

07/08

Interim Report

Expanding

Communication World



潤迅通信國際有限公司

China Motion Telecom International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 989)

Contents

Corporate Information	2
Condensed Consolidated Income Statement	3
Condensed Consolidated Balance Sheet	4
Condensed Consolidated Statement of Changes in Equity	5
Condensed Consolidated Cash Flow Statement	6
Notes to the Condensed Consolidated Financial Statements	7
Management Discussion and Analysis	20
Other Information	24

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

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

Tricor Abacus 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

Condensed Consolidated Income Statement

For the six months ended 30 September 2007

The Board of Directors (the "Board") of China Motion Telecom International Limited (the "Company") announces the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2007 together with the comparative figures as follows:

	Note	Six months ended 30 September	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Turnover		324,336	298,427
Cost of sales and services		(251,327)	(243,430)
Gross profit		73,009	54,997
Other revenue		5,436	5,453
Other net income		6,474	19,883
Distribution costs		(2,176)	(1,738)
Administrative expenses		(65,953)	(68,366)
Finance costs	4	(2,081)	(2,752)
Share of profits of an associate		–	33
Profit before taxation	5	14,709	7,510
Taxation	6	(97)	–
Profit for the period		14,612	7,510
Attributable to:			
Equity holders of the Company		14,624	7,646
Minority interests		(12)	(136)
		14,612	7,510
Dividend	7	–	–
Earnings per share	8		
Basic		0.62 HK cents	1.44 HK cents
Diluted		N/A	N/A

Condensed Consolidated Balance Sheet

As at 30 September 2007

	Note	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		180,860	187,730
Property, plant and equipment	9	28,876	26,930
Interests in associates	10	–	–
Premium for land lease		66,282	65,106
Other non-current assets	11	3,739	3,739
Intangible assets		2,690	3,480
		282,447	286,985
Current assets			
Inventories		4,927	6,599
Trade and other receivables	12	104,298	83,905
Pledged bank deposits		748	1,408
Bank balances and cash		28,253	21,707
		138,226	113,619
Current liabilities			
Trade and other payables	13	150,077	154,328
Borrowings due within one year	14	39,992	44,140
Obligations under finance leases	15	679	639
Taxation		4,556	5,232
		195,304	204,339
Net current liabilities		(57,078)	(90,720)
Total assets less current liabilities		225,369	196,265
Non-current liabilities			
Borrowings due after one year	14	38,281	23,325
Obligations under finance leases	15	657	763
		38,938	24,088
NET ASSETS		186,431	172,177
CAPITAL AND RESERVES			
Issued capital	16	23,505	23,505
Reserves		156,096	141,897
Total capital and reserves attributable to equity holders of the Company		179,601	165,402
Minority interests		6,830	6,775
TOTAL EQUITY		186,431	172,177

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2007

	Attributable to equity holders of the Company					
	Issued capital (Unaudited) HK\$'000	Non- distributable	Contributed surplus (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
		capital reserves				
		(Unaudited) HK\$'000				
Balance at 1 April 2007	23,505	115,121	216,587	(189,811)	6,775	172,177
Property revaluation	–	914	–	–	–	914
Disposal of property	–	(914)	–	–	–	(914)
Exchange difference	–	(425)	–	–	67	(358)
Profit for the period	–	–	–	14,624	(12)	14,612
Balance at 30 September 2007	23,505	114,696	216,587	(175,187)	6,830	186,431
Balance at 1 April 2006	394,107	541,261	–	(889,537)	6,829	52,660
Capital reduction	(388,852)	–	388,852	–	–	–
Share premium cancellation upon capital reduction	–	(455,573)	455,573	–	–	–
Transfer to set off accumulated losses and contributed surplus account upon capital reduction	–	–	(627,839)	627,839	–	–
Shares issued upon placement	250	4,415	–	–	–	4,665
Exchange difference	–	(807)	–	–	–	(807)
Profit for the period	–	–	–	7,646	(136)	7,510
Balance at 30 September 2006	5,505	89,296	216,586	(254,052)	6,693	64,028

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2007

	Six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(5,047)	(28,638)
Net cash outflow from investing activities	(573)	(2,382)
Net cash inflow from financing activities	21,163	8,570
Net increase (decrease) in cash and cash equivalents	15,543	(22,450)
Exchange realignment	781	274
Cash and cash equivalents at 1 April	11,929	35,202
Cash and cash equivalents at 30 September	28,253	13,026
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	28,253	22,628
Bank overdrafts	–	(9,602)
	28,253	13,026

Notes to the Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

As at 30 September 2007, the Group had net current liabilities of HK\$57,078,000 (*31 March 2007: HK\$90,720,000*), as well as commitments that are payable in the next twelve months. 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.

2. PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair value, as appropriate.

The accounting policies used in these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's audited financial statements for the year ended 31 March 2007 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on or after 1 April 2007. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment had been required.

Notes to the Condensed Consolidated Financial Statements

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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 23 (Revised)	Borrowing costs (Note)
HKFRS 8	Operating segments (Note)

Note: Effective for annual periods beginning on or after 1 January 2009.

3. SEGMENT INFORMATION

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

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

(a) Primary reporting format – business segments

Six months ended 30 September 2007	International telecommuni- cations services (Unaudited) HK\$'000	Mobile communi- cations services (Unaudited) HK\$'000	Distribution and retail chain (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Inter- segment elimination (Unaudited) HK\$'000	Group (Unaudited) HK\$'000
Turnover						
Revenue from						
external customers	212,555	55,208	56,573	–	–	324,336
Inter-segment revenue	9,893	–	1,285	–	(11,178)	–
Segment turnover	<u>222,448</u>	<u>55,208</u>	<u>57,858</u>	<u>–</u>	<u>(11,178)</u>	<u>324,336</u>
Segment results	<u>10,709</u>	<u>9,363</u>	<u>(5,643)</u>	<u>2,361</u>	<u>–</u>	<u>16,790</u>
Finance costs						(2,081)
Share of profits of an associate						–
Profit before taxation						<u>14,709</u>
Taxation						(97)
Profit for the period						<u>14,612</u>

Notes to the Condensed Consolidated Financial Statements

3. SEGMENT INFORMATION (continued)

(a) Primary reporting format – business segments (continued)

Six months ended 30 September 2006	International telecommuni- cations services (Unaudited) HK\$'000	Mobile communi- cations services (Unaudited) HK\$'000	Distribution and retail chain (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Inter- segment elimination (Unaudited) HK\$'000	Group (Unaudited) HK\$'000
Turnover						
Revenue from						
external customers	194,080	57,650	46,697	–	–	298,427
Inter-segment revenue	11,494	–	1,589	–	(13,083)	–
Segment turnover	<u>205,574</u>	<u>57,650</u>	<u>48,286</u>	<u>–</u>	<u>(13,083)</u>	<u>298,427</u>
Segment results	<u>15,472</u>	<u>4,896</u>	<u>(4,982)</u>	<u>(5,157)</u>	<u>–</u>	<u>10,229</u>
Finance costs						(2,752)
Share of profits of an associate						<u>33</u>
Profit before taxation						7,510
Taxation						<u>–</u>
Profit for the period						<u>7,510</u>

Notes to the Condensed Consolidated Financial Statements

3. SEGMENT INFORMATION (continued)

(b) Secondary reporting format – geographical segments

	Turnover		Segment results	
	2007	2006	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
The People's Republic of China ("PRC")	2,033	2,896	(900)	(1,370)
Hong Kong	173,071	161,165	8,116	7,300
Other Asia Pacific regions	32,652	42,753	1,719	7,413
North America and the United Kingdom	116,580	91,613	7,855	(3,114)
	324,336	298,427	16,790	10,229

4. FINANCE COSTS

	Six months ended 30 September	
	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on bank and other borrowings:		
Wholly repayable within five years	1,021	2,075
Not wholly repayable within five years	1,005	623
Finance charges on obligations under finance leases	55	54
	2,081	2,752

