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

Make the World Complete
聯接每個角落

07/08
ANNUAL REPORT
年報

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
Vincent T.K. Cheung, Yap & Co., 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

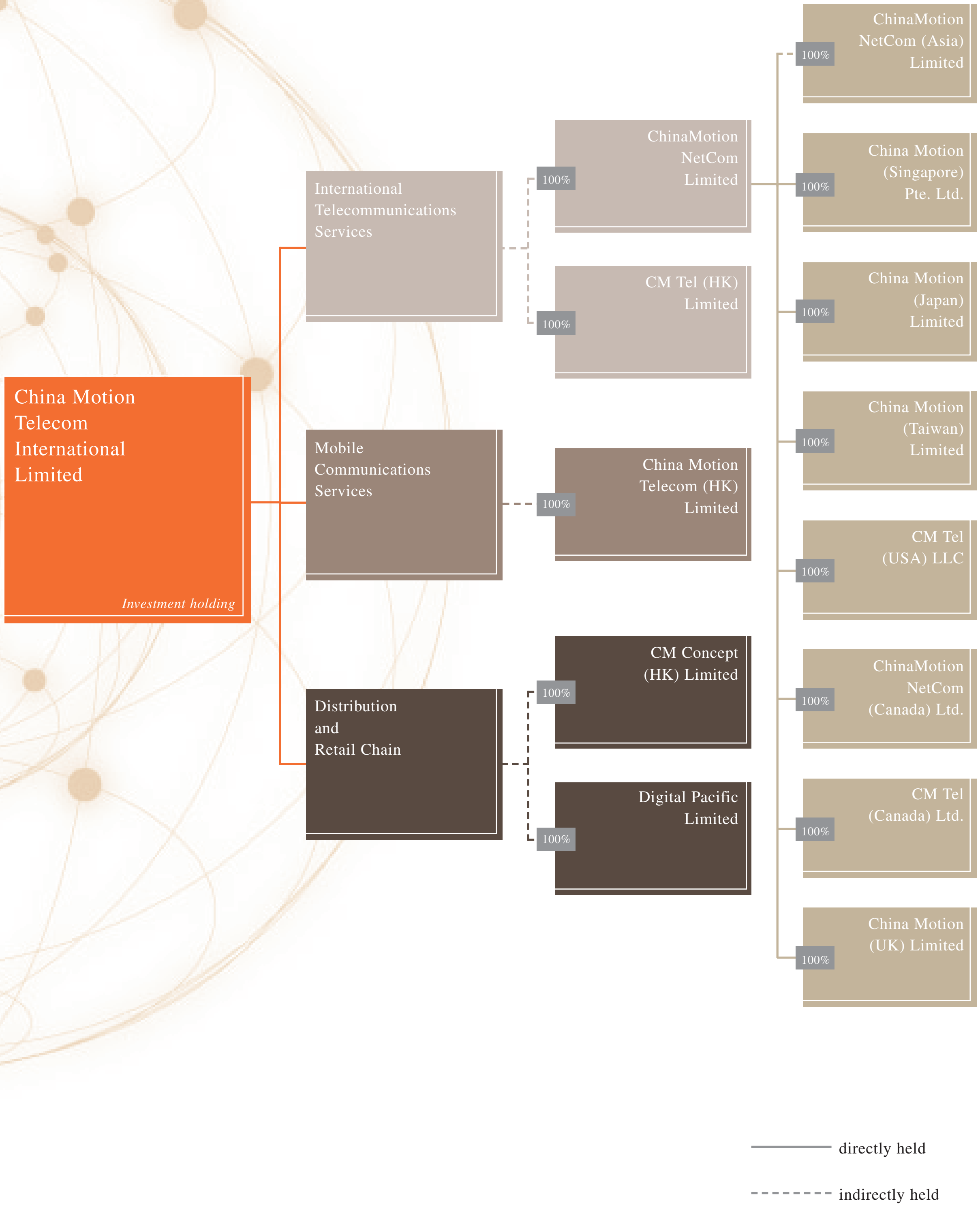
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE

989

Group Structure

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

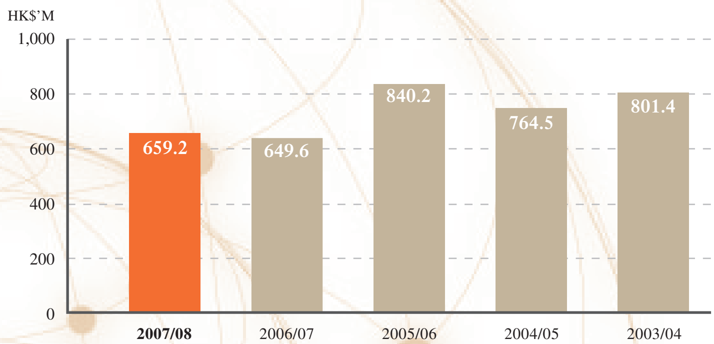


Financial Highlights

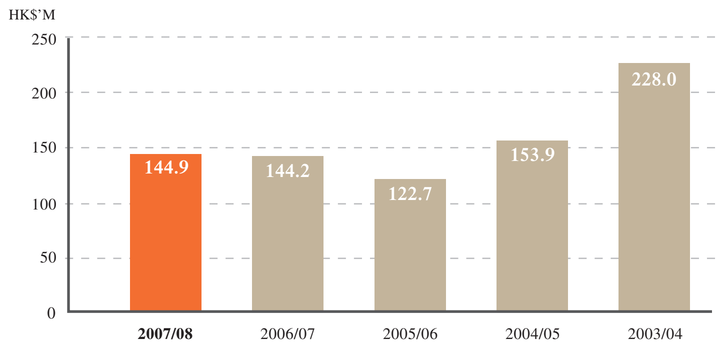
FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 March				
	2008	2007	2006	2005	2004
Turnover (HK$ million)	**659.2**	649.6	840.2	764.5	801.4
Gross profit (HK$ million)	**144.9**	144.2	122.7	153.9	228.0
Profit (loss) before taxation (HK$ million)	**40.0**	71.8	(229.6)	(470.5)	(38.6)
Profit (loss) for the year (HK$ million)	**41.5**	71.8	(228.5)	(471.9)	(47.4)
Earnings (loss) per share (HK cents)	**1.8**	5.3	(38.3)	(87.5)	(9.0)
Total assets (HK$ million)	**455.6**	400.6	460.8	886.7	1,223.9
Total liabilities (HK$ million)	**236.1**	228.4	408.1	607.8	473.1
Net assets (HK$ million)	**219.5**	172.2	52.7	278.9	750.8
Net assets value per share (HK$)	**0.09**	0.07	0.10	0.53	1.43
Working capital ratio	**0.72**	0.56	0.57	0.81	0.78
Long-term debt to equity	**0.16**	0.14	0.72	0.28	0.09

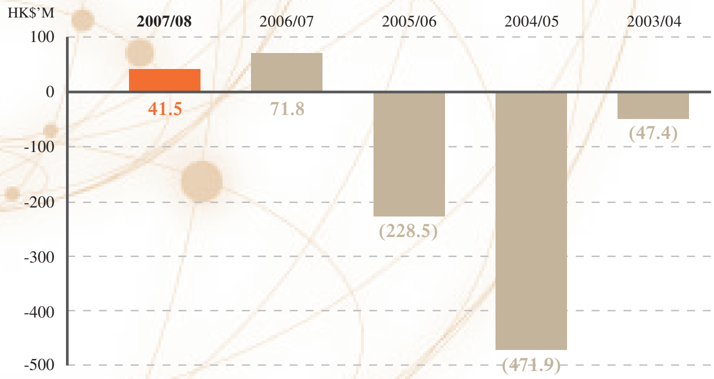
TURNOVER



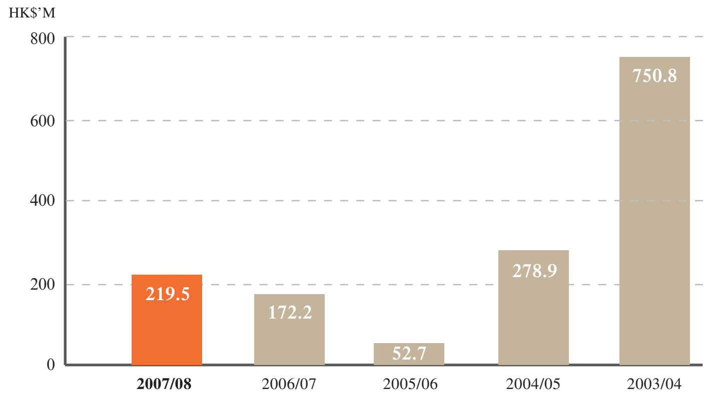
GROSS PROFIT



PROFIT (LOSS) FOR THE YEAR



NET ASSETS



Chairman's Statement

Chairman's Statement

Dear Shareholders,

On behalf of China Motion Telecom International Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present to our shareholders the annual results of the Group for the year ended 31 March 2008.

The Group was able to obtain stable growth during the year under review, despite having to face severe market competition and mounting pressure of rate cut. Challenges from the telecommunications industry were also fierce; however, the Group was able to maintain profitability. This was the result of effective efforts of the Group in prudent expansion strategy, network quality upgrade and efficient margin management, as well as its success in developing a balanced operational structure. Throughout the year, the Group launched varieties of services and new brands of products and models to strengthen cross-border services. These initiatives designed to satisfy customers' needs also supported the Group's performance.

By expanding its network infrastructure, gaining more internationally recognition in brand names and applying fully its operational capabilities and extensive market resources during the year, the Group has enhanced its competitiveness. It will continue to broaden income sources and bring in new strategic partners and investors, as well as to pursue different investments as ways to fuel long term growth. Therefore, the Group will realise the full potential of its businesses to optimise revenue structure.

