shares were disposed by Marvel Bonus in April 2007.

2. The interests disclosed represent the same interests as the corporate interest of Mr. Ting Pang Wan, Raymond as disclosed under the section of "Directors' interests in securities" above.

Save as disclosed above, the Company has not been notified of any persons who, as at 31 March 2007, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed 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 as being directly or indirectly interested in 5% or more of the issued share capital of the Company.

SHARE OPTION SCHEMES

(a) Pursuant to the share option scheme of the Company adopted on 18 March 1998 and subsequently amended on 19 February 2000 and 2 February 2001 (the "1998 Share Option Scheme"), the directors of the Company might at their discretion invite eligible employees of the Group, including executive directors of the Company, to take up options to subscribe for shares in the Company under the terms and conditions stipulated therein. The 1998 Share Option Scheme was subsequently terminated by the Company at a special general meeting held on 6 September 2002 but the share options granted and not yet exercised thereunder would however remain effective and are bound by the terms therein. Details of share options granted under the 1998 Share Option Scheme were disclosed under the section of "Directors' interests in securities" above. All the share options remaining unexercised on 23 April 2007 had lapsed on that date as a result of the unconditional mandatory cash offers commenced in October 2006 pursuant to the terms of the scheme.

(b) On 6 September 2002, the Company adopted a new share option scheme (the "New Share Option Scheme"). No share options have ever been granted by the Company under the New Share Option Scheme since its adoption.

SHARE OPTION SCHEMES (continued)

Summary of each of the 1998 Share Option Scheme and the New Share Option Scheme is as follows:

		1998 Share Option Scheme	New Share Option Scheme
1)	Purpose	To recognise the services of such employees being vital to the success and well-being of the Group, to motivate such employees to optimise their performance standards and efficiency, to promote greater commitment and dedication amongst such employees	To recognise and acknowledge the contributions or potential contributions made or to be made by the Participants to the Group, to motivate the Participants to optimise their performance and efficiency for the benefit of the Group, and to maintain or attract business relationship with the Participants whose contributions are or may be beneficial to the growth of the Group
2)	Participants	Full-time employee of the Group (including non-executive directors who are occupying an executive role in the Group) or an executive director	(a) any part-time or full-time employee or officer of any member of the Group or any affiliate or of any substantial shareholder of any member of the Group; or (b) director (including executive and non-executive) or chief executive of any member of the Group or of any affiliate; or (c) any supplier, sales agent, customer, joint venture partner, accountant or legal adviser of, or business development and technological consultant to, any member of the Group; or (d) any substantial shareholder of the Company or of the subsidiaries who, in the opinion of the Board, has made or will make contributions which are or may be beneficial to the Group as a whole

SHARE OPTION SCHEMES (continued)

		1998 Share Option Scheme	New Share Option Scheme
3)	Total number of shares available for issue	10% of issued share capital of the Company from time to time	52,547,557 shares (10% of total issued share capital as at the adoption date of the scheme)
4)	Maximum entitlement of each participant	25% of the total number of shares in respect of which the Company may grant options under the scheme	In any 12-month period: (a) 1% of the issued share capital of the Company from time to time (excluding substantial shareholders and independent non-executive directors) (b) 0.1% of the issued share capital of the Company from time being and not exceeding HK$5 million in aggregate value (for substantial shareholders and independent non-executive directors) For any options to be granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, approval by independent non-executive directors is required
5)	Option period	For options granted before 20 March 2001: at any time after the first anniversary of the date of grant and before the tenth anniversary of the date of grant or the expiry of the scheme, whichever is earlier For options granted on/after 20 March 2001: at any time after the first anniversary of the date of grant and before the tenth anniversary of the date of grant	The period shall be the period set out in the relevant offer letter provided that such period must expire no later than the tenth anniversary of the date on which an option is offered

SHARE OPTION SCHEMES (continued)

		1998 Share Option Scheme	New Share Option Scheme
6)	Minimum period for which an option must be held before it can vest	For options granted before 20 March 2001, they are exercisable after the first anniversary of the date of grant For options granted on/after 20 March 2001, they are subject to the following vesting periods: (a) after the first anniversary of the date of grant, 33% of the options are exercisable (b) after the second anniversary of the date of grant, 33% of the options are exercisable (c) after the third anniversary of the date of grant, 34% of the options are exercisable	Unless otherwise determined by the Board at its absolute discretion, there shall be no general performance target or minimum holding period to the vesting or exercise of options
7)	Payment on acceptance of option	A non-refundable remittance of HK$1.00 to be paid within 21 days from the date on which the option is offered	A non-refundable remittance of HK$1.00 to be paid within 21 days from the date on which the option is offered

SHARE OPTION SCHEMES (continued)

		1998 Share Option Scheme	New Share Option Scheme
8)	Subscription price	For options granted before 2 February 2001, the subscription price shall be the higher of (a) a price being not less than 85% of the lower of the average of the last dealt prices of shares on the stock exchanges in Singapore and Hong Kong for the 5 consecutive trading days immediately preceding the date of grant; or (b) the nominal value of a share For options granted after 2 February 2001, the subscription price shall be the higher of (a) a price being not less than 80% of the average of the closing prices of shares on the Stock Exchange as stated on its daily quotation sheets for the 5 consecutive trading days immediately preceding the date on which an option is offered; or (b) the nominal value of a share	The subscription price shall be a price notified by the Board to the Participant at the time of the grant. Such price shall be the highest of (a) the closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange on the date on which an option is offered; or (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date on which an option is offered; or (c) the nominal value of the shares
9)	Life	The scheme shall continue to be in force for a maximum period of 10 years commencing from the adoption date, i.e. 18 March 1998	The scheme shall be valid and effective for a period of 10 years commencing on 6 September 2002 and expiring on 6 September 2012

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

CONNECTED TRANSACTIONS

The Group had the following transactions with connected parties which were carried out in the ordinary course of business and on terms arranged by or between the parties during the year ended 31 March 2007:

	2007 HK$'000
Rental expense paid to:	
A company under control by the spouse of a former director of the Company *(Note)*	**1,140**
Service fee paid to:	
Minority shareholders of subsidiaries	**920**

Note: The rental expense of HK$1,140,000 related to a tenancy for a period of 6 months at a monthly rental of HK$190,000 exclusive of rates and management fees pursuant to the tenancy agreement dated 12 August 2005 and the termination agreement dated 21 December 2006 both entered into between a wholly-owned subsidiary of the Company and a company under control by the spouse of a former director of the Company.

All the above transactions are disclosed in accordance with Chapter 14A of the Listing Rules and have not exceeded the cap disclosed in the previous announcements and/or required under the Listing Rules.

The directors, including independent non-executive directors, of the Company have reviewed and confirmed that the above transactions have been entered into by the Group:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or, if there are no sufficient transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than the terms available to/from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in interests of the shareholders of the Company as a whole.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 March 2007 attributable to the Group's major customers and suppliers are as follows:

Sales	
The largest customer	8%
Five largest customers combined	20%
Purchases	
The largest supplier	21%
Five largest suppliers combined	45%

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

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 auditing, internal controls and financial reporting matters. The Group's final results for the year ended 31 March 2007 have been reviewed by the Audit Committee and agreed by the Group's external auditors.

SUBSEQUENT EVENTS

(a) The Company announced on 4 April 2007 that the shares of the Company had been removed from the official list of the Singapore Exchange Securities Trading Limited (the "SGX-ST") at the close of trading on 27 March 2007 and that the shares of the Company had been delisted on the SGX-ST on 4 April 2007. Shares of the Company would continue to be listed and traded on the Stock Exchange. Such delisting would result in dispensation of significant compliance costs and administration burden in the coming year.

(b) The Company announced on 6 June 2007 that Moores Rowland Mazars resigned as auditors of the Group with effect from 30 May 2007 due to its reorganisation and Mazars CPA Limited were appointed as auditors of the Company on 1 June 2007 to fill the casual vacancy following the resignation of Moores Rowland Mazars and to hold office until the conclusion of the next annual general meeting of the Company.

(c) Subsequent to the balance sheet date, the Group entered into sale and purchase agreements to dispose of land and buildings with net book value of HK$2,373,000 as at 31 March 2007 for consideration of approximately HK$5,160,000.

Directors' Report

SUFFICIENCY OF PUBLIC FLOAT

As at the date of the report, based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained sufficient public float of not less than 25% of the Company's total issued share capital as required under the Listing Rules.

AUDITORS

PricewaterhouseCoopers had acted as auditors of the Company for the years ended 31 March 2004 and 2005. Moores Rowland Mazars who acted as auditors of the Company for the year ended 31 March 2006 resigned and Mazars CPA Limited were appointed as auditors of the Company for the year ended 31 March 2007. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Mazars CPA Limited as auditors of the Company.

On behalf of the Board

WU Chi Chiu
Director

Hong Kong, 29 June 2007

Corporate Governance Report

The Board is committed to maintaining a good corporate governance practices and has therefore reviewed the corporate governance practices of the Company with the adoption and improvement of the various procedures and documentation which are detailed in this report.

STATEMENT OF COMPLIANCE

In the opinion of the Board, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the year.

DIRECTORS' SECURITIES TRANSACTIONS

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. The Code is available on the Company's website. 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 year.

THE BOARD

During the year and as at the date of this report, the Board comprised the following directors:

Executive Directors:	Mr. TING Pang Wan, Raymond *(Chairman)*	(appointed as director on 23 October 2006 and as Chairman on 14 November 2006)
	Mr. WU Chi Chiu *(Deputy Chairman and Chief Executive Officer)*	
	Ms. FAN Wei	
	Mr. WANG Jeffrey	(resigned on 14 November 2006)
Non-executive Director:	Mr. HAU Tung Ying	(resigned on 10 April 2006)
Independent Non-executive Directors:	Mr. LO Chi Ho, William	
	Mr. HUANG An Guo	(appointed and resigned as Chairman on 10 April 2006 and 14 November 2006 respectively)
	Ms. WONG Fei Tat	

THE BOARD (continued)

During the year, the Board at all times complied with the requirements of Rules 3.10(1) and (2) of the Listing Rules for sufficient number and appropriate professional qualifications of independent non-executive directors. As at the date of this report, the Board comprised six directors, three of whom were independent non-executive directors, representing half of the Board. Two of the independent non-executive directors possessed appropriate professional accounting qualifications and expertise. The brief biographical details of the directors are set out on pages 15 and 16.