Notes to the Condensed Consolidated Financial Statements

5. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	Six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Crediting:		
Write back of provision for trade receivables	(434)	(19,883)
Charging:		
Staff costs (include directors' emoluments)	37,894	36,150
Cost of inventories	25,166	15,702
Depreciation	6,402	9,888
Amortisation		
Premium for land lease	833	1,057
Intangible asset	790	–
Operating lease charges: minimum lease payments		
Telecommunications equipment	22,210	20,933
Premises	6,973	5,209
Provision for doubtful trade and other receivables	721	–
Provision for inventories write-down	167	–
Rentals income from investment properties		
less direct outgoings of HK\$2,000		
(30 September 2006: HK\$735,000)	3,558	245
Loss on disposal of property, plant and equipment	215	6

Notes to the Condensed Consolidated Financial Statements

6. TAXATION

Hong Kong Profits Tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit arising from Hong Kong during the period. 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 period based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Hong Kong Profits Tax	<u>97</u>	<u>—</u>

7. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2007 (2006: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately HK\$14,624,000 (2006: HK\$7,646,000) and the weighted average number of 2,350,475,573 (2006: 532,579,398) ordinary shares in issue during the six months ended 30 September 2007.

Diluted earnings per share for the six months ended 30 September 2007 and 2006 have not been presented as the conversion of potential ordinary shares to ordinary shares would have anti-dilutive effect to the basic earnings per share.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2007, the Group invested approximately HK\$5,775,000 (2006: HK\$4,335,000) on property, plant and equipment.

Notes to the Condensed Consolidated Financial Statements

10. INTERESTS IN ASSOCIATES

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Share of net assets	6,540	6,540
Impairment loss	(6,540)	(6,540)
	–	–
Goodwill on acquisition	–	–
	–	–

11. OTHER NON-CURRENT ASSETS

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Club debentures	3,739	3,739
Prepayment (<i>Note</i>)	–	–
Loans and receivables/long-term investments (<i>Note</i>)	–	–
	3,739	3,739

Note: The Group has reviewed the carrying amount of the prepayment and loans and receivables/long-term investments as at 30 September 2007 and consider that it is not materially different from the carrying amount as at 31 March 2007.

Notes to the Condensed Consolidated Financial Statements

12. TRADE AND OTHER RECEIVABLES

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Trade receivables	70,113	51,362
Other receivables		
Deposits, prepayments and other receivables	34,124	32,489
Due from associates	61	54
	34,185	32,543
	104,298	83,905

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:

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
0 – 30 days	26,573	24,386
31 – 60 days	8,793	7,354
61 – 90 days	5,647	4,255
Over 90 days	29,100	15,367
	70,113	51,362

Notes to the Condensed Consolidated Financial Statements

13. TRADE AND OTHER PAYABLES

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Trade payables	110,500	116,495
Other payables		
Accrued charges and other creditors	26,727	25,311
Advance subscription fees received	6,533	6,391
Deposits received	6,197	6,011
Due to associates	120	120
	39,577	37,833
	150,077	154,328

The ageing analysis of trade payables as at the balance sheet date is as follows:

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
0 – 30 days	22,717	25,833
31 – 60 days	10,346	8,573
61 – 90 days	8,083	2,778
Over 90 days	69,354	79,311
	110,500	116,495

Notes to the Condensed Consolidated Financial Statements

14. INTEREST-BEARING BORROWINGS

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Bank loans, secured	78,273	57,687
Bank overdrafts, secured	–	9,778
	78,273	67,465
Portion classified as current liabilities	(39,992)	(44,140)
Non-current portion	38,281	23,325

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

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Bank loans and overdrafts:		
Within one year	39,992	44,140
In the second year	5,000	3,970
In the third to fifth years, inclusive	16,725	13,440
Over 5 years	16,556	5,915
	78,273	67,465

Notes to the Condensed Consolidated Financial Statements

15. OBLIGATIONS UNDER FINANCE LEASES

The minimum lease payments are as follows:

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Amount payable:		
Within one year	748	717
In the second to fifth years inclusive	712	827
	1,460	1,544
Future finance charges	(124)	(142)
Present value of lease obligations	1,336	1,402

The present value of minimum lease payments is as follows:

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Within one year	679	639
In the second year to fifth years inclusive	657	763
	1,336	1,402