Communications technologies are evolving at lightning speed today. To cope with the ever-changing market, the Group will continue to look into technological development and launch of competitive products and services, with the aim of capturing the enormous opportunities in Mainland China and global markets.

Finally, the Group will pursue a balanced growth strategy that can allow it to maintain a solid and healthy financial position and consolidate its market position, and in turn maximise shareholder value.

On behalf of the Board, I would like to thank our directors and staff for their dedication and contribution in the past year. My gratitude also goes to our customers, suppliers and shareholders for their support.

TING Pang Wan, Raymond
Chairman

Hong Kong, 7 July 2008

Management Discussion and Analysis

Management Discussion and Analysis

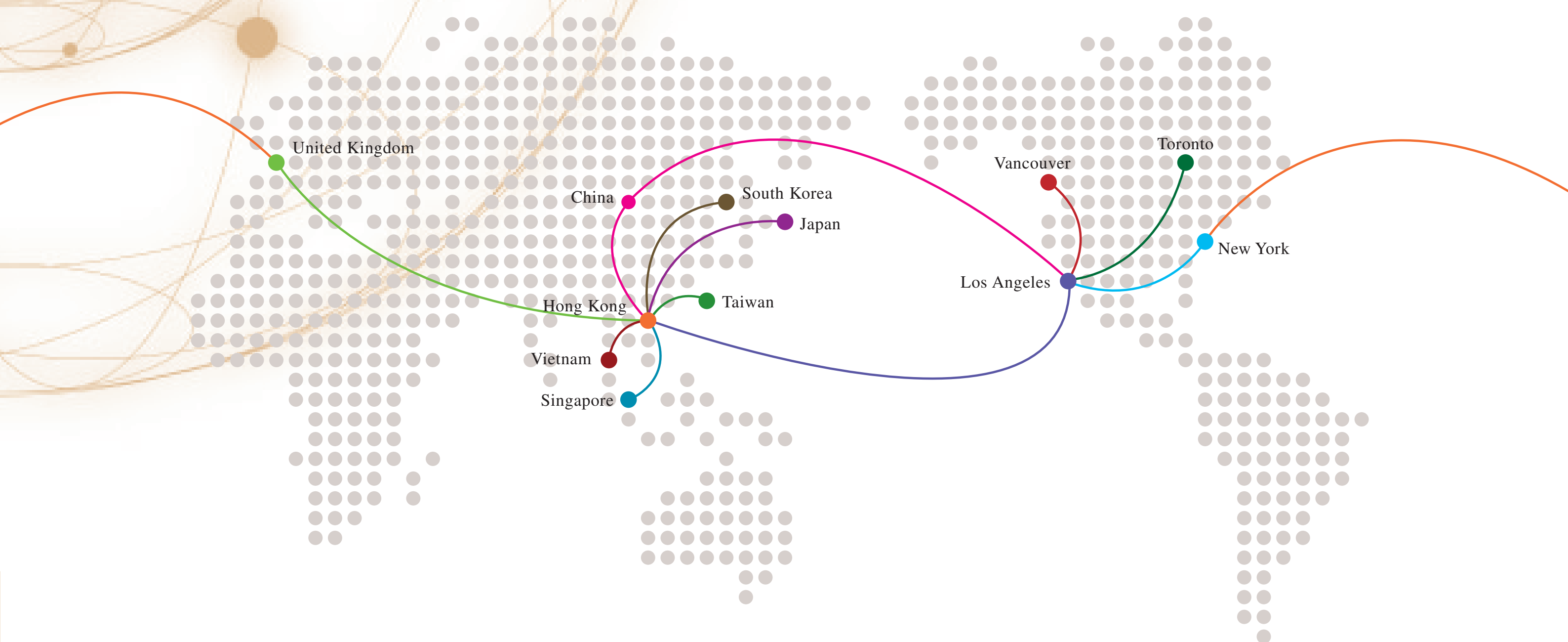
REVIEW OF RESULTS AND OPERATIONS

Despite severe market competition, the Group was able to maintain steady business with a slight growth in total turnover to HK$659,240,000 for the year ended 31 March 2008, as compared to HK$649,605,000 last year. The total net profit of the Group for the year was HK$41,466,000, representing a substantial decrease against HK$71,834,000 last year. This was mainly because of less extraordinary income from write-back of HK$438,000 provision for bad debts and gain in investment properties revaluation of HK$23,955,000 this year, as compared with those of HK$22,310,000 and HK$45,030,000 recorded last year respectively. Excluding these factors, overall performance improved with a rise in operating profit. Gross profit margin remained steady at 22% for the year under review.

International Telecommunications Services

This business segment which offers wholesale and retail IDD services is one of the major sources of income for the Group. For the year under review, its turnover increased by 4.6% to HK$459,032,000 and accounted for approximately 69.6% of the Group's total turnover. It was mainly due to the increased total voice traffic from the rebound of China traffic capacity. Notwithstanding the intense market environment and fierce challenges from the telecom industry during the year, the Group strove to improve its performance through close co-operation with major telecom operators and the implementation of various cost-efficiency measures, so as to identify its market position. Gross profit margin slightly improved to 15.4% during the year under review, owing mainly to the Group's strategy of developing centralised routing, shifting to high-margin terminations, increasing margin of global IDD traffic, as well as its credit control. As a whole, the business segment recorded an operating profit of HK$12,935,000. The Group carried overall IDD voice traffic of approximately 3,296 million minutes during the year, representing a 18.9% increase against the previous year.

CHINA MOTION – GLOBAL NETWORK COVERAGE



International Telecommunications Services (continued)

Efforts of the Group to expand presence in overseas markets over the years have led to the establishment of a global service network with coverage spanning across countries and areas including Mainland China, Hong Kong, Taiwan, Singapore, Vietnam, Japan, South Korea, the United Kingdom, America, Canada and Cuba. The Group will continue to enlarge the geographical coverage of its services and, at the same time, develop more efficient routings and re-allocate resources to markets with high margins, such as, Korea, the Middle East, Europe, India and Africa.

Wholesale IDD services of this segment remained as the Group's most significant source of income, accounting for 67.4% of the Group's total turnover. Although average selling price in PRC minute rate slightly declined during the year as a result of severe market competition, the Group still reported an increase of gross profit margin to 15.2%, against 14.3% last year, which was mainly due to the effort on closely monitoring of the direct costs. As at 31 March 2008, the Group obtained substantial market share for North America and Asia Pacific to Mainland China respectively. The Group started to widen its customer base by stepping up servicing of small and medium-size enterprises.

Consistent efforts in marketing and service enhancement by the Group over the years have contributed to the growing popularity and stable performance of its global retail IDD business branded "ChinaOne". The long-standing and close working relationship the Group with major telecommunication operators and service providers in Mainland China and other parts of the world was another contributing factor. Furthermore, by continually launching new products that meet demands, the number of subscribers to its services reached around 115,000 as at 31 March 2008.

As competition in the market intensifies, the Group has stepped up effort to defend and expand its market position. In the long run, the Group will strive to introduce strategic partners, experienced telecom operators as well as to explore potential business opportunities for further enhancing its operational efficiency and competitiveness.

Mobile Communications Services

For the year ended 31 March 2008, the segment recorded a total turnover of HK$109,328,000 while the gross profit margin was kept at 38.9%, similar to last year as a result of the reduction of operating cost. The whole segment posted an operating profit of HK$14,515,000.

Being one of the licensed Mobile Virtual Network Operators ("MVNO"), the Group provides mobile communications services mainly under its brand "CM Mobile". It thus draws customers among frequent high-spending travelers between Mainland China and Hong Kong and improves profitability. The Group has shifted its marketing strategy to provide high margin services with an aim to sustaining its growth. After gradually strengthening its services over the years, the MVNO business has become one of the major business drivers of the Group and obtained an operating profit of HK$17,475,000, largely contributed from the provision of high margin services. With continual launch of new products and constant service quality upgrade, the MVNO business is in a better position to retain or expand its customer base which was reflected in the increasing number of subscribers.

To maintain competitiveness, apart from striving to lower operating costs, the Group has also kept expanding its sales channels and dealerships. Furthermore, by strengthening cross-border mobile services and continuous launch of value-added services, such as, new monthly plans incorporated with new services (e.g. push e-mail and real-time stock quote service) and stepping into high-end customer group, the Group has created more sources of profit.

Distribution and Retail Chain

Turnover of the segment was HK$113,417,000, a slight decrease when compared with the previous year and gross profit margin was 29.5%. Despite pressure from direct costs and increasing rental expenses, the business was able to deliver steady performance as the result of increased sales of handsets or components, an expanded mid-income customer base braced by the energetic and youthful image of the Group's retail outlets and cost-efficiency enhancement measures. Such measures include the strengthening of dealership network, establishing new corporate image to appeal middle-income customers by renovation of retail shops, promoting varieties of products and services, improving service and staff qualities, enhancing staff knowledge on products and the restructuring of support team for new product development. An operating loss of HK$10,239,000, however, was suffered because of management expenses incurred by the outlets.

Heeding the trend in the telecommunications market, the Group has redirected its development focus onto hardware sales supported by the "CM Concept" retail chain. CM Concept is a one-stop-shop sales platform for telecommunications products and services and also a specialty shop for cross-border communications between Mainland China and Hong Kong. To date, there are altogether 22 retail shops selling products and services including handsets (cellular phone and fittings), calling cards, subscription services and other value-added services. With the support of a well-equipped call centre, the business could enhance its service quality to the customers so as to remain competitive. The Group was able to maintain steady growth of its China IDD calling cards business accounting currently for 65% of the calling card market in Hong Kong with the support of a network of over 1,000 distributors.