The Company has received from each of the independent non-executive directors an annual confirmation as regards their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors were independent.

There was no relationship (including financial, business, family or other material relationship) among members of the Board and in particular, between the chairman and the chief executive officer.

The Company has arranged appropriate insurance cover in respect of legal actions against its directors.

The Board is responsible for setting the strategic goals of the Company, providing high-level guidance and for oversight of the management of the Company and direction of its business strategy, with the ultimate aim to maximise the shareholder value and long-term success of the Company while the management is responsible for management and administrative functions on running day-to-day operations of the Company within the authority delegated by the Board and properly informing the Board of the status of these operations. In addition, the Board has also established Board committees and has delegated to these committees various responsibilities set out in their terms of reference respectively.

The Board held a total of four regular Board meetings during the year ended 31 March 2007. The attendance of each director is set out as follows:

	Number of meetings attended/ Eligible to attend
Mr. TING Pang Wan, Raymond *(appointed on 23 October 2006)*	2/3
Mr. WU Chi Chiu	4/4
Ms. FAN Wei	4/4
Mr. WANG Jeffrey *(resigned on 14 November 2006)*	1/1
Mr. LO Chi Ho, William	3/4
Mr. HUANG An Guo	4/4
Ms. WONG Fei Tat	4/4
Mr. HAU Tung Ying *(resigned on 10 April 2006)*	0/0

THE BOARD (continued)

There were fifteen additional Board meetings held and attended by certain executive directors for normal course of business during the year. Apart from the said meetings, matters requiring Board approval were arranged by means of circulation of written resolutions of all Board members.

All business transacted at the Board meetings were well-documented. Minutes of the Board meetings are taken by the company secretary and are available to all directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman and the chief executive officer of the Company are Mr. Ting Pang Wan, Raymond and Mr. Wu Chi Chiu respectively. The roles of the chairman and the chief executive officer are segregated and performed by the two separate individuals.

The chairman is responsible for the leadership of the Board to ensure effective implementation of various aspects of the Board's work for the Board to successfully discharge its overall responsibilities for the activities of the Company while the chief executive officer is responsible for running the business and implementation of the strategies of the Group in achieving the overall objectives within the authority delegated by the Board. Their respective roles and responsibilities have been clearly defined and set out in writing which have been approved by the Board.

NON-EXECUTIVE DIRECTORS

As at the date of this report, there were three non-executive directors, all of whom were independent. The independent non-executive directors were appointed for a fixed term of one year and shall be subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Company's Bye-laws.

BOARD COMMITTEES

The Board has established three Board committees, including Remuneration Committee, Nomination Committee and Audit Committee to help with the discharge of its responsibilities.

Remuneration Committee

The Board has established a Remuneration Committee since June 2000. As at the date of this report, the Remuneration Committee comprised all the independent non-executive directors, namely Mr. Lo Chi Ho, William, Mr. Huang An Guo and Ms. Wong Fei Tat, and an executive director, namely Ms. Fan Wei, as members. Mr. Lo Chi Ho, William was the chairman of the Remuneration Committee.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

The main duties of the Remuneration Committee are to review and endorse the Group's overall remuneration policy and structure for the remuneration of the directors and senior management and to administer and oversee share option schemes of the Group. No director is involved in deciding his/her own remuneration. The terms of reference of the Remuneration Committee setting out its role and responsibilities are available on the Company's website.

The Remuneration Committee held three meetings during the year ended 31 March 2007. The attendance of each member is set out as follows:

	Number of meetings attended/ Eligible to attend
Mr. LO Chi Ho, William *(Chairman)*	3/3
Mr. HUANG An Guo	3/3
Ms. WONG Fei Tat	3/3
Ms. FAN Wei	3/3

In addition to the meetings, the Remuneration Committee also dealt with matters by way of circulation during the year.

The work performed by the Remuneration Committee during the year is summarised as follows:
(a) To review the remuneration policy and structure of all directors and senior management;
(b) To review or consider the remuneration packages of all directors and senior management;
(c) To review the renewal of term of appointment of all independent non-executive directors; and
(d) To administer and oversee the share option schemes of the Company.

A remuneration policy was formally adopted by the Board in June 2007 to provide guidelines for structuring all remuneration of directors and senior management. The directors' remuneration packages are determined with reference to their experience, responsibilities, workload and time devoted to the Group and the prevailing market conditions. The main components include director's fee, basic salary, benefits in kind, retirement benefits and participation in the share option scheme of the Company.

BOARD COMMITTEES (continued)

Nomination Committee

The Board has established a Nomination Committee on 20 July 2005. As at the date of this report, the Nomination Committee comprised an executive director, namely Mr. Wu Chi Chiu, and two independent non-executive directors, namely Mr. Lo Chi Ho, William and Mr. Huang An Guo, as members. Mr. Wu Chi Chiu was the chairman of the Nomination Committee.

The main duties of the Nomination Committee are to formulate and implement nomination policy and to identify individuals suitably qualified to become Board members. The terms of reference of the Nomination Committee setting out its role and responsibilities are available on the Company's website.

The Nomination Committee held one meeting during the year ended 31 March 2007. The attendance of each member is set out as follows:

	Number of meeting attended/ Eligible to attend
Mr. WU Chi Chiu *(Chairman)*	1/1
Mr. LO Chi Ho, William	1/1
Mr. HUANG An Guo	1/1

The work performed by the Nomination Committee during the year is summarised as follows:

(a) To review the structure, size and composition of the Board;

(b) To review the nomination policy; and

(c) To assess the independence of the independent non-executive directors.

A nomination policy was formally adopted by the Board in June 2007 to provide guidelines for effective functioning in the course of director nomination process. The policy sets out the selection procedures and evaluation criteria for selecting and recommending the candidates for directorship. The Committee will first consider the needs of the Board in respect of its structure, size and composition, identify potential candidates by considering their personal ethics, integrity, skills, professional knowledge and experience and time commitment and then develop a short list of potential appointees for recommendation to the Board.

BOARD COMMITTEES (continued)

Audit Committee

The Board has established an Audit Committee since 26 September 1996. As at the date of this report, the Audit Committee comprised all the independent non-executive directors, namely Mr. Lo Chi Ho, William, Mr. Huang An Guo and Ms. Wong Fei Tat, as members. Two of the Committee members possessed appropriate professional accounting qualifications and expertise. Mr. Lo Chi Ho, William was the chairman of the Audit Committee.

The main duties of the Audit Committee are to review and monitor the financial reporting, to review the Company's financial and internal control, accounting polices and practices with the management and the auditors and to consider the appointment and resignation of the auditors and the auditors' remuneration. The terms of reference of the Audit Committee setting out its role and responsibilities are available on the Company's website.

The Audit Committee held two meetings during the year ended 31 March 2007. The attendance of each member is set out as follows:

	Number of meetings attended/ Eligible to attend
Mr. LO Chi Ho, William *(Chairman)*	2/2
Mr. HUANG An Guo	2/2
Ms. WONG Fei Tat	2/2

In addition to the meetings, the Audit Committee also dealt with matters by way of circulation during the year.

The work performed by the Audit Committee during the year is summarised as follows:

(a) To review the annual results for year ended 31 March 2006 and the interim results for six months ended 30 September 2006 and the reports from external auditors, management representation letters and management's response in relation thereto;

(b) To recommend and/or approve the resignation and the appointment of the external auditors and their remuneration;

(c) To review the external auditors' audit plan and findings;

(d) To review the effectiveness of internal control system of the Group;

(e) To review the accounting policies and practices of the Group; and

(f) To review the connected transactions incurred during the year ended 31 March 2006 and six months ended 30 September 2006.

AUDITORS' REMUNERATION

For the year ended 31 March 2007, the auditors' remuneration paid and payable in respect of the audit services and other non-audit services, including tax and consultancy services, provided by the auditors to the Group amounted to HK$2,425,000 and HK$358,000 respectively.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibilities for preparation and the true and fair presentation of the financial statements of the Group for the year ended 31 March 2007 in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Company Ordinance.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group for the year ended 31 March 2007 is set out in the independent auditors' report on pages 38 and 39.

INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining an effective internal control system for the Group in order to safeguard the Group's assets and the shareholders' investments.

The Board has conducted a review to assess the effectiveness of the internal control system of the Group, covering areas of financial, operational, compliance controls and risk management, for the year and no material or significant control weaknesses were discovered.

By order of the Board

WU Chi Chiu
Director

Hong Kong, 29 June 2007

Independent Auditors' Report

MAZARS

MAZARS CPA LIMITED
馬賽會計師事務所有限公司
34th Floor, The Lee Gardens,
33 Hysan Avenue, Causeway Bay, Hong Kong
香港銅鑼灣希慎道33號利園廣場34樓

To the members of
China Motion Telecom International Limited
(incorporated in Bermuda with limited liability)

We have audited the financial statements of China Motion Telecom International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 95, which comprise the consolidated and the Company's balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditors' Report

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion we draw attention to note 2 to the financial statements concerning the adoption of going concern basis on which the financial statements have been prepared. At the balance sheet date, the Group had net current liabilities of HK$90,720,000. The validity of the going concern basis depends on the Group's future profitable operations and the funds being available to the Group to carry on its business and to meet its debts as and when they fall due in the foreseeable future. The financial statements do not include any adjustments that would result should the Group fail to continue in business as a going concern. We consider that appropriate disclosures have been made in this respect.