16. ISSUED CAPITAL

	30 September 2007		31 March 2007	
	Number of shares	(Unaudited) HK\$'000	Number of shares	(Audited) HK\$'000
Authorised:				
Ordinary shares				
At 30 September 2007 and at 31 March 2007 at HK\$0.01 each	78,000,000,000	780,000	78,000,000,000	780,000
Issued and fully paid:				
Ordinary shares				
At 30 September 2007 and at 31 March 2007 at HK\$0.01 each	2,350,475,573	23,505	2,350,475,573	23,505

Notes to the Condensed Consolidated Financial Statements

17. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<i>(Income) Expense</i>		
Salaries and other short-term employee benefits paid to:		
Key management personnel, including amounts paid to the Company's directors	6,058	4,342
Service fees paid to:		
A minority shareholder of subsidiaries	647	167
Service fees received from:		
A minority shareholder of subsidiaries	(154)	–

Notes to the Condensed Consolidated Financial Statements

18. COMMITMENTS UNDER OPERATING LEASES

At 30 September 2007, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
In respect of leased properties, including transmission sites:		
Within one year	14,135	14,017
In the second to fifth years inclusive	5,054	6,410
	19,189	20,427
In respect of leased lines:		
Within one year	2,712	3,599
In the second to fifth years inclusive	2,538	2,434
Over five years	3,000	3,635
	8,250	9,668

19. CHARGES ON ASSETS

At 30 September 2007, the Group's leasehold buildings, premium for land lease and investment properties with aggregate carrying value of approximately HK\$255,088,000 (31 March 2007: HK\$174,620,000) were pledged as security for banking facilities.

○ Management Discussion and Analysis

REVIEW OF RESULTS AND OPERATIONS

For the six months ended 30 September 2007, the Group achieved satisfactory results and recorded growth in overall performance. During the period, total turnover grew with 9% to HK\$324 million, as compared to HK\$298 million in the last corresponding period. Net profit amounted to HK\$14.6 million, an increase of 95% from HK\$7.5 million last period. Gross profit margin increased to 23%, against 18% in the same period last year. These achievements were owed to the successful strategic transformation of the Group in 2006, which turned around the Group's business since last financial year ended 31 March 2007. The continued strong performance of the Group for the period under review is proof that it is advancing in the right direction underscored by efforts to better serve customer needs, explore new services and market segments.

International Telecommunications Services

For the six months ended 30 September 2007, the total turnover of the segment, comprising wholesale and retail IDD businesses, increased by 9% to HK\$213 million, against HK\$194 million in the last corresponding period. Such increase was due to the effective measures implemented in areas including cost control, network quality upgrade and resources re-allocation. Gross profit margin increased from 11% to 16%, the result of effective credit control reducing direct and indirect costs, and the capitalisation of the full capacity of high-margin terminations. There was a growth in operating profit amounted to HK\$11 million, as compared with the operating loss of HK\$5 million in the last corresponding period.

During the period, the Group also developed more efficient direct routings and re-allocated resources to areas with higher margin, including Europe, India, Africa, the Middle East and Korea, besides sustaining its business in the existing network.

However, the IDD business continues to face steep competition and challenges especially in market development. To support the business, the Group has been exploring potential business opportunities, as well as seeking to forge strategic partnerships that can help to strengthen the business operational efficiency and competitiveness. It will also continue to implement cost control measures and boost its network's capabilities.

Management Discussion and Analysis

Mobile Communications Services

Total turnover from the segment decreased slightly by 4% to HK\$55 million for the period under review. However, the Group was able to achieve a higher gross profit margin of 40% at successful reduction of operating cost and with an operating profit of HK\$9 million obtained.

The Group mainly runs its mobile communications services business as a Mobile Virtual Network Operator (“MVNO”) under the “CM Mobile” brand. During the period under review, the increase in number of subscribers of the service was the result of the Group’s effort in promoting its sales channels and attracting high-end individual users with high demand for quality cross-border services between Hong Kong and Mainland China. To keep enhance competitiveness of the segment, the Group has been launching new value-added services for corporate customers and improving variety and quality of existing ones to meet their diverse and more sophisticated needs. Furthermore, it will enrich its product portfolio by putting greater emphasis on roaming services of post-paid cards, and also step up credit control and risk management.