To build up further its strength in the market, the Group will continue to take measures in improving the product knowledge and skills of its sales personnel, enabling them to offer quality service. Moreover, it will introduce new brands and models of existing products.

Other Businesses

During the year, the Group carried on with its traditional businesses as well as exploration of new telecommunications businesses, such as trunked radio services and Next Generation Network services. Both trunked radio services and Next Generation Network services maintained stable performance during the year.

PROSPECTS

As the challenges and difficult business environment is expected to prevail, to broaden income sources hence strengthen its revenue base has become the Group's strategic focus. In addition, the Group will continue to implement cost control measures and margin management, as well as to allocate resources to effect healthy development of its businesses. To cope with the ever-changing market, the Group will also strive to explore investment opportunities and seek to introduce strategic partners or investors, so as to diversify its businesses as well as to further enhance its performance and realise the full potential of its existing businesses.

FINANCIAL POSITION

As at 31 March 2008, the Group's bank balances and cash amounted to approximately HK$36,949,000 *(2007: HK$21,707,000)*. Total borrowings and obligations under finance leases amounted to approximately HK$64,804,000 *(2007: HK$68,867,000)*. The Group's bank loans are repayable monthly and the last monthly installment will be in June 2022. The gearing ratio of total borrowings as a percentage of the total capital and reserves attributable to equity holders of the Company was 31% *(2007: 42%)*.

As at 31 March 2008, the Group had aggregate banking facilities of approximately HK$97,712,000 (excluding property mortgage loans), of which HK$73,674,000 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 year.

In January 2008, the Company raised proceeds of HK$1,000,000 by issuing 460,000,000 units of unlisted warrants to Oncentury Limited ("Oncentury"), an independent third party. Additional amount of HK$158,700,000 will be raised assuming the subscription rights attaching to the warrants being fully exercised at the initial subscription price of HK$0.345 per new share. The net proceeds from the issue of unlisted warrants have been retained for general working capital purpose.

It is anticipated that the Group's bank balances and cash, as at 31 March 2008, together with the unutilised banking facilities, 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.

SHARE CAPITAL

Pursuant to a subscription agreement entered into between the Company and Oncentury on 10 January 2008, the Company has issued 460,000,000 units of unlisted warrants to Oncentury entitling the warrantholder thereof the rights to subscribe for up to 460,000,000 new shares of the Company at the initial subscription price of HK$0.345 per new share at any time during a period of 24 months commencing from 23 January 2008, details of which are disclosed in the announcement of the Company dated 14 January 2008. As at 31 March 2008, no subscription right was exercised by the warrantholder.

As at 31 March 2008, the Company had 2,350,475,573 shares in issue with total shareholders' fund of the Group amounting to approximately HK$212,442,000.

CONTINGENT LIABILITIES

As at 31 March 2008, the Group had contingent liabilities amounting to approximately HK$27,796,000 *(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 31 March 2008, the Group's leasehold building, premium for land lease and investment properties with aggregate carrying value of approximately HK$273,496,000 *(2007: HK$174,620,000)* were pledged as security for banking facilities.

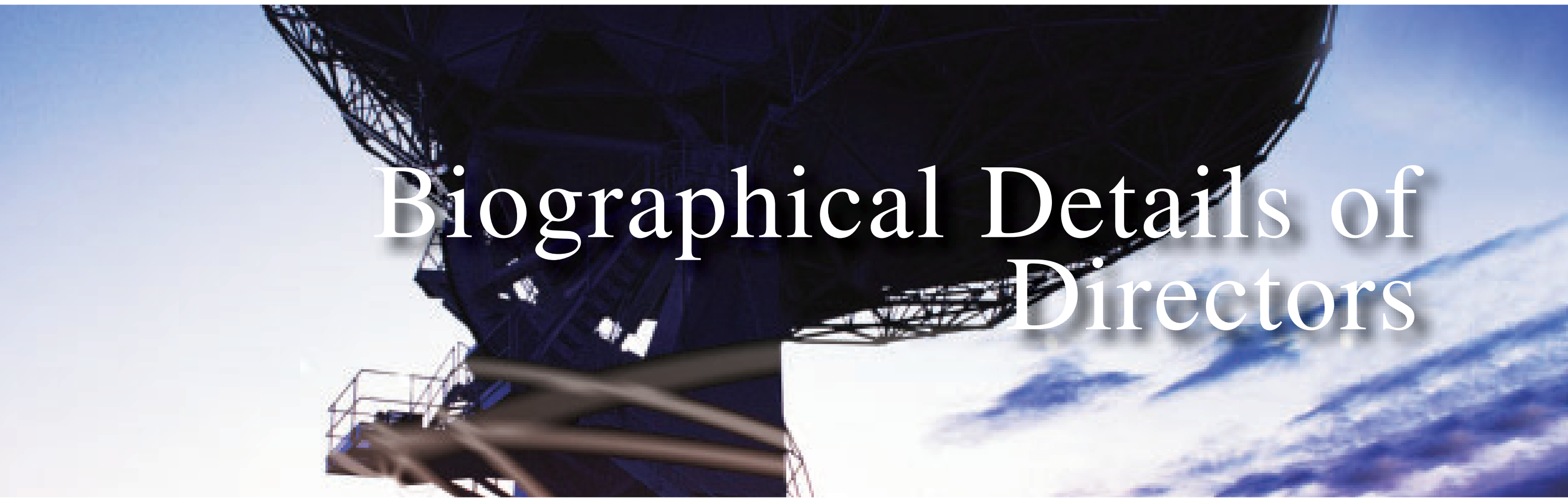
EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES

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 continue to monitor its foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2008, the Group had 330 full-time staff. Total staff costs (including directors' emoluments) incurred for the year amounted to approximately HK$78,340,000 *(2007: HK$73,373,000)*. 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 other benefits to its staff, including discretionary bonus, training allowance and provident fund.

Biographical Details of Directors



Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Ting Pang Wan, Raymond, aged 35, 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 13 years of experience in property development and investments in the People's Republic of China ("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 Economics and International Relation in Beloit College in the United States of America from 1992 to 1994. He is responsible for the business development and overall strategic planning of the Group.

Mr. Wu Chi Chiu, aged 45, 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 and equity investment market. He has over 12 years of experience in the field of property investment and development in Hong Kong and securities investment in local equity market. He currently is an independent non-executive director of Magnesium Resources Corporation of China Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 52, 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 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. Ms. Fan had been an executive director of China Chief Cable TV Group Limited, a company listed on the Growth Enterprise Market of 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.

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Chi Ho, William, aged 42, 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 19 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 Paul Y. Engineering Group Limited (formerly known as Skynet (International Group) Holdings Limited), a company listed on the Main Board of the Stock Exchange. Mr. Lo currently is the chief executive officer and an executive director of Sino Gas Group Limited, and an independent non-executive director of Magnesium Resources Corporation of China Limited, both companies listed on the Main Board of the Stock Exchange and is also an independent non-executive director of China Spacesat Co., Ltd., an A-Share company listed on the Shanghai Stock Exchange in the PRC. Mr. Lo holds an honour Bachelor degree in Chemical Engineering and Fuel Technology from Sheffield University in the United Kingdom. He has obtained Chartered Accountant qualification in the United Kingdom and is a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. Huang An Guo, aged 54, 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 experience in the advertising industry. He is an experienced project coordinator in the field of public relation for media business. Mr. Huang 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 33, 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 12 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. Ms. Wong 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 2008.

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 9 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2008 are set out in the consolidated income statement on page 38.

The Board does not recommend the payment of any dividend for the year ended 31 March 2008 *(2007: Nil)*.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 33 to the financial statements.

DONATION

Charitable and other donations made by the Group during the year amounted to HK$419,000.

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 2008.

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 16 and 17 to the financial statements respectively.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of the movements in share capital, share options and warrants of the Company during the year are set out in notes 30, 31 and 32 to the financial statements respectively.

Directors' Report

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 2008.

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*
Mr. WU Chi Chiu, *Deputy Chairman and Chief Executive Officer*
Ms. FAN Wei

Independent Non-executive Directors
Mr. LO Chi Ho, William
Mr. HUANG An Guo
Ms. WONG Fei Tat

In accordance with bye-law 86(1) of the Bye-laws of the Company, Mr. Lo Chi Ho, William and Mr. Huang An Guo shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves 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 the 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

Saved as disclosed under the section of "CONNECTED TRANSACTIONS" described hereunder, 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 2008, 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 Companies (the "Model Code") in the Listing Rules, to be notified to the Company and the Stock Exchange:

(a) Interests in shares of the Company

Name of director	No. of ordinary shares held	Nature of Interest	Position	Approximate shareholding percentage
Mr. TING Pang Wan, Raymond	1,555,000,000	Corporate *(Note)*	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.

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 31 March 2008, there were no share options granted to the directors of the Company outstanding 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 31 March 2008, 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 2008, 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 shareholders	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 31 March 2008, 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. 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 31 March 2008, there were no share options outstanding under the scheme.

(b) 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.

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

Grantee	Outstanding as at 1 April 2007	Granted during the year	Lapsed during the year	Outstanding as at 31 March 2008	Date of grant	Exercise period	Exercise price per share	Share price on date of grant *(Note 1)*	Share price on date of exercise
	Number of share options						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
	8,887,586	–	(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 the 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 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 year, no share options were granted, exercised or cancelled under the share option schemes of the Company and were outstanding as at 31 March 2008.

SHARE OPTION SCHEMES (continued)

Summary of the New Share Option Scheme is as follows:

1) Purpose

The purpose of the scheme is to recognise and acknowledge the contributions or potential contributions made or to be made by the qualified persons to the Group, to motivate the qualified persons to optimise their performance and efficiency for the benefit of the Group, and to maintain or attract business relationship with the qualified persons whose contributions are or may be beneficial to the growth of the Group.