Mazars CPA Limited
Certified Public Accountants
Hong Kong
29 June 2007

Chan Wai Man
Practising Certificate number: P02487

Consolidated Income Statement

Year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	6	**649,605**	840,222
Cost of sales and services		**(505,398)**	(717,559)
Gross profit		**144,207**	122,663
Other revenue	6	**13,845**	12,653
Other net income	7	**71,240**	62,228
Distribution costs		**(3,860)**	(6,674)
Administrative expenses		**(148,270)**	(237,033)
Provision for doubtful debts and impairment loss on other non-current assets and interests in associates		**–**	(116,050)
Impairment loss on property, plant and equipment and other non-current assets		**–**	(63,767)
Finance costs	9	**(5,403)**	(4,355)
Share of profits of associates		**–**	780
Profit (loss) before taxation	10	**71,759**	(229,555)
Taxation	12	**75**	1,077
Profit (loss) for the year		**71,834**	(228,478)
Attributable to:			
Equity holders of the Company	13, 31(a)	**71,888**	(201,055)
Minority interests	31(a)	**(54)**	(27,423)
		71,834	(228,478)
Dividend		**–**	–
Earnings (loss) per share	14		
Basic		**5.30 HK cents**	(38.26) HK cents
Diluted		**N/A**	N/A

Balance Sheets

As at 31 March 2007

		Group		Company	
		2007	2006	**2007**	2006
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS AND LIABILITIES					
Non-current assets					
Investment properties	15	**187,730**	77,400	**–**	–
Property, plant and equipment	16	**26,930**	79,219	**–**	–
Interests in subsidiaries	17	**–**	–	**79,859**	46,145
Interests in associates	18	**–**	5,424	**–**	–
Premium for land lease	19	**65,106**	82,759	**–**	–
Other non-current assets	20	**3,739**	3,739	**–**	–
Intangible assets	21	**3,480**	–	**–**	–
		286,985	248,541	**79,859**	46,145
Current assets					
Inventories	22	**6,599**	4,229	**–**	–
Trade and other receivables	23	**83,905**	170,660	**–**	–
Pledged bank deposits		**1,408**	2,160	**–**	–
Bank balances and cash	24	**21,707**	35,202	**1,731**	426
		113,619	212,251	**1,731**	426
Current liabilities					
Trade and other payables	25	**154,328**	318,559	**1,025**	1,000
Borrowings due within one year	26	**44,140**	43,113	**–**	–
Obligations under finance leases	27	**639**	2,037	**–**	–
Taxation		**5,232**	6,246	**–**	–
		204,339	369,955	**1,025**	1,000
Net current (liabilities) assets		**(90,720)**	(157,704)	**706**	(574)
Total assets less current liabilities		**196,265**	90,837	**80,565**	45,571
Non-current liabilities					
Borrowings due after one year	26	**23,325**	37,799	**–**	–
Obligations under finance leases	27	**763**	378	**–**	–
		24,088	38,177	**–**	–
NET ASSETS		**172,177**	52,660	**80,565**	45,571

Balance Sheets

As at 31 March 2007

	Note	Group		Company	
		2007	2006	**2007**	2006
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
CAPITAL AND RESERVES					
Issued capital	29	**23,505**	394,107	**23,505**	394,107
Reserves	31	**141,897**	(348,276)	**57,060**	(348,536)
Total capital and reserves attributable to equity holders of the Company		**165,402**	45,831	**80,565**	45,571
Minority interests	31	**6,775**	6,829	**–**	–
TOTAL EQUITY		**172,177**	52,660	**80,565**	45,571

Approved and authorised for issue by the Board of Directors on 29 June 2007.

TING Pang Wan, Raymond
Chairman

WU Chi Chiu
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2007

	Note	**2007 HK$'000**	2006 HK$'000
Total equity at 1 April		**52,660**	278,845
Issue of shares, including share premium	31(a)	**38,592**	–
		91,252	278,845
Net gain recognised directly in equity			
Exchange reserve	31(a)	**(203)**	2,293
Properties revaluation reserve	31(a)	**9,294**	–
		9,091	2,293
Profit (loss) for the year	31(a)	**71,834**	(228,478)
Total recognised profit (loss) for the year		**80,925**	(226,185)
Total equity at 31 March		**172,177**	52,660
Total recognised profit (loss) for the year			
Attributable to			
Equity holders of the Company		**80,979**	(200,037)
Minority interests		**(54)**	(26,148)
		80,925	(226,185)

Consolidated Cash Flow Statement

Year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
Cash used in operations	32	**(28,755)**	(313)
Interest received		**455**	3,951
Finance charges on obligations under finance leases		**(100)**	(186)
Income tax paid		**(939)**	(1,263)
Interest paid		**(5,303)**	(4,169)
Net cash used in operating activities		**(34,642)**	(1,980)
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**1,164**	433
Proceeds from disposal of investment properties		**2,371**	17,200
Proceeds from disposal of premium for land lease and building		**–**	7,007
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	265
Purchase of property, plant and equipment		**(7,271)**	(9,520)
Net cash (used in) from investing activities		**(3,736)**	15,385
FINANCING ACTIVITIES			
New bank borrowings		**112,255**	45,000
Repayment of bank borrowings		**(134,225)**	(57,785)
Repayment of obligations under finance leases		**(2,268)**	(4,387)
Placement of shares		**4,665**	–
Proceeds from issue of share capital		**36,000**	–
Payment of transaction costs on issue of share capital		**(2,074)**	–
Decrease in pledged bank deposits		**752**	7,027
Net cash from (used in) financing activities		**15,105**	(10,145)
Net (decrease) increase in cash and cash equivalents		**(23,273)**	3,260
Cash and cash equivalents at beginning of year		**35,202**	31,942
Cash and cash equivalents at end of year	24	**11,929**	35,202

Notes to the Financial Statements

Year ended 31 March 2007

1. GENERAL INFORMATION

China Motion Telecom International Limited (the "Company") and its subsidiaries (collectively, the "Group") are principally engaged in the provision of international telecommunications services, mobile communications services, distribution and retail sales, repair and maintenance services for telecommunications equipment and trunked radio services. The Company is a limited liability company incorporated in Bermuda and primarily listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and secondarily listed on The Singapore Exchange Securities Trading Limited (the "SGX-ST"). The shares of the Company have been formally delisted on the SGX-ST on 4 April 2007. The directors regard the ultimate holding company as at 31 March 2007 to be Marvel Bonus Holdings Limited, a company incorporated in British Virgin Islands. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

2. PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors have carefully assessed the working capital and financing requirements of the Group in the foreseeable future, as the current liabilities of the Group exceeded its current assets by HK$90,720,000 *(2006: net current liabilities of HK$157,704,000)* at the balance sheet date as well as commitments that are payable in the next twelve months as stated in note 35 to the financial statements.

Taking into account the existing and available banking facilities, cash and bank balances of the Group, the historical payment patterns for the Group's liabilities and continuing profitable operations, the directors are satisfied that the Group has sufficient resources to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for accounting periods beginning on or after 1 April 2006. A summary of the new HKFRSs is set out below:

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The adoption of the above new HKFRSs did not result in substantial changes to the Group's accounting policies and did not result in significant impact to the Group's results and financial position for the current and prior periods.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendments or interpretations will have no material impact on the results and the financial positions of the Group.

HKAS 1 (Amendment)	Capital Disclosures *(note a)*
HKFRS 7	Financial Instruments: Disclosures *(note a)*
HKFRS 8	Operating Segments *(note b)*
HK(IFRIC) – Int 8	Scope of HKFRS 2 *(note c)*
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment *(note d)*

Notes:

a. *Effective for annual periods beginning on or after 1 January 2007.*
b. *Effective for annual periods beginning on or after 1 January 2009.*
c. *Effective for annual periods beginning on or after 1 May 2006.*
d. *Effective for annual periods beginning on or after 1 November 2006.*

4. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the principal accounting policies adopted by the Group is set out below.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost, except for investment properties, which have been measured at fair value as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 March each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Company using consistent accounting policies.

All intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceased.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from equity holders of the parent. The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the consolidated income statement during the year in which they are incurred.

The gain or loss arising from the retirement or disposal of property, plant and equipment is determined as the difference between the estimated net sales proceeds and the carrying amount of the assets and is taken to the consolidated income statement.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction in progress, over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum. Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis and depreciated separately:

Buildings	2%
Furniture, fixtures and office equipment	20%
Telecommunications equipment	20%
Leasehold improvements	Over the unexpired term of leases
Motor vehicles	30%

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the term of the leases.

Construction in progress

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is stated at cost less accumulated impairment losses. Cost includes all construction expenditure and other direct costs, including interest costs, attributable to such projects. Costs on completed construction works are transferred to the appropriate asset category. No depreciation is provided in respect of construction in progress until it is completed and available for use.

Investment properties

Investment properties are land and / or building that are held by owner or lessee under finance lease, either to earn rental income and / or for capital appreciation. These include properties held for a currently undetermined future use and properties that are held under operating lease, which satisfy the definition of investment property and carrying at fair value. Investment properties are stated at fair value at the balance sheet date. Any gain or loss arising from a change in fair value is recognised in the consolidated income statement. Profit or loss on disposal of investment properties is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement upon disposal.

The fair value of investment property is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

Investment properties (continued)

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement.

Premium for land lease

Premium for land lease are up-front payments to acquire fixed term interests in lessee-occupied land. The premiums are stated at cost and are amortised over the period of the lease on a straight-line basis to the consolidated income statement.

Intangible assets

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and impairment losses. Amortisation is provided on the straight-line basis over their estimated useful lives.

Subsidiaries

A subsidiary is an entity, in which the Company, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's balance sheet, investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of each of the investments in subsidiaries is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The Group's investment in associate is accounted for under the equity method of accounting. The consolidated income statement includes the Group's share of the post-acquisition results of the associate for the year. The consolidated balance sheet includes the Group's share of the net assets of the associate and also goodwill. The Group discontinues recognising its share of further losses when the Group's share of losses of the associate equals or exceeds the carrying amount of its interests in the associate, as the Group has no obligations in respect of the associate. For this purpose, the Group's interests in the associate is the carrying amount of the investment under the equity method together with the Group's long term interests that in substance form part of the Group's net investment in the associate.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

Associates (continued)

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

In the Company's balance sheet, investment in associates is stated at cost less impairment loss determined on individual basis. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

Goodwill

Goodwill on acquisition of subsidiaries, being the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities is recognised as a separate asset. Goodwill on acquisitions of associates is included in the interests in associates. Goodwill is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

Any excess of the Group's interests in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of businesses / associates at the date of acquisition, after reassessment, is recognised immediately in the consolidated income statement.