Distribution and Retail Chain

During the period under review, total turnover from the segment increased 21% to HK\$57 million. It was mainly attributable to the various measures taken by the Group to maximise cost-efficiency and to boost sales. Such measures include the strengthening of dealership network, establishing new corporate image to appeal middle-income customers by renovation of retail shops, promoting variety of products and services, improving service and staff qualities, enhancing staff knowledge on products and the restructuring of supporting team for new product development. The Group suffered an operating loss of HK\$6 million, however, after taking into account the administrative expenses incurred from renovating and setting up of retail outlets.

The Group markets its telecommunications products and services (handset sales, subscription services, prepaid calling cards, other value-added services and handsets for dual SIMs by consignment) through its one-stop-shop sales platform under the “CM Concept” brand. These outlets also serve as specialty shops for selling cross-border communications services in Mainland China and Hong Kong, and the Group runs 22 shops at present.

The Group had maintained a substantial market share in Hong Kong for China IDD calling cards through a network of approximate 1,000 distributors. To strengthen the competitiveness and dominant position in the market, the Group launched several new brands of calling cards and handsets during the review period.

○ Management Discussion and Analysis

PROSPECTS

With regard to the recent termination of the agreement relating to acquisition of a Vietnam property, the Group believes that it will not have any material adverse impact on its business and operation, or financial and trading position. Despite such termination, the Group nevertheless remains confident with the attractive investment opportunities available in Vietnam for foreign investors, and will continue to look for suitable business opportunities in this region.

The Group will also keep implementing measures on effective cost control and diversify telecommunications related businesses. It will allocate resources on developing its core businesses and, at the same time, actively explore potential investment opportunities. Its aim is to provide comprehensive telecommunications services, with focus on high-margin services through its well-established network. Looking ahead, the Group will strive to ensure strong business growth and broaden its revenue base, with the ultimate goal of enhancing shareholders' value.

FINANCIAL POSITION

As at 30 September 2007, the Group's bank balances and cash amounted to approximately HK\$28,253,000. Total borrowings and obligations under finance leases amounted to approximately HK\$79,609,000. 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 44% (31 March 2007: 42%).

As at 30 September 2007, the Group had aggregate banking facilities of approximately HK\$97,748,000 (excluding property mortgage loans), of which HK\$62,000,000 were unutilised.

In order to focus resources on the core businesses, the Group had disposed certain properties with total profit of HK\$2,726,000 and cash inflow of HK\$5,160,000 during the period.

It is anticipated that the Group's bank balance and cash, as at 30 September 2007, together with the unutilised banking facilities and cash inflow from disposal of properties and stable rental income will be sufficient to discharge its debts and to fund its operations. 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.

Management Discussion and Analysis

CONTINGENT LIABILITIES

As at 30 September 2007, the Group had contingent liabilities amounting to approximately HK\$26,980,000 (31 March 2007: HK\$26,980,000) in respect of guarantees given to third parties against non-performance of contractual obligations by subsidiaries.

CHARGE ON ASSETS

As at 30 September 2007, the Group's leasehold buildings, premium for land lease and investment properties with aggregate carrying value of approximately HK\$255,088,000 (31 March 2007: HK\$174,620,000) 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. However, the management will continuously monitor its foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2007, the Group had 335 full-time staff. Total staff costs (including directors' emoluments) incurred for the period amounted to approximately HK\$37,894,000 (2006: HK\$36,150,000). 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.

OTHER DISCLOSURE

The directors of the Company are not aware of any material changes from the information disclosed in the annual report of the Company for the year ended 31 March 2007, other than those disclosed in this report.

Other Information

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 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 of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which such director or chief executive was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed 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	1,555,000,000	Corporate <i>(Note)</i>	Long	66.16%

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 1,555,000,000 shares held by Marvel Bonus. Mr. Ting was also a director of Marvel Bonus and a director of Shanghai Assets.

Other Information

DIRECTORS' INTERESTS IN SECURITIES (continued)

(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.