2) Participants

The Board may at its discretion grant options to the following qualified persons:

(a) any part-time or full-time employee or officer of any member of the Group or any affiliate (as defined under the scheme) 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 (as defined under the scheme); 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.

3) Total number of shares available for issue

The maximum number of shares in respect of which options may be granted under the scheme and any other schemes of the Company (excluding options lapsed under the schemes) shall not in aggregate exceed 10% of total number of shares in issue as at the adoption date of the scheme, i.e. 52,547,557 shares.

As at 31 March 2008, the total number of shares available for issue under the scheme and any other schemes of the Company was 50,127,557 shares, representing 2.13% of the existing issued share capital of the Company.

4) **Maximum entitlement of each participant**

The total number of shares issued and to be issued upon exercise of options granted to each qualified person (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares then in issue unless separately approved by shareholders in general meeting in the manner as prescribed in the Listing Rules.

Any grant of options to a director, chief executive or substantial shareholder of the Company or to any of their respective associates must be approved by independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee of such options). In addition, any grant of options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates which will result in the shares issued or to be issued more than 0.1% of the total issued shares and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HK$5,000,000 within any 12-month period is subject to approval by the shareholders of the Company in general meeting.

5) **Option period**

The period during which an option may be exercised in accordance with the terms of the scheme 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.

6) **Minimum period for which an option must be held before it can vest**

Subject to the terms of offer letter, 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 remittance of HK$1.00 to be paid as consideration for the grant of an option within 21 days from the date on which the option is offered.

SHARE OPTION SCHEMES (continued)

8) Subscription price

The subscription price in relation to each option shall be a price notified by the Board to the respective qualified person at the time of the grant. Such price shall be the highest of

(a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet 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 quotations 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 be valid and effective for a period of 10 years commencing from the adoption date of the scheme, i.e. 6 September 2002.

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

(a) The Company and Asia Castle Development Limited (the "Vendor") entered into a share purchase agreement dated 14 August 2007 (as amended by the supplemental agreement dated 19 September 2007), pursuant to which, 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 company in Vietnam, 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 of shares of the Company and by the issue of the promissory note. The said agreements constituted a very substantial acquisition and a connected transaction, by reason of the proposed nomination of three directors to the Board by the Vendor, of the Company pursuant to the Listing Rules. However, the Company and the Vendor subsequently entered into a deed of termination on 4 December 2007 whereby the Company and the Vendor agreed to terminate the said agreements with immediate effect so that it shall become null and void and cease to have any further effect. The directors confirmed that they did not expect that the termination of the said agreements would have any material adverse impact on the business and operation, or financial and trading position of the Group.

(b) The Company and Marvel Bonus, the controlling shareholder holding approximately 66.16% of the then existing issued share capital of the Company and a company beneficially owned as to 50% by an associate of a director of the Company, entered into a sale and purchase agreement dated 14 August 2007 regarding the proposed disposal of certain group companies engaging in non-core lines of business to Marvel Bonus for a total consideration of HK$9,600,000 in cash. The said agreement constituted a connected transaction of the Company pursuant to the Listing Rules. However, the Company and Marvel Bonus subsequently entered into a deed of termination and release on 19 September 2007 whereby the Company and Marvel Bonus agreed to terminate the said agreement and the Company shall be released from all accrued and further obligations and liabilities under the agreement.

(c) Certain related party transactions as disclosed in note 35 to the financial statements also constituted exempt continuing connected transactions of the Company which were not subject to announcement and reporting requirements pursuant to the Listing Rules. However, the directors, including independent non-executive directors, of the Company have reviewed and confirmed that the transactions have been entered into by the Group:

(i) in the ordinary and usual course of business of the Group;
(ii) on normal commercial terms or on terms no less favourable to the Group than the terms available to or 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.

The auditors of the Company have reviewed the continuing connected transactions incurred during the year and confirmed that:

(i) the transactions had received the approval of the Board;
(ii) the transactions had been entered into in accordance with the relevant agreements governing the transactions; and
(iii) the aggregate values of each transaction had not exceeded the limit of the applicable percentage ratios and the de minimis amount of HK$1,000,000 as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 March 2008 attributable to the Group's major customers and suppliers are as follows:

Sales	
The largest customer	10%
Five largest customers combined	24%
Purchases	
The largest supplier	21%
Five largest suppliers combined	46%

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 2008 have been reviewed by the Audit Committee and agreed by the Group's external auditors.

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.

SUBSEQUENT EVENT

The Group entered into a sale and purchase agreement on 27 March 2008 to dispose the properties in Beijing with net carrying value of HK$5,315,000 as at 31 March 2008 for consideration of RMB4,765,600 (equivalent to approximately HK$5,315,000). As at the date of the report, the transfer of title is still in progress.

AUDITORS

PricewaterhouseCoopers had acted as auditors of the Company for the year ended 31 March 2005 and Moores Rowland Mazars for the year ended 31 March 2006. The financial statements for the year ended 31 March 2007 and 2008 had been audited by Mazars CPA Limited. 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, 7 July 2008

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 various procedures and documentation which are detailed in this report.

STATEMENT OF COMPLIANCE

In the opinion of the Board, the Company has applied the principles in and has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules during the year ended 31 March 2008, except that Mr. Ting Pang Wan, Raymond, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 17 August 2007 due to other business commitments.

DIRECTORS' SECURITIES TRANSACTIONS

On 20 July 2005, the Company 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. 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 set out in the Code and the Model Code regarding directors' securities transactions during the year.

THE BOARD

During the year and as at the date of this report, the Board comprised the following six directors, three of whom were independent non-executive directors:

Executive Directors:	Mr. TING Pang Wan, Raymond *(Chairman)*
	Mr. WU Chi Chiu *(Deputy Chairman and Chief Executive Officer)*
	Ms. FAN Wei
Independent Non-executive Directors:	Mr. LO Chi Ho, William
	Mr. HUANG An Guo
	Ms. WONG Fei Tat

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, there were three 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 Board 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.

THE BOARD (continued)

To the best knowledge of the directors, 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. Matters reserved for the Board to consider are mainly the overall strategy of the Group, annual and interim results, major acquisitions and disposals, major capital investments, material contracts and transactions, appointment of directors as well as other significant operational and financial matters. In addition, the Board has also established Board committees and has delegated to these committees various responsibilities set out in their respective terms of reference.

The Board held five full Board meetings, four of which were the regular ones held at approximately quarterly intervals, during the year ended 31 March 2008. The attendance of each director is set out as follows:

	Number of meetings attended/ Eligible to attend
Mr. TING Pang Wan, Raymond	5/5
Mr. WU Chi Chiu	5/5
Ms. FAN Wei	5/5
Mr. LO Chi Ho, William	5/5
Mr. HUANG An Guo	3/5
Ms. WONG Fei Tat	5/5

There were ten additional Board meetings held and attended by certain executive directors for normal course of business and for matters under the authorisation by the full Board 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 businesses transacted at the Board meetings and by written resolutions were well-documented. Minutes of the Board meetings and written resolutions 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 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. All 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.

The main duties of the Remuneration Committee are to formulate and review the Group's remuneration policy and structure for the remuneration of the directors and senior management and to administer and oversee share option schemes of the Company. 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 Board adopted a remuneration policy 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. Details of directors' and senior management's emoluments for the year ended 31 March 2008 are disclosed in note 12 to the financial statements.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

The Remuneration Committee held three meetings during the year ended 31 March 2008. 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	1/3
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 of written resolutions 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.

Nomination Committee

The Board has established a Nomination Committee since 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 Board adopted a nomination policy in June 2007 to provide guidelines for effective functioning in the course of director's 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.

The Nomination Committee held one meeting during the year ended 31 March 2008. The attendance of each member is set out as follows:

	Number of meetings attended/ Eligible to attend
Mr. WU Chi Chiu *(Chairman)*	1/1
Mr. LO Chi Ho, William	1/1
Mr. HUANG An Guo	0/1

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;
(c) To assess the independence of the independent non-executive directors; and
(d) To evaluate the performance of the Board.

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 Audit Committee are to review and monitor the financial reporting, to review the Company's financial and internal control, accounting policies 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 2008. 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	0/2
Ms. WONG Fei Tat	2/2

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

BOARD COMMITTEES (continued)

Audit Committee (continued)

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 2007 and the interim results for six months ended 30 September 2007 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 effectiveness of internal control system of the Group;

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

(e) To review the connected transactions incurred during the year ended 31 March 2007 and six months ended 30 September 2007.

AUDITORS' REMUNERATION

For the year ended 31 March 2008, 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$2,343,000 and HK$634,000 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 2008 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. The directors consider that they have selected suitable accounting policies and applied them consistently, and made judgements and estimates that are prudent and prepared the accounts on the going concern basis after taking into account the factors as stated in note 2 to the financial statements.

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 2008 is set out in the independent auditors' report on pages 36 and 37.

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 Audit Committee is responsible for reviewing the effectiveness of the internal control system of the Group and reporting to the Board.

The Group has established an internal control system over accounting and finance; operational; regulation and compliance; information technology; human resources and administration for safeguarding the Company's assets against unauthorised use or misappropriation, maintaining proper accounting records, and ensuring the reliability of financial information.

The internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage, but not to eliminate, risks of failure in achieving the Group's objectives. The processes to identify and manage key risks to the achievement of the Group's strategic objectives are an integral part of the internal control environment. Such processes include strategic planning, proper segregation of duties and functions of the respective operational departments of the Group, the regular monitoring and reviewing of performance, and control over capital expenditure.