Financial instruments

Financial assets and financial liabilities are recognised when the Group become a party to the contractual provisions of the instruments and on a trade date basis. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated income statement. Financial assets and financial liabilities are measured as follows:

Financial assets or financial liabilities at fair value through profit or loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss include financial assets or financial liabilities that are held for trading or derivatives do not qualify for hedge accounting, and those designated at fair value through profit or loss at inception. They are measured at fair value with changes in fair value recognised in the consolidated income statement.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be immaterial. In such case, the loans and receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the consolidated income statement.

Trade receivables and payables

Trade receivables and payables are recognised at fair value less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the consolidated income statement.

Interest-bearing borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of associated costs. After initial recognition, loans and borrowings are measured at amortised cost using the effective interest method.

A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expire or the Group transfers the contractual rights to future cash flows to a third party. The Group derecognises financial liability when, and only when the liability is extinguished.

Derecognition for financial instruments

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards to ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the consolidated income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated income statement.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases.

(i) International telecommunications services and mobile communications services income are recognised upon the rendering of services.

(ii) Revenue from the sale of telecommunications products is recognised on the transfer of ownership, which generally coincides with the time of delivery.

(iii) Commission income is recognised in accordance with the terms of agency agreements which is generally when the agency services are rendered.

(iv) Trunked radio service income and roadshow sponsorship income are recognised when the services are rendered.

(v) Repair and maintenance service income from service agreements is recognised on an accrual basis when the service is performed.

(vi) Rental and leasing revenue is recognised on a straight-line basis over the period of the respective leases.

(vii) Interest income is recognised as the interest accrues using the effective interest method to the net carrying amount of the financial asset.

Cash equivalents

For the purpose of cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

Foreign currency translation

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

On consolidation, the results and financial position of all the group entities that have a functional currency different from the presentation currency (the "foreign operations") are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet date;

(b) income and expenses for each income statement are translated at average exchange rates; and

(c) all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity and recognised in the consolidated income statement on disposal of foreign operations.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in, first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

Impairment of non financial assets

At each balance sheet date, the Group reviews internal and external sources of information to determine whether its property, plant and equipment, investments in associates, intangible assets and premium for land leases have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, except where the relevant asset is carried at valuation in which case the impairment loss is treated as a revaluation decrease.

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses is recognised as income immediately, except where the relevant asset is carried at valuation, in which case the reversal of impairment loss is treated as a revaluation increase.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as finance lease obligation. Finance charges, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

Leases (continued)

Rental receivable under operating leases are credited to the consolidated income statement on a straight-line basis over the term of the relevant lease.

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease.

Lease incentives are recognised in the consolidated income statement as an integral part of the net consideration agreed for the use of the leased asset.

Employee benefits

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in the consolidated income statement as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

Related parties

A party is related to the Group if

(a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

Segment reporting

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

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

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Inter-segment pricing are principally on a cost plus basis.

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

Unallocated items mainly comprise financial and corporate assets, bank balances and cash, interest-bearing borrowings, borrowings, tax balances, corporate and financing expenses.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are based on where the assets are located. Unallocated expenses consist of those that cannot be allocated on a reasonable basis to a geographical segment.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are currently evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Apart from information disclosed elsewhere in these financial statements, the following summarise estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next financial year.

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of the accounts receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

Useful lives and impairment of property, plant and equipment

The directors evaluated the residual value and useful lives of property, plant and equipment on an annual basis, through careful consideration with regards to expected usage, wear-and-tear and potential technical obsolescence to usage of the assets.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the directors have to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

6. TURNOVER AND REVENUE

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 39 to the financial statements.

The Group's turnover and revenue recognised by category are as follows:

	2007 HK$'000	2006 HK$'000
International telecommunications services income	**458,794**	675,583
Sale of telecommunications products	**43,120**	32,163
Commission income	**24,589**	26,009
Mobile communications services income	**110,616**	94,050
Trunked radio services income	**6,946**	7,419
Repair and maintenance service income	**5,540**	4,998
Turnover	**649,605**	840,222
Rental income	**4,423**	2,198
Interest income	**455**	3,951
Others	**8,967**	6,504
Other revenue	**13,845**	12,653
Revenue	**663,450**	852,875

7. OTHER NET INCOME

	2007 HK$'000	2006 HK$'000
Change in fair value of investment properties	**45,030**	3,947
Provision for bad debt written back	**22,310**	–
Gain on disposal of an investment property / premium for land lease and buildings	**571**	2,024
Gain on disposal of property, plant and equipment	**113**	–
Reversal of impairment loss of premium for land lease	**1,071**	34,970
Reversal of impairment loss of buildings	**558**	20,370
Sundry income	**1,587**	917
	71,240	62,228

8. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Primary reporting format – Business segments

The Group's principal activities comprise the following main business segments:

	Business segments	Nature of business activities	Place of operation
1	International telecommunications services	Provision of international calling services and income from lease line rental	Hong Kong / North America and the United Kingdom / other Asia Pacific regions
2	Mobile communications services	Provision of mobile communications services, provision of maintenance and accounts management services to telecommunications operators, and provision of trunked radio services	Hong Kong / the People's Republic of China ("PRC")
3	Distribution and retail chain	Retail sales of telecommunications related equipment and products, provision of maintenance and repair services and provision for mobile service subscription service to mobile operators	Hong Kong / PRC
4	Others	The Company and other businesses	Hong Kong

8. SEGMENT INFORMATION (continued)

Primary reporting format – Business segments (continued)

2007	International telecommuni-cations services HK$'000	Mobile communi-cations services HK$'000	Distribution and retail chain HK$'000	Others HK$'000	Inter-segment elimination HK$'000	Group HK$'000
Turnover						
Revenue from external customers	417,104	120,423	112,078	–	–	649,605
Inter-segment revenue	21,918	–	2,939	–	(24,857)	–
Segment turnover	439,022	120,423	115,017	–	(24,857)	649,605
Segment results	18,149	19,251	338	39,435	–	77,173
Unallocated operating income and expenses						(11)
Finance costs						(5,403)
Share of profits of associates						–
Profit before taxation						71,759
Taxation						75
Profit for the year						71,834
Assets						
Segment assets	46,240	24,529	36,274	261,107		368,150
Interests in associates						–
Unallocated assets						32,454
Total assets						400,604
Liabilities						
Segment liabilities	66,223	68,694	16,262	2,435		153,614
Unallocated liabilities						74,813
Total liabilities						228,427
Other information						
Capital expenditure	1,673	577	2,958	2,063		7,271
Depreciation	8,797	3,164	3,862	1,988		17,811
Amortisation						
Premium for land lease	–	–	–	1,954		1,954
Intangible assets	–	–	263	–		263
Significant non-cash expenses (other than depreciation and amortisation)						
Business segment	278	1,482	1,466	2,585		5,811
Unallocated items						1,500

8. SEGMENT INFORMATION (continued)

Primary reporting format – Business segments (continued)

2006	International telecommuni-cations services HK$'000	Mobile communi-cations services HK$'000	Distribution and retail chain HK$'000	Others HK$'000	Inter-segment elimination HK$'000	Group HK$'000
Turnover						
Revenue from external customers	638,170	105,824	96,228	–	–	840,222
Inter-segment revenue	28,436	–	3,464	–	(31,900)	–
Segment turnover	666,606	105,824	99,692	–	(31,900)	840,222
Segment results	(111,286)	5,409	(4,081)	(64,079)	–	(174,037)
Unallocated operating income and expenses						(51,943)
Finance costs						(4,355)
Share of profits of associates						780
Loss before taxation						(229,555)
Taxation						1,077
Loss for the year						(228,478)
Assets						
Segment assets	145,951	33,105	25,614	209,959		414,629
Interests in associates						5,424
Unallocated assets						40,739
Total assets						460,792
Liabilities						
Segment liabilities	208,394	86,757	15,033	6,680		316,864
Unallocated liabilities						91,268
Total liabilities						408,132
Other information						
Capital expenditure	7,156	1,229	1,256	960		10,601
Depreciation	32,577	3,752	4,008	5,612		45,949
Amortisation						
Premium for land lease	–	–	–	1,127		1,127
Other non-current assets	1,029	–	–	–		1,029
Significant non-cash expenses (other than depreciation and amortisation)						
Business segment	91,862	2,030	9,836	–		103,728
Unallocated items						116,050

8. SEGMENT INFORMATION (continued)

Secondary reporting format – Geographical segments

	Turnover HK$'000	Segment results HK$'000	Total assets HK$'000	Capital expenditure HK$'000
2007				
PRC	**5,540**	**(1,841)**	**6,024**	**122**
Hong Kong	**379,913**	**74,047**	**364,899**	**5,963**
Other Asia Pacific regions	**66,404**	**(149)**	**15,063**	**982**
North America and the United Kingdom	**197,748**	**5,116**	**14,618**	**204**
	649,605	**77,173**	**400,604**	**7,271**
2006				
PRC	4,998	(6,336)	4,775	942
Hong Kong	483,010	(122,724)	401,579	6,412
Other Asia Pacific regions	120,717	(29,465)	27,116	2,251
North America and the United Kingdom	231,497	(15,512)	27,322	996
	840,222	(174,037)	460,792	10,601

9. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on bank and other borrowings:		
Wholly repayable within five years	**3,836**	2,015
Not wholly repayable within five years	**1,467**	2,154
Finance charges on obligations under finance leases	**100**	186
	5,403	4,355

10. PROFIT (LOSS) BEFORE TAXATION

This is stated after charging (crediting):