(c) Interests in share options of the Company

As at 30 September 2007, there were no share options granted to the directors of the Company under the share option schemes of the Company. Details of the share option schemes are set out under the section of "SHARE OPTION SCHEMES" below.

All interests disclosed above represent long positions.

Save as disclosed above, as at 30 September 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.

Other Information

SUBSTANTIAL SHAREHOLDERS

As at 30 September 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	1,555,000,000	Corporate (Notes)	Long	66.16%
Integrated Asset	1,555,000,000	Corporate (Notes)	Long	66.16%
Shanghai Assets	1,555,000,000	Corporate (Notes)	Long	66.16%
Marvel Bonus	1,555,000,000	Beneficial owner	Long	66.16%

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 1,555,000,000 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 1,555,000,000 shares held by Marvel Bonus.
- (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 30 September 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.

Other Information

SHARE OPTION SCHEMES

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. All the share options remaining unexercised on 23 April 2007 were lapsed on that date as a result of the unconditional mandatory cash offers commenced in October 2006 pursuant to the terms of the scheme. As at 30 September 2007, there were no outstanding share options under the scheme.

On 6 September 2002, the Company adopted a new share option scheme (the “New Share Option Scheme”), pursuant to which the directors of the Company may at its discretion grant share options to any employee; director (including executive and non-executive) or chief executive of any member of the Group or of any affiliate; or 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 any substantial shareholder of the Company or of its subsidiaries who, in the opinion of the Board, has made or will make contributions which are or may be beneficial to the Group. No share options have ever been granted by the Company under the New Share Option Scheme since its adoption.

Other Information

SHARE OPTION SCHEMES (continued)

Movement of share options granted to employees of the Group and others under the 1998 Share Option Scheme during the period were as follows:

Grantee	Number of share options			Outstanding as at 30 September 2007	Date of grant	Exercise period	Exercise price per share	Share price on date of grant (Note 1)	Share price on date of exercise
	Outstanding as at 1 April 2007	Granted during the period	Lapsed during the period						
							HK\$	HK\$	HK\$
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
	82,394	–	(82,394)	–	25/02/2000	25/02/2001 – 17/03/2008	3.19	3.80	N/A
	906,337	–	(906,337)	–	17/10/2000	17/10/2001 – 17/03/2008	1.22	1.59	N/A
	7,050,000	–	(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
	<u>8,887,586</u>	<u>–</u>	<u>(8,887,586)</u>	<u>–</u>					<i>(Note 2)</i>

Notes:

- The price of the shares disclosed as at the date of grant of share options refers to the closing price of the shares on the trading date immediately prior to the date of grant of share options.
- All the share options remaining unexercised on 23 April 2007 were 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.

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

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

Other Information

TERMINATION OF SHARE PURCHASE AGREEMENT

The Company announced on 6 December 2007 that the Company and Asia Castle Development Limited (the "Vendor") entered into a deed of termination on 4 December 2007 whereby the Company and the Vendor agreed to terminate the share purchase agreement dated 14 August 2007 (as supplemented by the supplemental agreement dated 19 September 2007) (the "Agreement") entered into between the parties with immediate effect so that it shall become null and void and cease to have any further effect. Pursuant to the Agreement, the Company had agreed to acquire and the Vendor had agreed to sell the entire issued share capital of Larkhall Holdings Limited, which is an investment holding company and its principal asset is the entire issued share capital of a Vietnam company, which in turn holds a property in Vietnam, for consideration of HK\$2,589,600,000 to be satisfied by the issue of the convertible bond, by the allotment and issue shares of the Company and by the issue of the promissory note. Details of the said transaction were disclosed in the announcement dated 19 September 2007.

The directors confirm that they do not expect that the termination of the Agreement will have any material adverse impact on the business and operation, or financial and trading position of the Group.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the auditors of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including the review of the Group's interim results for the six months ended 30 September 2007.

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 six months ended 30 September 2007.

○ Other Information

CODE ON CORPORATE GOVERNANCE PRACTICES

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 to the Listing Rules during the period.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

By Order of the Board
Ting Pang Wan, Raymond
Chairman

Hong Kong, 18 December 2007