The Board has conducted an annual review of the effectiveness of its internal control system covering all material controls, including financial, operational and compliance as well as risk management. Besides, the Group has also engaged Mazars CPA Limited (the "External Auditors") to conduct review and make recommendations for the improvement and strengthening of the internal control system.

The review by the External Auditors is conducted with reference to the principles outlined in Internal Control and Risk Management – A Basic Framework issued by the Hong Kong Institute of Certified Public Accountants. The assessment covers the major internal controls and measures, including financial, operational and compliance as well as risk management. Any material non-compliance or failures in internal controls maintained by the Group's management and relevant recommendations for improvements are reported to the Audit Committee.

Based on the evaluations made by External Auditors, the Audit Committee was satisfied with the effectiveness of the Group's current internal control system in place. The Board will continue to improve such systems to comply with regulatory requirements and to enhance corporate governance.

By order of the Board

Wu Chi Chiu
Director

Hong Kong, 7 July 2008

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 consolidated financial statements of China Motion Telecom International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 94, which comprise the consolidated and the Company's balance sheets as at 31 March 2008, 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, in accordance with section 90 of the Companies Act 1981 of Bermuda, 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 policies 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.

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 2008 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$56,941,000. The validity of the going concern basis depends on the Group's future continuing 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
7 July 2008

Chan Wai Man
Practising Certificate number: P02487

Consolidated Income Statement

Year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	7	659,240	649,605
Cost of sales and services		(514,309)	(505,398)
Gross profit		144,931	144,207
Other revenue	7	10,188	13,845
Other net income	8	31,390	71,240
Distribution costs		(5,063)	(3,860)
Administrative expenses		(137,520)	(148,270)
Finance costs	10	(3,916)	(5,403)
Profit before taxation	11	40,010	71,759
Taxation	13	1,456	75
Profit for the year		41,466	71,834
Attributable to:			
Equity holders of the Company	14, 33(a)	41,416	71,888
Minority interests	33(a)	50	(54)
		41,466	71,834
Dividend		–	–
Earnings per share	15		
Basic		1.76 HK cents	5.30 HK cents
Diluted		N/A	N/A

Balance Sheets

As at 31 March 2008

	Note	Group 2008 HK$'000	Group 2007 HK$'000	Company 2008 HK$'000	Company 2007 HK$'000
ASSETS AND LIABILITIES					
Non-current assets					
Investment properties	16	204,814	187,730	–	–
Property, plant and equipment	17	35,722	26,930	445	–
Interests in subsidiaries	18	–	–	197,403	79,859
Interests in associates	19	–	–	–	–
Premium for land lease	20	65,952	65,106	–	–
Other non-current assets	21	3,915	3,739	–	–
Intangible assets	22	1,899	3,480	–	–
		312,302	286,985	197,848	79,859
Current assets					
Inventories	23	6,801	6,599	–	–
Trade and other receivables	24	98,884	83,905	103	–
Pledged bank deposits		748	1,408	–	–
Bank balances and cash	25	36,949	21,707	702	1,731
		143,382	113,619	805	1,731
Current liabilities					
Trade and other payables	26	167,529	154,328	558	1,025
Borrowings due within one year	27	28,498	44,140	–	–
Obligations under finance leases	28	483	639	–	–
Taxation		3,813	5,232	–	–
		200,323	204,339	558	1,025
Net current (liabilities) assets		(56,941)	(90,720)	247	706
Total assets less current liabilities		255,361	196,265	198,095	80,565
Non-current liabilities					
Borrowings due after one year	27	35,372	23,325	–	–
Obligations under finance leases	28	451	763	–	–
		35,823	24,088	–	–
NET ASSETS		219,538	172,177	198,095	80,565

Balance Sheets

As at 31 March 2008

		Group		Company	
	Note	**2008** **HK$'000**	2007 HK$'000	**2008** **HK$'000**	2007 HK$'000
CAPITAL AND RESERVES					
Issued capital	30	**23,505**	23,505	**23,505**	23,505
Reserves	33	**188,937**	141,897	**174,590**	57,060
Total capital and reserves attributable to equity holders of the Company		**212,442**	165,402	**198,095**	80,565
Minority interests	33	**7,096**	6,775	**–**	–
TOTAL EQUITY		**219,538**	172,177	**198,095**	80,565

Approved and authorised for issue by the Board of Directors on 7 July 2008

TING Pang Wan, Raymond
Director

WU Chi Chiu
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Total equity at 1 April		172,177	52,660
Issue of shares, including share premium		–	38,592
Issue of warrants		1,000	–
		173,177	91,252
Net gain recognised directly in equity			
Exchange reserve	33(a)	4,895	(203)
Properties revaluation reserve	33(a)	–	9,294
		4,895	9,091
Profit for the year	33(a)	41,466	71,834
Total recognised profit for the year		46,361	80,925
Total equity at 31 March		219,538	172,177
Total recognised profit for the year			
Attributable to			
Equity holders of the Company		46,040	80,979
Minority interests		321	(54)
		46,361	80,925

Consolidated Cash Flow Statement

Year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES			
Cash generated from (used in) operations	34	33,848	(28,755)
Interest received		460	455
Finance charges on obligations under finance leases		(98)	(100)
Income tax paid		–	(939)
Interest paid		(3,818)	(5,303)
Net cash from (used in) operating activities		30,392	(34,642)
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		171	1,164
Net proceeds from disposal of an investment property/ premium for land lease and buildings		5,092	2,371
Purchase of property, plant and equipment		(18,010)	(7,271)
Net cash used in investing activities		(12,747)	(3,736)
FINANCING ACTIVITIES			
New bank borrowings		46,290	112,255
Repayment of bank borrowings		(40,107)	(134,225)
Repayment of obligations under finance leases		(868)	(2,268)
Additions of obligations under finance leases		400	–
Placement of shares		–	4,665
Proceeds from issue of share capital		–	36,000
Proceeds from issue of warrants		1,000	–
Payment of transaction costs on issue of share capital		–	(2,074)
Decrease in pledged bank deposits		660	752
Net cash from financing activities		7,375	15,105
Net increase (decrease) in cash and cash equivalents		25,020	(23,273)
Cash and cash equivalents at beginning of year		11,929	35,202
Cash and cash equivalents at end of year	25	36,949	11,929

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 listed on The Stock Exchange of Hong Kong Limited. The directors regard the ultimate holding company as at 31 March 2008 to be Marvel Bonus Holdings Limited, a company incorporated in the British Virgin Islands. The address of the Company's 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$56,941,000 *(2007: HK$90,720,000)* at the balance sheet date as well as commitments that are payable in the next twelve months as stated in note 36 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

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 Hong Kong Institute of Certified Public Accountants ("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 of Hong Kong Limited.

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 HKICPA that are relevant to its operations and effective for accounting periods beginning on or after 1 April 2007. A summary of the new HKFRSs is set out below:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures

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 (Revised)	Presentation of Financial Statements *(note a)*
HKAS 23 (Revised)	Borrowing Costs *(note a)*
HKAS 27 (Revised)	Consolidated and Separate Financial Statements *(note b)*
HKFRS 3 (Revised)	Business Combinations *(note b)*
HKFRS 8	Operating Segments *(note a)*

Notes:

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

b. Effective for annual periods beginning on or after 1 July 2009.

4. PRINCIPAL ACCOUNTING POLICIES

Basic 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, transactions, income and expenses and profits and losses resulting 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 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.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, 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.

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 have each acted knowledgeably, prudently and without compulsion.

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 is up-front payment to acquire fixed term interests in lessee-occupied land. The premium is stated at cost and is 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.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

Associates (continued)

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 interest in the associate, as the Group has no obligations in respect of the associate. For this purpose, the Group's interest 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.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest 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 interest 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 consolidated income statement.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Financial assets and financial liabilities are measured as follows:

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.

Financial liabilities

The Group's financial liabilities include other payables, bank loans and other borrowings and obligations under finance leases. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 assets, 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 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.

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 the consolidated 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.

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 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, interests in associates, intangible assets, other non-current 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.

Rentals 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.

Long service payment

The Group's net obligation in respect of long service payment under the Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and discounted to its present value and after deducting the fair value of any related assets, including those retirement scheme benefit.

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.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

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.

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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Useful lives and impairment of property, plant and equipment (continued)

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. RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial Risk Management

The Group's major financial instruments include borrowings, trade receivables, trade payables, cash and cash equivalents. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign exchange risk

The Group operates mainly in the People's Republic of China (the "PRC"), Hong Kong and the North America region and majority of transactions are dominated in United States dollars ("US$"), HK$ and Renminbi ("RMB"). Therefore, the Group is exposed to foreign exchange risk arising from these currency exposures. Hong Kong dollars are pegged to the United States dollars and the foreign exchange exposure between them are considered limited. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group is exposed to foreign exchange risk in respect of exchange fluctuation of HK$ against RMB. At 31 March 2008, if RMB had weakened/strengthened by 10% against HK$, the impact on the Group's results is not significant. The Group currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(ii) *Cash flow and fair value interest rate risk*

The Group's exposure to changes in interest rates is mainly attributable to its bank deposits and borrowings. Bank borrowings at variable rates expose the Group to fair value interest rate risk (see note 27 for details of these borrowings). The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

As at 31 March 2008 and 2007, a reasonably possible change of 100 basis-points interest rates on borrowings would have no material impact on the Group's results for the year and equity as at the balance sheet date.

Credit risk

As at 31 March 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the conterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the management has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Group's credits risk is primarily attributable to trade or other receivables. The Group has no significant concentrations of credit risk. The exposures to these credit risks are monitored on an ongoing basis.