	2007 HK$'000	2006 HK$'000
Staff costs (include directors' emoluments):		
Salaries, wages and other benefits	**71,636**	95,652
Contributions to defined contribution plans	**1,737**	2,741
	73,373	98,393
Auditors' remuneration		
Current year	**2,000**	1,982
Underprovision in prior years	**425**	1,935
	2,425	3,917
Provision for doubtful debts and impairment loss on other non-current assets and interest in associates		
Impairment loss of goodwill of an associate	**–**	51,482
Write off of interests in an associate	**1,500**	–
Impairment loss on interests in an associate	**–**	6,540
Provision for amounts due from a related party	**–**	58,028
	1,500	116,050
Impairment loss on assets in relation to international telecommunications services segment		
Other non-current assets	**–**	12,767
Property, plant and equipment	**–**	51,000
	–	63,767
Impairment loss on intangible asset	**1,000**	–
Cost of inventories	**40,782**	29,119
Depreciation	**17,811**	45,949
Amortisation		
Premium for land lease	**1,954**	1,127
Other non-current assets	**–**	1,029
Intangible asset	**263**	–
Operating lease charges		
Telecommunications equipment	**33,089**	41,178
Premises	**19,433**	24,156
Provision for doubtful trade and other receivables	**3,437**	40,203
Provision (reversal) of inventories write-down	**218**	(95)
Realised and unrealised loss on financial assets at fair value through profit or loss	**–**	128
Rentals income from investment properties less direct outgoings of HK$930,000 *(2006: HK$1,192,000)*	**(3,493)**	(1,006)
Loss on disposal of property, plant and equipment	**292**	1,360

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The aggregate amounts of emoluments received or receivable by the Company's directors are as follows:

2007	***Note***	**Directors' fees HK$'000**	**Salaries, allowances and benefits in kinds HK$'000**	**Retirement scheme contributions HK$'000**	**Inducement or compensation fees HK$'000**	**Total HK$'000**
Executive directors:						
Ting Pang Wan, Raymond	(a)	–	847	6	–	853
Wu Chi Chiu		–	611	12	–	623
Fan Wei		–	840	12	–	852
Wang Jeffrey	(b)	–	297	8	–	305
Non-executive directors:						
Hau Tung Ying	(c)	–	–	–	–	–
Lo Chi Ho, William*		94	–	–	–	94
Huang An Guo*		94	–	–	–	94
Wong Fei Tat*		94	–	–	–	94
		282	**2,595**	**38**	**–**	**2,915**

* independent non-executive directors

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

2006

	Directors' fees HK$'000	Salaries, allowances and benefits in kinds HK$'000	Retirement scheme contributions HK$'000	Inducement or compensation fees HK$'000	Total HK$'000
Executive directors:					
Wu Chi Chiu	–	132	2	–	134
Fan Wei	–	149	2	–	151
Wang Jeffrey	–	132	2	–	134
Hau Tung Ying	–	4,704	9	–	4,713
Shui Ming Hua	–	2,193	12	105	2,310
Li Bin	–	1,884	9	–	1,893
Non-executive directors:					
Lo Chi Ho, William*	–	–	–	–	–
Huang An Guo*	–	–	–	–	–
Wong Fei Tat*	–	–	–	–	–
Hau Tung Ying	–	–	–	–	–
Li Yi Sheng	83	–	–	–	83
Yip Sam Lo*	83	–	–	–	83
Ho Chung Tai, Raymond*	149	–	–	–	149
Pang Tsun Loy, Michael*	83	–	–	–	83
	398	9,194	36	105	9,733

* independent non-executive directors

Notes:

(a) Appointed on 23 October 2006.

(b) Resigned on 14 November 2006.

(c) Resigned on 10 April 2006.

No directors have waived emoluments in respect of the years ended 31 March 2007 and 2006.

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

The five individuals whose emoluments were the highest in the Group for the year include two directors *(2006: three)* whose emoluments are reflected in the analysis presented above. Details of the emoluments of the remaining three individuals *(2006: two)* are as follows:

	2007	2006
	HK$'000	HK$'000
Salaries, allowances and benefits in kinds	**2,158**	1,647
Discretionary bonus	**35**	–
Retirement scheme contributions	**95**	23
Inducement or compensation fees	**211**	271
	2,499	1,941

The emoluments were paid to individuals as follows:

	Number of individuals	
Emoluments band	**2007**	2006
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**1**	1
	3	2

12. TAXATION

Hong Kong Profits Tax has been provided at the rate of 17.5% *(2006: 17.5%)* on the estimated assessable profits arising from Hong Kong during the year. The income tax provision in respect of operations in the PRC and overseas is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

	2007	2006
	HK$'000	HK$'000
Hong Kong Profits Tax	**(75)**	100
Deferred taxation	**–**	(1,177)
Total tax credit for the year	**(75)**	(1,077)

12. TAXATION (continued)

Reconciliation of tax expense

The tax on the Group's profit (loss) before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit (loss) of the consolidated companies as follows:

	2007 **HK$'000**	2006 HK$'000
Profit (loss) before taxation	**71,759**	(229,555)
Income tax at domestic tax rates applicable to profits in the respective countries	**12,558**	(40,172)
Non-deductible expenses	**17,781**	41,012
Tax exempt revenue	**(19,874)**	(6,442)
Utilisation of previously unrecognised tax losses	**(11,427)**	(7,568)
Tax effect of unused tax losses not recognised	**2,542**	10,420
(Over) under provision in prior years	**(75)**	80
Unrecognised temporary differences	**1,323**	3,429
Utilisation of previously unrecognised temporary differences	**(3,238)**	(2,443)
Others	**335**	607
Tax credit for the year	**(75)**	(1,077)

The weighted average applicable tax rate was 17.5% *(2006: 17.5%)*.

13. PROFIT (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit (loss) attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of loss of HK$3,598,000 *(2006: HK$229,574,000)*.

14. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately HK$71,888,000 *(2006: loss of HK$201,055,000)* and the weighted average number of 1,355,201,600 *(2006: 525,475,573)* ordinary shares in issue during the year ended 31 March 2007.

Diluted earnings per share for the year ended 31 March 2007 and diluted loss per share for the year ended 31 March 2006 have not been presented as the conversion of potential ordinary shares to ordinary shares would have an anti-dilutive effect to the basic earnings (loss) per share.

15. INVESTMENT PROPERTIES

	Group	
	2007	2006
	HK$'000	HK$'000
At fair value		
At beginning of year	**77,400**	89,500
Transfer from premium for land lease upon change of use *(note 19)*	**82,607**	819
Transfer from leasehold buildings upon change of use *(note 16)*	**48,993**	334
Transfer to premium for land lease upon change of use *(note 19)*	**(60,220)**	–
Transfer to leasehold buildings upon change of use *(note 16)*	**(4,280)**	–
Disposals	**(1,800)**	(17,200)
Change in fair value	**45,030**	3,947
At balance sheet date	**187,730**	77,400

Investment properties of the Group are held under the following lease term:

	Group	
	2007	2006
	HK$'000	HK$'000
Land in Hong Kong:		
Long lease	**–**	66,300
Medium-term lease	**183,030**	6,400
Land outside Hong Kong:		
Medium-term lease	**4,700**	4,700
	187,730	77,400

The investment properties were valued at open market value by independent, professional qualified valuers, S.K. Pang Surveyors & Co. Limited, as at 31 March 2007.

The Group's investment properties with an aggregate carrying value at the balance sheet date of HK$115,524,000 *(2006: HK$77,400,000)* were pledged to secure banking facilities granted to the Group.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Telecommunications equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Reconciliation of carrying amount – year ended 31 March 2006							
At beginning of year							
As previously reported	82,039	10,190	85,730	5,814	260	49,546	233,579
Effect of adopting HKAS 17 *(note 19)*	(52,675)	–	–	–	–	–	(52,675)
As restated	29,364	10,190	85,730	5,814	260	49,546	180,904
Additions	–	2,396	6,970	349	886	–	10,601
Transfer to investment properties upon change of use *(note 15)*	(334)	–	–	–	–	–	(334)
Transfer upon completion	–	–	17,652	–	–	(17,652)	–
Impairment reversed	20,370	–	–	–	–	–	20,370
Impairment recognised	–	–	(51,000)	–	–	–	(51,000)
Disposals	(2,043)	(416)	(123)	(1,036)	(218)	(31,894)	(35,730)
Depreciation	(622)	(4,490)	(36,471)	(4,043)	(323)	–	(45,949)
Exchange differences	–	23	266	16	52	–	357
At balance sheet date	46,735	7,703	23,024	1,100	657	–	79,219
Reconciliation of carrying amount – year ended 31 March 2007							
At beginning of year	46,735	7,703	23,024	1,100	657	–	79,219
Additions	–	944	1,610	3,272	1,445	–	7,271
Transfer to investment properties upon change of use *(note 15)*	(48,993)	–	–	–	–	–	(48,993)
Transfer from investment properties upon change of use *(note 15)*	4,280	–	–	–	–	–	4,280
Revaluation	3,677	–	–	–	–	–	3,677
Impairment reversed	558	–	–	–	–	–	558
Disposals	–	(520)	(483)	(340)	–	–	(1,343)
Depreciation	(712)	(2,705)	(12,314)	(1,514)	(566)	–	(17,811)
Exchange differences	–	(6)	92	(14)	–	–	72
At balance sheet date	**5,545**	**5,416**	**11,929**	**2,504**	**1,536**	**–**	**26,930**

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Buildings	Furniture, fixtures and office equipment	Telecommuni-cations equipment	Leasehold improvements	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2006							
Cost	55,336	50,466	522,793	49,828	7,272	–	685,695
Accumulated depreciation and impairment losses	(8,601)	(42,763)	(499,769)	(48,728)	(6,615)	–	(606,476)
	46,735	7,703	23,024	1,100	657	–	79,219
At 31 March 2007							
Cost	6,232	43,189	524,026	35,247	7,012	–	615,706
Accumulated depreciation and impairment losses	(687)	(37,773)	(512,097)	(32,743)	(5,476)	–	(588,776)
	5,545	**5,416**	**11,929**	**2,504**	**1,536**	**–**	**26,930**

The net book value of the Group's property, plant and equipment includes an amount of HK$1,533,000 *(2006: HK$657,000)* in respect of assets held under finance leases.

Property, plant and equipment with an aggregate net book value at the balance sheet date of HK$4,507,000 *(2006: HK$46,735,000)* were pledged to secure banking facilities granted to the Group.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**113,115**	113,115
Impairment loss	**(60,045)**	(60,045)
	53,070	53,070
Due from subsidiaries	**1,138,576**	1,078,855
Provision for doubtful debts	**(1,078,855)**	(1,078,855)
	59,721	–
Due to subsidiaries	**(32,932)**	(6,925)
	79,859	46,145

The amounts due from (to) subsidiaries are unsecured, interest-free and have no fixed term of repayment but repayment is not expected to be within twelve months from the balance sheet date. The carrying amounts of the amounts due approximate their fair values.