Liquidity risk

The Group manages liquidity risk by maintaining adequate bank deposits and cash, monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The liquidity risk is under continuous monitoring by management. Reports with maturity dates of bank borrowings and thus the liquidity requirement are provided to management for review periodically. Management will raise or refinance bank borrowings whenever necessary.

6. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Financial Risk Management (continued)

Liquidity risk (continued)

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are based on the contractual undiscounted payments, were as follows:

	At 31 March 2008				
	Within 1 year or on demand HK$'000	More than 1 year but within 2 years HK$'000	More than 2 years but within 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Non-derivative financial liabilities					
Bank borrowings					
– Current	28,498	–	–	–	28,498
– Non-current	–	5,372	17,168	12,832	35,372
Obligations under finance leases	483	334	117	–	934
Trade payables	126,148	–	–	–	126,148
Deposits received, accruals and other payable	38,831	2,550	–	–	41,381
Total	193,960	8,256	17,285	12,832	232,333

	At 31 March 2007				
	Within 1 year or on demand HK$'000	More than 1 year but within 2 years HK$'000	More than 2 years but within 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Non-derivative financial liabilities					
Bank borrowings					
– Current	44,140	–	–	–	44,140
– Non-current	–	3,970	13,440	5,915	23,325
Obligations under finance leases	623	508	271	–	1,402
Trade payables	116,495	–	–	–	116,495
Deposits received, accruals and other payable	35,283	2,550	–	–	37,833
Total	196,541	7,028	13,711	5,915	223,195

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

The carrying value of trade receivables (net of impairment provision) and payables are a reasonable approximate of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

6. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debts which include bank borrowings, cash and cash equivalents, and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained profits.

The directors of the Company review the capital structure on an annual basis. As a part of this review, the directors of the Company consider the cost of capital and other sources of funds.

The Group aimed at maintaining the following debt to equity ratios of not more than 50%. The debt to equity ratios as at 31 March 2008 and 2007 are as follows:

	2008 HK$'000	2007 HK$'000
Total debt *(note a)*	64,804	68,867
Less: bank balances and cash	(36,949)	(21,707)
Net debt	27,855	47,160
Equity *(note b)*	212,442	165,402
Net debt to equity ratio	13%	28%
Total debt to equity ratio	31%	42%

Notes:

(a) Debt comprises current and non-current borrowings and obligations under financial leases as detailed in notes 27 and 28 respectively.

(b) Equity includes all capital and reserves of the Group.

7. 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:

	2008 HK$'000	2007 HK$'000
International telecommunications services income	471,189	458,794
Sale of telecommunications products	52,201	43,120
Commission income	24,114	24,589
Mobile communications services income	99,450	110,616
Trunked radio services income	7,042	6,946
Repair and maintenance service income	5,244	5,540
Turnover	659,240	649,605
Rental income	7,074	4,423
Interest income	460	455
Others	2,654	8,967
Other revenue	10,188	13,845
Revenue	669,428	663,450

8. OTHER NET INCOME

	2008 HK$'000	2007 HK$'000
Change in fair value of investment properties	23,955	45,030
Provision for bad debt written back	438	22,310
Gain on disposal of an investment property/ premium for land lease and buildings	2,726	571
Gain on disposal of property, plant and equipment	–	113
Reversal of impairment loss on premium for land lease	513	1,071
Reversal of impairment loss on buildings	204	558
Reversal of impairment loss on other non-current assets	176	–
Reversal of impairment loss on property, plant and equipment	341	–
Sundry income	3,037	1,587
	31,390	71,240

9. 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

For the year ended 31 March 2008	International telecommunications services HK$'000	Mobile communications services HK$'000	Distribution and retail chain HK$'000	Others HK$'000	Inter-segment elimination HK$'000	Group HK$'000
Turnover						
Revenue from external customers	439,194	109,328	110,718	–	–	659,240
Inter-segment revenue	19,838	–	2,699	–	(22,537)	–
Segment turnover	459,032	109,328	113,417	–	(22,537)	659,240
Segment results	12,935	14,515	(10,239)	26,715	–	43,926
Unallocated operating income and expenses						–
Finance costs						(3,916)
Profit before taxation						40,010
Taxation						1,456
Profit for the year						41,466
Assets						
Segment assets	67,361	25,085	32,208	297,654		422,308
Interests in associates						–
Unallocated assets						33,376
Total assets						455,684
Liabilities						
Segment liabilities	92,152	53,641	14,863	5,467		166,123
Unallocated liabilities						70,023
Total liabilities						236,146
Other information						
Capital expenditure	13,319	1,718	949	2,024		18,010
Depreciation	6,625	2,180	2,029	1,221		12,055
Amortisation						
Premium for land lease	–	–	–	1,677		1,677
Intangible assets	–	–	1,581	–		1,581
Significant non-cash expenses (other than depreciation and amortisation)						
Business segment	1,615	722	(166)	407		2,578
Unallocated items						–

9. SEGMENT INFORMATION (continued)

Primary reporting format – Business segments (continued)

For the year ended 31 March 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)
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

Secondary reporting format – Geographical segments

	Turnover HK$'000	Segment results HK$'000	Total assets HK$'000	Capital expenditure HK$'000
For the year ended 31 March 2008				
PRC	5,244	(2,340)	5,742	484
Hong Kong	335,032	38,991	406,234	14,446
Other Asia Pacific regions	67,997	(4,096)	15,645	443
North America and the United Kingdom	250,967	11,371	28,063	2,637
	659,240	43,926	455,684	18,010
For the year ended 31 March 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

10. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on bank and other borrowings		
Wholly repayable within five years	1,876	3,836
Not wholly repayable within five years	1,942	1,467
Finance charges on obligations under finance leases	98	100
	3,916	5,403

11. PROFIT BEFORE TAXATION

This is stated after charging (crediting):	2008 HK$'000	2007 HK$'000
Staff costs (include directors' emoluments)		
Salaries, wages and other benefits	76,099	71,636
Contributions to defined contribution plans	2,241	1,737
	78,340	73,373
Auditors' remuneration		
Current year	2,343	2,000
Underprovision in prior years	–	425
	2,343	2,425
Write off of interests in an associate	–	1,500
Impairment loss on intangible assets	–	1,000
Cost of inventories	47,865	40,782
Depreciation	12,055	17,811
Amortisation		
Premium for land lease	1,677	1,954
Intangible assets	1,581	263
Operating lease charges		
Telecommunications equipment	31,327	33,089
Premises	27,487	19,433
Provision for doubtful trade and other receivables	2,044	3,437
Provision of inventories write-down	102	218
Rentals income from investment properties less direct outgoings of HK$3,000 *(2007: HK$930,000)*	(7,072)	(3,493)
Loss on disposal of property, plant and equipment	346	292

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

2008	Directors' fees HK$'000	Salaries, allowances and benefits in kinds HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors:				
Ting Pang Wan, Raymond	–	1,920	12	1,932
Wu Chi Chiu	–	950	12	962
Fan Wei	–	950	12	962
Non-executive directors:				
Lo Chi Ho, William*	100	–	–	100
Huang An Guo*	100	–	–	100
Wong Fei Tat*	100	–	–	100
	300	3,820	36	4,156

2007	Directors' fees HK$'000	Salaries, allowances and benefits in kinds HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors:				
Ting Pang Wan, Raymond	–	847	6	853
Wu Chi Chiu	–	611	12	623
Fan Wei	–	840	12	852
Wang Jeffrey *(note a)*	–	297	8	305
Non-executive directors:				
Hau Tung Ying *(note b)*	–	–	–	–
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

Notes: (a) Resigned on 14 November 2006

(b) Resigned on 10 April 2006

No directors have waived emoluments in respect of the years ended 31 March 2008 and 2007.

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

The five individuals whose emoluments were the highest in the Group for the year include three directors *(2007: two)* whose emoluments are reflected in the analysis presented above. Details of the emoluments of the remaining two individuals *(2007: three)* are as follows:

	2008 HK$'000	2007 HK$'000
Salaries, allowances and benefits in kinds	1,798	2,158
Discretionary bonus	70	35
Retirement scheme contributions	95	95
Inducement or compensation fees	–	211
	1,963	2,499

The emoluments were paid to individuals as follows:

Emoluments band	**Number of individuals** 2008	 2007
Nil to HK$1,000,000	1	2
HK$1,000,001 to HK$1,500,000	1	1
	2	3

13. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% *(2007: 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.

	2008 HK$'000	2007 HK$'000
Hong Kong profits tax	**97**	(75)
PRC enterprise income tax	**(1,553)**	–
Total tax credit for the year	**(1,456)**	(75)

Reconciliation of tax expense

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

	2008 HK$'000	2007 HK$'000
Profit before taxation	**40,010**	71,759
Income tax at domestic tax rates applicable to profits in the respective countries	**7,002**	12,558
Non-deductible expenses	**17,500**	17,781
Tax exempt revenue	**(21,285)**	(19,874)
Utilisation of previously unrecognised tax losses	**(4,526)**	(11,427)
Tax effect of unused tax losses not recognised	**2,527**	2,542
Over provision in prior years	**(1,553)**	(75)
Under provision in prior years	**97**	–
Unrecognised temporary differences	**486**	1,323
Utilisation of previously unrecognised temporary differences	**(1,682)**	(3,238)
Others	**(22)**	335
Tax credit for the year	**(1,456)**	(75)

The relevant applicable tax rate was 17.5% *(2007: 17.5%)*.

14. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of profit of HK$116,530,000 *(2007: loss of HK$3,598,000)*.

15. 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$41,416,000 *(2007: HK$71,888,000)* and the weighted average number of 2,350,475,573 *(2007: 1,355,201,600)* ordinary shares in issue during the year ended 31 March 2008.