Particulars of the Company's principal subsidiaries at the balance sheet date, which in the opinion of the directors principally affect the results for the year or form a substantial portion of the net assets, are set out in note 39 to the financial statements.

18. INTERESTS IN ASSOCIATES

		Group	
		2007	2006
	Note	**HK$'000**	HK$'000
Share of net assets		**6,540**	11,964
Impairment loss		**(6,540)**	(6,540)
		–	5,424
Goodwill on acquisition	(a)	**–**	–
		–	5,424

18. INTERESTS IN ASSOCIATES (continued)

Note:

(a) Goodwill on acquisition

	Goodwill
	HK$'000
Goodwill on acquisition	
At 1 April 2005	104,045
Exchange differences	3,000
At 1 April 2006 and 31 March 2007	**107,045**
Accumulated amortisation and impairment losses	
At 1 April 2005	54,000
Impairment loss	51,482
Exchange differences	1,563
At 1 April 2006 and 31 March 2007	**107,045**
Carrying value	
At 31 March 2007	**–**
At 31 March 2006	–

18. INTERESTS IN ASSOCIATES (continued)

Particulars of the Group's principal associate at the balance sheet date are as follows:

Name	Country of incorporation / operation	Particulars of registered capital	Proportion of ownership interests indirectly held	Principal activity
China Motion Netcom Services Co., Ltd.*	PRC	RMB30,000,000	22.5%	Provision of VoIP related services in the PRC

* The associate is unlisted corporate entity and is not audited by Mazars CPA Limited.

Summary of financial information of associate is as follows:

	2007 HK$'000	2006 HK$'000
Non-current assets	**10,444**	14,098
Current assets	**156,535**	160,910
Non-current liabilities	**–**	–
Current liabilities	**(144,346)**	(141,585)
Revenue	**41,812**	14,897
(Loss) profit for the year	**(10,514)**	1,170

19. PREMIUM FOR LAND LEASE

	2007 HK$'000	2006 HK$'000
At beginning of year		
As previously reported	**82,759**	–
Effect of adopting HKAS17 *(note 16)*	**–**	52,675
As restated	**82,759**	52,675
Transfer to investment properties upon change of use *(note 15)*	**(82,607)**	(819)
Transfer from investment properties upon change of use *(note 15)*	**60,220**	–
Impairment loss reversed	**1,071**	34,970
Disposals	**–**	(2,940)
Amortisation	**(1,954)**	(1,127)
Revaluation	**5,617**	–
	65,106	82,759

Premium for land lease of the Group represents cost paid for the following lease term:

	Group	
	2007 HK$'000	2006 HK$'000
Land in Hong Kong		
Long lease	**64,712**	5,363
Medium-term lease	**394**	77,396
	65,106	82,759

The cost of premium for land lease is amortised over the lease period. The amount to be amortised within the next twelve months after the balance sheet date amounting to HK$1,603,000 *(2006: HK$1,872,000)*.

Premium for land lease with an aggregate net book value at the balance sheet date of HK$54,589,000 *(2006: HK$82,759,000)* were pledged to secure banking facilities granted to the Group.

20. OTHER NON-CURRENT ASSETS

	Group	
	2007	2006
	HK$'000	HK$'000
Club debenture	**3,739**	3,739
Prepayment *(note)*	**–**	–
Loans and receivables / Long-term investments *(note)*	**–**	–
	3,739	3,739

Note:

The Group has reviewed the carrying amount of prepayment and loans and receivables / long-term investments as at 31 March 2007 and considered that it is not materially different from the carrying amount as at 31 March 2006.

21. INTANGIBLE ASSETS

	HK$'000
Cost	
Addition and at 31 March 2007	4,743
Amortisation and impairment loss	
Charge for the year	263
Impairment loss	1,000
	1,263
Carrying value	
At 31 March 2007	**3,480**

Intangible assets represent the unamortised consideration for the rights in respect of taking up the existing telecommunications business of a former customer with an estimated useful lives of 3 years.

As at 31 March 2007, the directors of the Company reviewed the anticipated profitability and the discounted future operating cash flows of the telecommunications business and identified and recorded an impairment loss of approximately HK$1,000,000.

22. INVENTORIES

	Group	
	2007	2006
	HK$'000	HK$'000
Finished goods	**6,599**	4,229

The amount of inventories, included in above, carried at fair value less costs to sell is HK$217,000 *(2006: HK$145,000)*.

23. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2007	2006	**2007**	2006
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade receivables	(a)	**51,362**	134,124	–	–
Other receivables					
Deposits, prepayments and other receivables		**32,489**	36,496	**–**	–
Due from associates	(b)	**54**	40	**–**	–
		32,543	36,536	**–**	–
		83,905	170,660	**–**	–

23. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables

The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 60 days. The carrying amount of the amounts due approximates their fair values.

The ageing analysis of the trade receivables (net of impairment losses for bad and doubtful debts) as at the balance sheet date is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
0 – 30 days	**24,386**	37,569
31 – 60 days	**7,354**	23,750
61 – 90 days	**4,255**	22,915
Over 90 days	**15,367**	49,890
	51,362	134,124

(b) Due from associates

The amounts due are unsecured, interest-free and have no fixed term of repayment. The carrying amount of the amounts due approximates their fair values.

24. CASH AND CASH EQUIVALENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Bank balances and cash as stated in the consolidated balance sheet	**21,707**	35,202
Bank overdrafts	**(9,778)**	–
	11,929	35,202

25. TRADE AND OTHER PAYABLES

		Group		Company	
		2007	2006	**2007**	2006
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade payables	(a)	**116,495**	246,852	**–**	–
Other payables					
Accrued charges and other creditors		**25,311**	55,782	**1,025**	1,000
Advance subscription fees received		**6,391**	8,042	**–**	–
Deposits received		**6,011**	3,695	**–**	–
Due to associates	(b)	**120**	4,188	**–**	–
		37,833	71,707	**1,025**	1,000
		154,328	318,559	**1,025**	1,000

(a) Trade payables

The trade payables are unsecured and interest-free. The ageing analysis of trade payables as at the balance sheet date is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
0 – 30 days	**25,833**	41,999
31 – 60 days	**8,573**	33,068
61 – 90 days	**2,778**	33,403
Over 90 days	**79,311**	138,382
	116,495	246,852

(b) Due to associates

The amounts due are unsecured, interest-free and have no fixed term of repayment. The carrying amount of the amounts due approximates their fair values.

26. INTEREST-BEARING BORROWINGS

	Group	
	2007	2006
	HK$'000	HK$'000
Bank loans, secured	**57,687**	80,912
Bank overdrafts, secured	**9,778**	–
	67,465	80,912
Portion classified as current liabilities	**(44,140)**	(43,113)
Non-current portion	**23,325**	37,799

The maturity profile of the interest-bearing borrowings is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Bank loans and overdrafts:		
Within one year	**44,140**	43,113
In the second year	**3,970**	6,023
In the third to fifth years, inclusive	**13,440**	20,289
Over 5 years	**5,915**	11,487
	67,465	80,912

The effective interest rate of the bank loans at the balance sheet date is 6.61% *(2006: 5.37%)*.

26. INTEREST-BEARING BORROWINGS (continued)

An analysis of the carrying amounts of the total borrowings by type and currency is as follows:

	Group 2007 HK$'000	Group 2006 HK$'000
At floating rates		
HK$	**66,839**	79,609
US$	**626**	1,303
	67,465	80,912

27. OBLIGATIONS UNDER FINANCE LEASES

Group

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable:				
Within one year	**717**	2,090	**639**	2,037
In the second to fifth years inclusive	**827**	394	**763**	378
	1,544	2,484	**1,402**	2,415
Future finance charges	**(142)**	(69)	**–**	–
Present value of lease obligations	**1,402**	2,415	**1,402**	2,415

The average lease term is two years. The effective interest rate of the finance lease obligations is 5.22% *(2006: 4.57%)*.

28. DEFERRED TAXATION

	Group	
	2007	2006
	HK$'000	HK$'000
At beginning of year	**–**	(1,177)
Income statement credit	**–**	1,177
At the balance sheet date	**–**	–

Recognised deferred tax assets (liabilities)

	2007		2006	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Accelerated depreciation allowance	**–**	**–**	–	(519)
Tax losses	**–**	**–**	519	–
Deferred tax assets (liabilities)	**–**	**–**	519	(519)
Offset deferred tax assets (liabilities)	**–**	**–**	(519)	519
Net tax assets (liabilities)	**–**	**–**	–	–

Deferred income tax assets and liabilities are set off when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Unrecognised deferred tax assets arising from

	Group	
	2007	2006
	HK$'000	HK$'000
Deductible temporary differences	**3,163**	31,400
Tax losses	**790,931**	841,701
At the balance sheet date	**794,094**	873,101

The Group has not recognised deferred tax assets in respect of tax losses and deductible temporary differences as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

29. ISSUED CAPITAL

	2007		2006	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Authorised:				
Ordinary shares				
At 1 April 2006 and 2005 at HK$0.75 each	**1,040,000,000**	**780,000**	1,040,000,000	780,000
Cancellation, diminution and increase as a result of capital reorganisation *(Note 1(b))*	**76,960,000,000**	**–**	–	–
At 31 March 2007: at HK$0.01 each At 31 March 2006: at HK$0.75 each	**78,000,000,000**	**780,000**	1,040,000,000	780,000
Issued and fully paid:				
Ordinary shares				
At 1 April 2006 and 2005 at HK$0.75 each	**525,475,573**	**394,107**	525,475,573	394,107
Capital Reduction from HK$0.75 to HK$0.01 each *(Note 1(a))*	**–**	**(388,852)**	–	–
Share issued upon placement *(Note 2)*	**25,000,000**	**250**	–	–
Share issued upon subscription *(Note 3)*	**1,800,000,000**	**18,000**	–	–
At 31 March 2007: at HK$0.01 each At 31 March 2006: at HK$0.75 each	**2,350,475,573**	**23,505**	525,475,573	394,107

Notes:

1. On 22 May 2006, a special general meeting was convened and the shareholders approved the capital reorganisation, involving capital reduction and authorised share capital cancellation, diminution and increase, which was implemented on 23 May 2006, as follows:

   (a) Capital Reduction

   The issued share capital of HK$394,107,000 of the Company was reduced by HK$388,852,000 to HK$5,255,000 by (i) reducing the nominal value of every issued share from HK$0.75 to HK$0.01; and (ii) cancelling the entire amount standing to the credit of the share premium account of the Company as at 31 March 2005 of approximately HK$455,573,000.

   The amount arising the capital reduction in the amount of approximately HK$844,425,000 shall be credited to the contributed surplus account of the Company, and part of credit amount of contributed surplus account was applied to set off in full against the Company's accumulated losses of approximately HK$627,839,000 as at 31 March 2005.

   (b) Authorised Share Capital Cancellation, Diminution and Increase

   The unissued share capital of HK$774,745,000 comprising HK$385,893,000 immediately prior to the capital reduction and HK$388,852,000 created by the capital reduction, in the authorised share capital of HK$780,000,000 of the Company was cancelled and diminished resulting in the authorised and issued share capital of the Company becoming HK$5,255,000.

   Following such capital cancellation and diminution, the authorised share capital of the Company was increased from HK$5,255,000 to HK$780,000,000 by the creation of 77,474,524,427 shares of HK$0.01 each.

29. ISSUED CAPITAL (continued)

2. On 10 August 2006, 25,000,000 shares was placed at HK$0.189 per placing share with at least six independent investors under the general mandate granted to the directors pursuant to the resolution passed by the shareholders of the Company at the special general meeting of the Company held on 22 May 2006.

3. By the approval of the shareholders of the Company at a special general meeting held on 16 October 2006, 1,800,000,000 new shares of the Company, representing approximately 76.58% of the issued share capital of the Company, were successfully subscribed by Marvel Bonus Holdings Limited ("Marvel Bonus"), a company of which is beneficially owned by Mr. Ting Pang Wan, Raymond, an executive director of the Company, and Mr. Yam Tak Cheung in equal shares, at the subscription price of HK$0.02 per share on 18 October 2006 and a HK$30 million standby facility was obtained in October 2006, pursuant to a subscription agreement dated 5 September 2006 (as supplemented by a supplemental subscription agreement dated 18 September 2006) entered into between Marvel Bonus and the Company.

   Following the completion of the said subscription, Marvel Bonus was required to make an unconditional mandatory cash offers for all issued shares of the Company (other than those already owned by or agreed to be acquired by Marvel Bonus and parties acting in concert with it) at HK$0.055 in cash per share and for cancellation of all outstanding share options of the Company at HK$0.0001 in cash per share option pursuant to The Hong Kong Code on Takeovers and Mergers. Immediately after the closing of the unconditional mandatory offers on 13 November 2006, Marvel Bonus and parties acting in concert with it were interested in 1,801,167,578 shares, representing approximately 76.63% of the existing issued share capital of the Company. In compliance with the minimum requirement of 25% public float, Marvel Bonus completed to place 46,167,578 shares, representing approximately 1.96% of the issued share capital of the Company, through a placing agent to 32 independent placees at the placing price of HK$0.57 per share on 20 November 2006, resulting a restoration of 25.33% public float of the Company.

30. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company adopted a share option scheme on 18 March 1998 (the "1998 Share Option Scheme") as incentive to grant options to eligible employees including executive directors to subscribe for the shares of the Company under the terms and conditions stipulated therein. The 1998 Share Option Scheme was subsequently modified with shareholders' approval on 19 February 2000 and 2 February 2001 respectively and terminated on 6 September 2002. However, the share options granted and not yet exercised thereunder would remain effective and are bound by the terms therein. All the share options remaining unexercised on 23 April 2007 had lapsed on that date as a result of the unconditional mandatory cash offers commenced in October 2006 pursuant to the terms of the scheme.

On 6 September 2002, the Company adopted a new share option scheme (the "New Share Option Scheme"). No share options have ever been granted by the Company under the New Share Option Scheme since it was adopted.

A summary of each of the 1998 Share Option Scheme and the New Share Option Scheme is disclosed in the Directors' Report on pages 24 to 27.

For options granted before 20 March 2001, they are exercisable after the first anniversary of the date of grant and before the tenth anniversary of the date of grant or the expiry of the 1998 Share Option Scheme, whichever is earlier.

30. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

For options granted on or after 20 March 2001, they are subject to the following vesting periods:

(a) After the first anniversary of the date of grant, 33% of the options are exercisable.

(b) After the second anniversary of the date of grant, 33% of the options are exercisable.

(c) After the third anniversary of the date of grant, 34% of the options are exercisable.

The movements in the share options under the 1998 Share Option Scheme during the year were as follows:

	2007		2006	
	No. of share options	**Weighted average exercise price HK$**	No. of share options	Weighted average exercise price HK$
At 1 April	**16,980,322**	**0.96**	20,489,477	0.95
Lapsed	**(8,092,736)**	**1.03**	(3,509,155)	0.89
At 31 March	**8,887,586**	**0.90**	16,980,322	0.96

At the balance sheet date, the weighted average remaining contractual life of the Company's share options was 3.43 years *(2006: 5.39 years)*. Details of the range of exercise price of these options outstanding at the end of year are set out in the Directors' Report on page 21.

31. CAPITAL AND RESERVES

(a) Group

	Issued capital HK$'000	Share premium HK$'000	Reserves on consolidation HK$'000	Properties revaluation reserve HK$'000	Exchange reserve HK$'000	Capital redemption reserve HK$'000	Enterprise expansion reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total capital and reserve HK$'000
		Reserves attributable to equity holders of the Company										
At 1 April 2005	394,107	455,573	4,900	–	1,697	450	77,623	–	(688,482)	(148,239)	32,977	278,845
Exchange differences	–	–	–	–	1,018	–	–	–	–	1,018	1,275	2,293
Loss for the year	–	–	–	–	–	–	–	–	(201,055)	(201,055)	(27,423)	(228,478)
At 31 March 2006	394,107	455,573	4,900	–	2,715	450	77,623	–	(889,537)	(348,276)	6,829	52,660
At 1 April 2006	394,107	455,573	4,900	–	2,715	450	77,623	–	(889,537)	(348,276)	6,829	52,660
Capital reduction	(388,852)	(455,573)	–	–	–	–	–	844,425	–	388,852	–	–
Transfer	–	–	–	–	–	–	–	(627,838)	627,838	–	–	–
Placement	18,250	20,342	–	–	–	–	–	–	–	20,342	–	38,592
Properties revaluation	–	–	–	9,294	–	–	–	–	–	9,294	–	9,294
Exchange differences	–	–	–	–	(203)	–	–	–	–	(203)	–	(203)
Profit for the year	–	–	–	–	–	–	–	–	71,888	71,888	(54)	71,834
At 31 March 2007	**23,505**	**20,342**	**4,900**	**9,294**	**2,512**	**450**	**77,623**	**216,587**	**(189,811)**	**141,897**	**6,775**	**172,177**

(b) Company

	Issued capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000	Total capital and reserves HK$'000
		Reserves					
At 1 April 2005	394,107	455,573	450	52,854	(627,839)	(118,962)	275,145
Loss for the year	–	–	–	–	(229,574)	(229,574)	(229,574)
At 31 March 2006	394,107	455,573	450	52,854	(857,413)	(348,536)	45,571
At 1 April 2006	394,107	455,573	450	52,854	(857,413)	(348,536)	45,571
Capital reduction	(388,852)	(455,573)	–	844,425	–	388,852	–
Transfer	–	–	–	(627,838)	627,838	–	–
Placement	18,250	20,342	–	–	–	20,342	38,592
Loss for the year	–	–	–	–	(3,598)	(3,598)	(3,598)
At 31 March 2007	**23,505**	**20,342**	**450**	**269,441**	**(233,173)**	**57,060**	**80,565**

Note:

As at 31 March 2007 and 2006, the Company has no reserve available for cash distribution as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account of HK$20,342,000 *(2006: HK$455,573,000)* may be distributed in the form of fully paid bonus shares.

31. CAPITAL AND RESERVES (continued)

(b) Company (continued)

Enterprise expansion reserve

Enterprise expansion reserve represents a PRC statutory reserve set up by the operating subsidiaries in the PRC. Upon approval by the relevant PRC authorities, the enterprise expansion reserve may be used for increasing the registered capital of the relevant subsidiaries in the PRC.

Contributed surplus

The contributed surplus of the Company arose from the capital reduction in May 2006, which consists of share capital reduction and cancellation of the entire amount of the share premium account of the Company as at 31 March 2005. Under the Companies Act 1981 of Bermuda (as amended), a company shall not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and is dealt with in accordance with the accounting policies adopted for foreign currency translation.

32. CASH USED IN OPERATIONS

	2007 HK$'000	2006 HK$'000
Profit (loss) before taxation	**71,759**	(229,555)
Interest expenses	**5,303**	4,169
Finance charges on obligations under finance leases	**100**	186
Interest income	**(455)**	(3,951)
Depreciation	**17,811**	45,949
Amortisation on premium for land lease	**1,954**	1,127
Amortisation on other non-current assets	**–**	1,029
Amortisation on intangible assets	**263**	–
Change in fair value of investment properties	**(45,030)**	(3,947)
Gain on disposal of premium for land lease and buildings	**–**	(2,024)
Gain on disposal of investment properties	**(571)**	–
Impairment loss on goodwill in an associate	**–**	51,482
Impairment loss on interests in an associate	**–**	6,540
Impairment loss on other non-current assets	**–**	12,767
Impairment loss on property, plant and equipment	**–**	51,000
Impairment loss on intangible assets	**1,000**	–
Loss on disposal of property, plant and equipment	**179**	1,360
Provision for doubtful debts and other non-current assets	**3,437**	58,028
Provision for doubtful debts written back	**(22,310)**	–
Reversal of impairment loss of buildings	**(558)**	(20,370)
Reversal of impairment loss of premium for land lease	**(1,071)**	(34,970)
Provision (reversal) of inventories write-down	**218**	(95)
Share of profits of associates	**–**	(780)
Write off of interests in an associate	**1,500**	–
Exchange difference arising from translation	**(538)**	3,582
Realised and unrealised loss on financial assets at fair value through profit or loss	**–**	69
(Increase) decrease in inventories	**(2,588)**	805
Decrease in trade and other receivables	**100,885**	203,604
Decrease in trade and other payables	**(160,043)**	(146,318)
Cash used in operations	**(28,755)**	(313)

33. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions in the ordinary course of the Group's business.