Diluted earnings per share for the year ended 31 March 2008 and 2007 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.

16. INVESTMENT PROPERTIES

	Group	
	2008	2007
	HK$'000	HK$'000
At fair value		
At beginning of year	**187,730**	77,400
Transfer from premium for land lease upon change of use *(note 20)*	**1,489**	82,607
Transfer from leasehold buildings upon change of use *(note 17)*	**165**	48,993
Transfer to premium for land lease upon change of use *(note 20)*	**(4,122)**	(60,220)
Transfer to leasehold buildings upon change of use *(note 17)*	**(2,748)**	(4,280)
Disposals	**(1,655)**	(1,800)
Change in fair value	**23,955**	45,030
At balance sheet date	**204,814**	187,730

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

	Group	
	2008 HK$'000	2007 HK$'000
Land in Hong Kong:		
Medium-term lease	199,499	183,030
Land outside Hong Kong:		
Medium-term lease	5,315	4,700
	204,814	187,730

The investment properties were valued at open market value by independent, professional qualified valuers, Prudential Surveyors International Ltd, as at 31 March 2008.

The Group's investment properties with an aggregate carrying value at the balance sheet date of HK$199,499,000 *(2007: HK$115,524,000)* were pledged to secure banking facilities granted to the Group.

17. 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$'000	Total HK$'000
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 16)*	(48,993)	–	–	–	–	(48,993)
Transfer from investment properties upon change of use *(note 16)*	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
Reconciliation of carrying amount – year ended 31 March 2008						
At beginning of year	5,545	5,416	11,929	2,504	1,536	26,930
Additions	–	1,737	14,053	709	1,511	18,010
Transfer to investment properties upon change of use *(note 16)*	(165)	–	–	–	–	(165)
Transfer from investment properties upon change of use *(note 16)*	2,748	–	–	–	–	2,748
Revaluation	91	–	–	–	–	91
Impairment reversed	204	–	341	–	–	545
Disposals	(179)	(58)	(28)	(188)	(243)	(696)
Depreciation	(199)	(2,315)	(7,166)	(1,449)	(926)	(12,055)
Exchange differences	–	280	34	–	–	314
At balance sheet date	8,045	5,060	19,163	1,576	1,878	35,722

Group

	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Telecommunications equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 April 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
At 31 March 2008						
Cost	8,703	44,386	537,996	32,734	8,119	631,938
Accumulated depreciation and impairment losses	(658)	(39,326)	(518,833)	(31,158)	(6,241)	(596,216)
	8,045	5,060	19,163	1,576	1,878	35,722

The net book value of the Group's property, plant and equipment includes an amount of HK$996,000 *(2007: HK$1,533,000)* 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$8,045,000 *(2007: HK$4,507,000)* were pledged to secure banking facilities granted to the Group.

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Motor vehicle HK$'000
Reconciliation of carrying amount – year ended 31 March 2008	
Additions	509
Depreciation	(64)
At balance sheet date	445
At 31 March 2007	
Cost	–
Accumulated depreciation	–
	–
At 31 March 2008	
Cost	509
Accumulated depreciation	(64)
	445

18. INTERESTS IN SUBSIDIARIES

	Company	
	2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	113,115	113,115
Impairment loss	(113,115)	(60,045)
	–	53,070
Due from subsidiaries	1,144,881	1,138,576
Provision for doubtful debts	(904,370)	(1,078,855)
	240,511	59,721
Due to subsidiaries	(43,108)	(32,932)
	197,403	79,859

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 amount of the amounts due approximates 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.

19. INTERESTS IN ASSOCIATES

		Group	
	Note	2008 HK$'000	2007 HK$'000
Share of net assets		6,540	6,540
Impairment loss		(6,540)	(6,540)
		–	–
Goodwill on acquisition	(a)	–	–
		–	–

19. INTERESTS IN ASSOCIATES (continued)

(a) Goodwill on acquisition

	Goodwill HK$'000
Goodwill on acquisition	
At 1 April 2007 and 31 March 2008	107,045
Accumulated amortisation and impairment losses	
At 1 April 2007 and 31 March 2008	107,045
Carrying value	
At 31 March 2008	–
At 31 March 2007	–

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 an unlisted corporate entity and is not audited by Mazars CPA Limited.

Summary of financial information of associates is as follows:

	2008 HK$'000	2007 HK$'000
Non-current assets	9,800	10,444
Current assets	191,003	156,535
Non-current liabilities	–	–
Current liabilities	(173,901)	(144,346)
Revenue	56,475	41,812
Profit/ (Loss) for the year	555	(10,514)

20. PREMIUM FOR LAND LEASE

	Group	
	2008 HK$'000	2007 HK$'000
At beginning of year	65,106	82,759
Transfer to investment properties upon change of use *(note 16)*	(1,489)	(82,607)
Transfer from investment properties upon change of use *(note 16)*	4,122	60,220
Impairment loss reversed	513	1,071
Disposals	(1,446)	–
Amortisation	(1,677)	(1,954)
Revaluation	823	5,617
	65,952	65,106

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

	Group	
	2008 HK$'000	2007 HK$'000
Land in Hong Kong		
Long lease	61,445	64,712
Medium-term lease	4,507	394
	65,952	65,106

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$1,669,000 *(2007: HK$1,603,000)*.

Premium for land lease with an aggregate net book value at the balance sheet date of HK$65,952,000 *(2007: HK$54,589,000)* were pledged to secure banking facilities granted to the Group.

21. OTHER NON-CURRENT ASSETS

	Group	
	2008 HK$'000	2007 HK$'000
Club debenture	3,915	3,739
Prepayment *(note)*	–	–
Loans and receivables/ Long-term investments *(note)*	–	–
	3,915	3,739

Note:

The Group has reviewed the carrying amount of prepayment and loans and receivables/ long-term investments as at 31 March 2008 and considered that it is not materially different from the carrying amount as at 31 March 2007.

22. INTANGIBLE ASSETS

	Group HK$'000
Reconciliation of carrying amount – year ended 31 March 2007	
Additions	4,743
Impairment losses	(1,000)
Amortisation	(263)
At 31 March 2007	3,480
Reconciliation of carrying amount – year ended 31 March 2008	
At 1 April 2007	3,480
Amortisation	(1,581)
At 31 March 2008	1,899
Carrying value	
Cost	4,743
Accumulated amortisation and impairment losses	(1,263)
At 31 March 2007	3,480
Carrying value	
Cost	4,743
Accumulated amortisation and impairment losses	(2,844)
At 31 March 2008	1,899

23. INVENTORIES

	Group	
	2008 HK$'000	2007 HK$'000
Finished goods	6,801	6,599

The amount of inventories, included in above, carried at fair value less costs to sell is HK$157,000 *(2007: HK$217,000)*.

24. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Trade receivables	(a)				
Trade receivables from third parties		109,396	101,276	–	–
Allowance for doubtful debts	(b)	(49,532)	(49,914)	–	–
		59,864	51,362	–	–
Other receivables					
Deposits, prepayments and other receivables		38,079	32,489	103	–
Due from associates	(c)	941	54	–	–
		39,020	32,543	103	–
		98,884	83,905	103	–

24. 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	
	2008	2007
	HK$'000	HK$'000
0 – 30 days	**29,369**	24,386
31 – 60 days	**7,597**	7,354
61 – 90 days	**6,019**	4,255
Over 90 days	**16,879**	15,367
	59,864	51,362

(b) Allowance for doubtful debts

	Group	
	2008	2007
	HK$'000	HK$'000
Allowance for doubtful debts		
Balance at beginning of year	**49,914**	67,108
Increase in allowance	**559**	1,005
Amount recovered	**(137)**	(18,070)
Amount written off	**(804)**	(129)
	49,532	49,914

Included in the Group's trade receivables balance are debtors with a carrying amount of HK$36,461,000 *(2007: HK$35,724,000)*, which are past due at the balance sheet date for which the Group has not impaired as there has not been a significant change in credit quality and the directors believe that the amounts are considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 30 to 60 days *(2007: 30 to 60 days)*.

(c) 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.

25. CASH AND CASH EQUIVALENTS

	Group	
	2008 HK$'000	2007 HK$'000
Bank balances and cash	36,949	21,707
Bank overdrafts	–	(9,778)
	36,949	11,929

26. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Trade payables	(a)	126,148	116,495	–	–
Other payables					
Accrued charges and other creditors		25,644	25,311	558	1,025
Advance subscription fees received		8,547	6,391	–	–
Deposits received		6,340	6,011	–	–
Due to associates	(b)	850	120	–	–
		41,381	37,833	558	1,025
		167,529	154,328	558	1,025

26. TRADE AND OTHER PAYABLES (continued)

(a) Trade payables

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

	Group	
	2008 HK$'000	2007 HK$'000
0 – 30 days	22,152	25,833
31 – 60 days	9,851	8,573
61 – 90 days	8,614	2,778
Over 90 days	85,531	79,311
	126,148	116,495

(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.

27. INTEREST-BEARING BORROWINGS

	Group	
	2008 HK$'000	2007 HK$'000
Bank loans, secured	63,870	57,687
Bank overdrafts, secured	–	9,778
	63,870	67,465
Portion classified as current liabilities	(28,498)	(44,140)
Non-current portion	35,372	23,325

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

	Group	
	2008	2007
	HK$'000	HK$'000
Bank loans and overdrafts:		
Within one year	**28,498**	44,140
In the second year	**5,372**	3,970
In the third to fifth years, inclusive	**17,168**	13,440
Over 5 years	**12,832**	5,915
	63,870	67,465

The effective interest rate of the bank loans at the balance sheet date is 5.33% *(2007: 6.61%)*.