	2007	2006
	HK$'000	HK$'000
Expenses		
Salaries and other short-term employee benefits paid to:		
Key management personnel, including amounts paid to the Company's directors as disclosed in note 11	**11,414**	17,696
Rental expense paid to:		
A company under control by the spouse of a former director of the Company	**–**	1,140
Service fee paid to:		
Minority shareholders of subsidiaries	**920**	1,350

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk factors

Exposure to credit, liquidity, and market (including foreign currency and interest rate) risks arises in the normal course of the Group's business. The Group's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Group by closely monitoring the individual exposure as follows:

(a) *Credit risk*

The Group's credit risk is primarily attributable to trade and other receivables and cash transactions entered into for risk management purposes.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Debtors who have overdue are requested to settle all outstanding balances before any further credit is granted. In addition, the Group reviews the recoverable amount of each individual debtor regularly to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is considered minimal as such amounts are placed with banks with good credit rating.

(b) *Liquidity risk*

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing borrowings. As at 31 March 2007, certain borrowings of the Group amounting to HK$23,325,000 would be mature in more than one year *(2006: HK$37,799,000)*. For details term of the Group's borrowing are disclosed in note 26 to the financial statements.

(c) *Interest rate risk*

The Group has exposure to interest rate risk through the impact of the rate changes on bank balances and bank borrowings. It is the Group's policy to maintain the proportion of borrowings in fixed rates and floating rates within an appropriate range. Management considers the interest rate risk exposure is limited and will consider hedging significant interest rate exposure should the need arise.

(d) *Foreign currency risk*

The Group's foreign currency risk exposure arise mainly from the exchange rate movements of Hong Kong dollars and United State dollars. The Group does not enter into any derivative contracts to hedge its foreign currency risk. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

35. COMMITMENTS

(a) Commitments under operating leases

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	2007 HK$'000	2006 HK$'000
In respect of leased properties, including transmission sites:		
Within one year	**14,017**	16,129
In the second to fifth years inclusive	**6,410**	4,907
	20,427	21,036
In respect of leased lines:		
Within one year	**3,599**	4,939
In the second to fifth years inclusive	**2,434**	2,400
Over five years	**3,635**	4,200
	9,668	11,539

(b) Future operating lease arrangements

At the balance sheet date, the Group had future aggregate minimum lease income under non-cancellable operating leases, which are receivable as follows:

	2007 HK$'000	2006 HK$'000
Within one year	**7,030**	152
In the second to fifth years inclusive	**11,716**	–
	18,746	152

36. CONTINGENT LIABILITIES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees in respect of banking facilities of subsidiaries	**–**	–	**251,453**	284,008
Guarantees given to third parties against non-performance of contractual obligations by subsidiaries	**26,980**	38,673	**14,150**	31,585

37. POST BALANCE SHEET EVENTS

(a) The Company announced on 4 April 2007 that the shares of the Company had been removed from the official list of the SGX-ST at the close of trading on 27 March 2007 and that the shares of the Company had been delisted on SGX-ST on 4 April 2007. Shares of the Company would continue to be listed and traded on the Stock Exchange. Such delisting would result in dispensation of significant compliance costs and administration burden in the coming year.

(b) The Company announced on 6 June 2007 that Moores Rowland Mazars ("MRM") resigned as auditors of the Group with effect from 30 May 2007 due to its reorganisation and Mazars CPA Limited were appointed as auditors of the Company on 1 June 2007 to fill the casual vacancy following the resignation of MRM and to hold office until the conclusion of the next annual general meeting of the Company.

(c) Subsequent to the balance sheet date, the Group entered into sale and purchase agreements to dispose of land and buildings with net book value of HK$2,373,000 as at 31 March 2007 for consideration of approximately HK$5,160,000.

38. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the presentation of the current year.

39. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries are as follows:

Name	Country / place of incorporation / operation and kind of legal entity in the PRC	Particulars of issued share capital / registered capital	Percentage of effective equity interests held[1]	Principal activities
Best Class International Limited	Hong Kong	2 ordinary shares of HK$1.00 each	100%	Property holding
China Motion (Japan) Limited	Japan	200 shares of Yen 50,000.00 each	100%	Provision of long distance call services
China Motion (Singapore) Pte. Ltd.	Singapore	100,000 shares of S$1.00 each	100%	Provision of long distance call services
China Motion (Taiwan) Limited	Taiwan	NT$5,000,000	100%	Provision of long distance call services
China Motion (UK) Limited	United Kingdom	2 shares of £1.00 each	100%	Provision of long distance call services
China Motion Data System Limited	Hong Kong	2 ordinary shares of HK$1.00 each	100%	Property holding
China Motion Holdings Limited	British Virgin Islands	100 ordinary shares of US$1.00 each	100%	Investment holding
China Motion Properties Limited	Hong Kong	2 ordinary shares of HK$1.00 each	100%	Property holding
China Motion Telecom (HK) Limited	Hong Kong	1,000,000 ordinary shares of HK$1.00 each	100%	Provision of mobile communications services
China Motion United Telecom Limited	Hong Kong	66,800,000 ordinary shares of HK$1.00 each	70%	Investment holding and provision of roaming trunked radio services
ChinaMotion NetCom (Asia) Limited	Hong Kong	2 ordinary shares of HK$1.00 each	100%	Provision of long distance call services
ChinaMotion NetCom (Canada) Ltd.	Canada	1 common share	100%	Provision of long distance call services

39. PRINCIPAL SUBSIDIARIES (continued)

Name	Country / place of incorporation / operation and kind of legal entity in the PRC	Particulars of issued share capital / registered capital	Percentage of effective equity interests held[1]	Principal activities
CM Concept (HK) Limited	Hong Kong	2 ordinary shares of HK$1.00 each	100%	Retail business
CM Concept Holdings (China) Limited	Hong Kong	100 ordinary shares of HK$1.00 each and 500 non-voting deferred shares of HK$10,000.00 each	100%	Investment holding
CM Tel (Canada) Ltd.	Canada	100 common shares of C$1.00 each	100%	Provision of long distance call services
CM Tel (HK) Limited	Hong Kong	2 ordinary shares of HK$1.00 each	100%	Provision of long distance call services
CM Tel (USA) LLC	United States	US$10,000	100%	Provision of long distance call services
Digital Pacific Limited	Hong Kong	2 ordinary share of HK$1.00 each	100%	Provision of long distance call services and retail business
Express Lane Investment Limited	Hong Kong	2 ordinary shares of HK$1.00 each	100%	Property holding
Guangzhou Motion Telecom Service Co., Ltd.	PRC, equity joint venture	Paid-up capital HK$2,660,000 Registered capital HK$3,800,000	70%	Maintenance services and provision of telecommunications related services
Jackie Industries Limited	Hong Kong	2 ordinary shares of HK$1.00 each	100%	Property holding
Sheen Metro Investment Limited	Hong Kong	2 ordinary shares of HK$1.00 each	100%	Property holding
Sheen Sino Investment Limited	Hong Kong	2 ordinary shares of HK$1.00 each	100%	Property holding

39. PRINCIPAL SUBSIDIARIES (continued)

Name	Country / place of incorporation / operation and kind of legal entity in the PRC	Particulars of issued share capital / registered capital	Percentage of effective equity interests held[1]	Principal activities
Shenzhen Motion Mobile Telecom Services Co., Ltd.	PRC, equity joint venture	Paid-up capital US$12,000,000 Registered capital US$29,000,000	90%	Provision of GSM-related services to telecommunications operator in the PRC
Shenzhen Motion Telecom Services Co Ltd	PRC, equity joint venture	Paid-up and registered capital RMB25,000,000	70%	Maintenance for telecommunications equipment
Townlink Limited	Hong Kong	2,000,000 ordinary shares of HK$1.00 each	70%	Provision of telecommunications services and the sale of mobile transceivers and related accessories
World Sheen Properties Limited	Hong Kong	2 ordinary shares of HK$1.00 each	100%	Property holding

1. All interests are held indirectly by the Company except for China Motion Holdings Limited which is directly owned by the Company.

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Schedule of Principal Properties

Particulars of principal properties held by the Group which have been completed for existing use at 31 March 2007 are as follows:

A. PROPERTIES HELD FOR THE GROUP'S OWN USE

	Address	Lot No.	Category of the lease	Use	Percentage held by the Group
1.	Units 2601 and 2604 to 2608 on 26th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong	235/611th parts or shares of and in 611/100000th parts or shares of and in one moiety and 1804/100000th parts or shares of and in one moiety of Inland Lot No. 8392	Long lease	Commercial	100%
2.	Flat No. 2 on 8th Floor and Flat No. 2 on 11th Floor of Block B and Flat No. 3 on 32nd Floor of Block C, Causeway Centre, 28 Harbour Road, Wanchai, Hong Kong	15/7533rd shares of and in Inland Lot No. 8390	Long lease	Residential	100%

B. INVESTMENT PROPERTIES

	Address	Lot No.	Category of the lease	Use	Percentage held by the Group
1.	Units A to D on 18th Floor, Chinabest International Centre, No. 8 Kwai On Road, Kwai Chung, Hong Kong	570/10000th shares of and in Kwai Chung Town Lot No. 442	Medium-term lease	Industrial	100%
2.	20th Floor of Towers I, II and III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Hong Kong	40505/728680th shares of and in New Kowloon Inland Lot No. 6115	Medium-term lease	Commercial	100%
3.	Car parking spaces Nos. A1 to A14 on 1P Floor, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Hong Kong	14/728680th shares of and in New Kowloon Inland Lot No. 6115	Medium-term lease	Commercial	100%

潤 迅 通 信 國 際 有 限 公 司
China Motion Telecom International Limited

Room 2604-08, 26/F., Harbour Centre,
25 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道 25 號海港中心 26 樓 2604-08 室
Tel 電話 : (852) 2209 2888 Fax 傳真 : (852) 2209 1888
www.chinamotion.com