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

	Group	
	2008	2007
	HK$'000	HK$'000
At floating rates		
HK$	**59,580**	66,839
US$	**4,290**	626
	63,870	67,465

28. OBLIGATIONS UNDER FINANCE LEASES

Group

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable:				
Within one year	**538**	717	**483**	639
In the second to fifth years inclusive	**482**	827	**451**	763
	1,020	1,544	**934**	1,402
Future finance charges	**(86)**	(142)	**–**	–
Present value of lease obligations	**934**	1,402	**934**	1,402

The average lease term is two years. The effective interest rate of the finance lease obligations is 8.01% *(2007: 5.22%)*.

29. DEFERRED TAXATION

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	
	2008	2007
	HK$'000	HK$'000
Deductible temporary differences	**7,932**	3,163
Tax losses	**788,773**	790,931
At the balance sheet date	**796,705**	794,094

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.

30. ISSUED CAPITAL

	2008		2007	
	No. of shares	HK$'000	No. of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.01each	78,000,000,000	780,000	78,000,000,000	780,000
Issued and fully paid:				
Ordinary shares of HK$0.01each	2,350,475,573	23,505	2,350,475,573	23,505

31. 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 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.

On 6 September 2002, the Company adopted a new share option scheme (the "New Share Option Scheme"). A summary of the New Share Option Scheme is disclosed under the section of "SHARE OPTION SCHEMES" of the Directors' Report on pages 24 to 26. No share options have ever been granted by the Company under the New Share Option Scheme since it was adopted.

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.

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.

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

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

	2008		2007	
	No. of share options	Weighted average exercise price HK$	No. of share options	Weighted average exercise price HK$
At 1 April	8,887,586	0.90	16,980,322	0.96
Lapsed	(8,887,586)	0.90	(8,092,736)	1.03
At 31 March	–	–	8,887,586	0.90

At the balance sheet date, there is no weighted average remaining contractual life of the Company's share options *(2007: 3.43 years)*. Details of the range of exercise price of these options outstanding throughout the year are set out in the Directors' Report on page 23.

32. WARRANTS

The Company entered into a subscription agreement on 10 January 2008 with an independent third party in relation to an issue of 460,000,000 units of unlisted warrants at a consideration of HK$1,000,000. The warrants will rank pari passu in all respects among themselves. Each warrant carries the rights to subscribe for one new share at an initial subscription price of HK$0.345 per new share (subject to adjustment) at any time during a period of 24 months commencing from the date of issue of the warrants. The new shares upon full exercise of the subscription rights attaching to the warrants will rank pari passu in all respects with the shares in issue on the date of issue. On 23 January 2008, the 460,000,000 units of unlisted warrants were issued by the Company. As at 31 March 2008, no subscription right was exercised by the warrantholder. The consideration for warrants has been credited to capital reserve (note 33) in this year.

33. 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$'000	Capital reserve HK$'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 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
At 1 April 2007	23,505	20,342	4,900	9,294	2,512	450	77,623	216,587	–	(189,811)	141,897	6,775	172,177
Property revaluation	–	–	–	914	–	–	–	–	–	–	914	–	914
Disposal of property	–	–	–	(914)	–	–	–	–	–	–	(914)	–	(914)
Exchange differences	–	–	–	–	4,624	–	–	–	–	–	4,624	271	4,895
Issue of warrants *(note 32)*	–	–	–	–	–	–	–	–	1,000	–	1,000	–	1,000
Profit for the year	–	–	–	–	–	–	–	–	–	41,416	41,416	50	41,466
At 31 March 2008	23,505	20,342	4,900	9,294	7,136	450	77,623	216,587	1,000	(148,395)	188,937	7,096	219,538

(b) Company

	Issued capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Total capital and reserves HK$'000
		Reserves						
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
At 1 April 2007	23,505	20,342	450	269,441	–	(233,173)	57,060	80,565
Issue of warrants	–	–	–	–	1,000	–	1,000	1,000
Profit for the year	–	–	–	–	–	116,530	116,530	116,530
At 31 March 2008	23,505	20,342	450	269,441	1,000	(116,643)	174,590	198,095

Note:

As at 31 March 2008 and 2007, 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 *(2007: HK$20,342,000)* may be distributed in the form of fully paid bonus shares.

33. CAPITAL AND RESERVES (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.

34. CASH GENERATED FROM (USED IN) OPERATIONS

	2008 HK$'000	2007 HK$'000
Profit before taxation	40,010	71,759
Interest expenses	3,818	5,303
Finance charges on obligations under finance leases	98	100
Interest income	(460)	(455)
Depreciation	12,055	17,811
Amortisation on premium for land lease	1,677	1,954
Amortisation on intangible assets	1,581	263
Change in fair value of investment properties	(23,955)	(45,030)
Impairment loss on intangible assets	–	1,000
Provision for doubtful trade and other receivables	2,044	3,437
Provision for doubtful debts written back	(438)	(22,310)
Reversal of impairment loss on buildings	(204)	(558)
Reversal of impairment loss on premium for land lease	(513)	(1,071)
Reversal of impairment loss on other non-current assets	(176)	–
Reversal of impairment loss on property plant and equipment	(341)	–
Loss on disposal of property, plant and equipment	346	179
Gain on disposal of an investment property/ premium for land lease and buildings	(2,726)	(571)
Provision for inventories write-down	102	218
Written off of interest in an associate	–	1,500
Exchange difference arising on translation	4,618	(538)
(Increase) in inventories	(304)	(2,588)
(Increase) decrease in trade and other receivables	(16,585)	100,885
Increase (decrease) in trade and other payables	13,201	(160,043)
Cash generated from (used in) operations	33,848	(28,755)

35. 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.

	2008 HK$'000	2007 HK$'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 12	12,263	11,414
Service fee paid to:		
Minority shareholders of subsidiaries	1,467	920
Service fee income from:		
Minority shareholders of subsidiaries	(1,142)	–

36. 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:

	2008 HK$'000	2007 HK$'000
In respect of leased properties, including transmission sites:		
Within one year	11,070	14,017
In the second to fifth years inclusive	3,957	6,410
	15,027	20,427
In respect of leased lines:		
Within one year	9,915	3,599
In the second to fifth years inclusive	5,000	2,434
Over five years	3,000	3,635
	17,915	9,668

(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:

	2008 HK$'000	2007 HK$'000
Within one year	7,364	7,030
In the second to fifth years inclusive	4,352	11,716
	11,716	18,746

(c) **Other commitments**

At the balance sheet date, the Group had commitments in respect of minimum traffic payable of HK$1,173,000 *(2007: Nil)*.

37. CONTINGENT LIABILITIES

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Guarantees in respect of banking facilities of subsidiaries	–	–	238,333	251,453
Guarantees given to third parties against non-performance of contractual obligations by subsidiaries	27,796	26,980	14,950	14,150

38. POST BALANCE SHEET EVENTS

The Group entered into a sale and purchase agreement on 27 March 2008 to dispose the properties in Beijing with net carrying value of HK$5,315,000 as at 31 March 2008 for consideration of RMB4,765,600 (equivalent to approximately HK$5,315,000). At the date of approval of the financial statements, the transfer of title is still in progress.

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 each	100%	Property holding
China Motion Data System Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Property holding
China Motion Holdings Limited	British Virgin Islands	100 ordinary shares of US$1 each	100%	Investment holding
ChinaMotion NetCom (Asia) Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Provision of long distance call services
ChinaMotion NetCom (Canada) Ltd.	Canada	1 common share	100%	Provision of long distance call services
China Motion Properties Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Property holding
China Motion (Japan) Limited	Japan	200 shares of Yen50,000 each	100%	Provision of long distance call services
China Motion (Singapore) Pte. Ltd.	Singapore	100,000 shares of S$1 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 each	100%	Provision of long distance call services
China Motion Telecom (HK) Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	100%	Provision of mobile communications services

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
China Motion United Telecom Limited	Hong Kong	66,800,000 ordinary shares of HK$1 each	70%	Investment holding and provision of roaming trunked radio services
CM Concept Holdings (China) Limited	Hong Kong	100 ordinary shares of HK$1 each and 500 non-voting deferred shares of HK$10,000 each	100%	Investment holding
CM Concept (HK) Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Retail business
CM Tel (HK) Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Provision of long distance call services
CM Tel (Canada) Ltd	Canada	100 common shares of C$1 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 shares of HK$1 each	100%	Provision of long distance call services and retail business
Express Lane Investment Limited	Hong Kong	2 ordinary shares of HK$1 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

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
Jackie Industries Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Property holding
Sheen Metro Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Property holding
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 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 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 2008 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	A total of 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 The property has a total gross floor area of approximately 10,137 sq. ft. and a total saleable area of approximately 7,097 sq. ft.	Long lease	Commercial	100%
2.	Units A to D on 18th Floor, Chinabest International Centre, No. 8 Kwai On Road, Kwai Chung, New Territories	A total of 570/10000th shares in Kwai Chung Town Lot No. 442 The property has a total gross floor area of approximately 6,549 sq. ft. and a total saleable area of approximately 4,585 sq. ft.	Medium-term lease	Industrial	100%

Schedule of Principal Properties

B. INVESTMENT PROPERTIES

	Address	Lot No.	Category of the lease	Use	Percentage held by the Group
1.	20th Floor of Towers I, II and III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon	A total of 40505/728680th shares in New Kowloon Inland Lot No. 6115 The property has a total gross floor area of approximately 41,843 sq. ft. and a total saleable area of approximately 33,278 sq. ft.	Medium-term lease	Commercial	100%
2.	Car parking spaces Nos. A1 to A14 on 1P Floor, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon	A total of 14/728680th shares in New Kowloon Inland Lot No. 6115	Medium-term lease	Commercial	100%

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