



潤迅通信國際有限公司

China Motion Telecom International Limited


(Incorporated in Bermuda with limited liability)

Stock Code : 989

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08/09
INTERIM REPORT

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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

AUDITORS

Mazars CPA Limited
Certified Public Accountants

REGISTERED OFFICE

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2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Website: <http://www.chinamotion.com>

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

STOCK CODE

989

Condensed Consolidated Income Statement

For the six months ended 30 September 2008

The board of directors (the "Board") of China Motion Telecom International Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2008 together with the comparative figures as follows:

		Six months ended 30 September	
	<i>Note</i>	2008 (Unaudited) HK\$'000	2007 (Unaudited) (Restated) HK\$'000
Continuing operations			
Turnover		109,620	119,276
Cost of sales and services		(70,254)	(81,267)
Gross profit		39,366	38,009
Other revenue		4,402	4,375
Other net income		890	3,368
Distribution costs		(2,921)	(1,457)
Administrative expenses		(41,977)	(44,479)
Finance costs	4	(1,016)	(2,076)
Loss before taxation	5	(1,256)	(2,260)
Taxation	6	-	(97)
Loss for the period from continuing operations		(1,256)	(2,357)
Discontinued operations	7		
Profit from discontinued operations		209,147	16,969
Profit for the period		207,891	14,612

Condensed Consolidated Income Statement

For the six months ended 30 September 2008

		Six months ended 30 September	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) (Restated) HK\$'000
	Note		
Attributable to:			
Equity holders of the Company			
– continuing operations		(990)	(2,345)
– discontinued operations		209,147	16,969
		208,157	14,624
Minority interests			
– continuing operations		(266)	(12)
– discontinued operations		–	–
		207,891	14,612
Dividend			
	8	–	–
(Losses) Earnings per share			
From continuing operations			
– Basic	9	(0.04) HK cents	(0.10) HK cents
– Diluted		N/A	N/A
From discontinued operations			
– Basic		8.90 HK cents	0.72 HK cents
– Diluted		N/A	N/A

Condensed Consolidated Balance Sheet

As at 30 September 2008

	Note	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		204,814	204,814
Property, plant and equipment	10	17,318	35,722
Interests in associates	11	–	–
Premium for land lease		65,108	65,952
Other non-current assets	12	3,915	3,915
Intangible assets		1,108	1,899
		292,263	312,302
Current assets			
Inventories		7,704	6,801
Trade and other receivables	13	85,944	98,884
Pledged bank deposits		–	748
Bank balances and cash		215,011	36,949
		308,659	143,382
Current liabilities			
Trade and other payables	14	108,707	167,529
Borrowings due within one year	15	29,767	28,498
Obligations under finance leases	16	378	483
Taxation		1,708	3,813
		140,560	200,323
Net current assets (liabilities)		168,099	(56,941)
Total assets less current liabilities		460,362	255,361
Non-current liabilities			
Borrowings due after one year	15	32,711	35,372
Obligations under finance leases	16	279	451
		32,990	35,823
NET ASSETS		427,372	219,538
CAPITAL AND RESERVES			
Issued capital	17	23,505	23,505
Reserves		396,955	188,937
Total capital and reserves attributable to equity holders of the Company		420,460	212,442
Minority interests		6,912	7,096
TOTAL EQUITY		427,372	219,538

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2008

	Attributable to equity holders of the Company					
	Issued capital (Unaudited) HK\$'000	Non- distributable capital reserves (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Accumulated (losses) profits (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 April 2008	23,505	120,745	216,587	(148,395)	7,096	219,538
Exchange difference	-	(139)	-	-	82	(57)
Profit for the period	-	-	-	208,157	(266)	207,891
Balance at 30 September 2008	23,505	120,606	216,587	59,762	6,912	427,372
Balance at 1 April 2007	23,505	115,121	216,587	(189,811)	6,775	172,177
Property revaluation	-	914	-	-	-	914
Disposal of property	-	(914)	-	-	-	(914)
Exchange difference	-	(425)	-	-	67	(358)
Profit for the period	-	-	-	14,624	(12)	14,612
Balance at 30 September 2007	23,505	114,696	216,587	(175,187)	6,830	186,431

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2008

	Note	Six months ended 30 September	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) (Restated) HK\$'000
Continuing operations			
Net cash generated from (used in) operation activities		12,366	(21,916)
Net cash inflow from investing activities		187,436	3,194
Net cash (outflow) inflow from financing activities		(67)	21,261
Net increase in cash and cash equivalents		199,735	2,539
Discontinued operations			
(Decrease) increase in cash and cash equivalents from discontinued operations	(a)	(25,151)	13,004
Exchange realignment		–	781
Cash and cash equivalents at 1 April		36,949	11,929
Cash and cash equivalents at 30 September		211,533	28,253
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		215,011	28,253
Bank overdrafts		(3,478)	–
		211,533	28,253
Note (a):			
An analysis of the cash flows of the discontinued operations is as follows:			
Net cash (used in) generated from operating activities		(13,182)	16,869
Net cash outflow from investing activities		(13,476)	(3,767)
Net cash inflow (outflow) from financing activities		1,507	(98)
(Decrease) increase in cash and cash equivalents		(25,151)	13,004

Notes to the Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's audited financial statements for the year ended 31 March 2008.

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 (<i>Note a</i>)
HKAS 23 (Revised)	Borrowing Costs (<i>Note a</i>)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements (<i>Note b</i>)
HKFRS 3 (Revised)	Business Combinations (<i>Note b</i>)
HKFRS 8	Operating Segments (<i>Note a</i>)

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.

3. SEGMENT INFORMATION

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

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

(a) Primary reporting format – business segments

Six months ended 30 September 2008	Continuing operations					Discontinued operations		Group (Unaudited) HK\$'000
	International telecommuni- cations services (Unaudited) HK\$'000	Mobile communi- cations services (Unaudited) HK\$'000	Distribution and retail chain (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	International telecommuni- cations services (Unaudited) HK\$'000	Inter- segment elimination (Unaudited) HK\$'000	
	Turnover							
Revenue from external customers	7,398	54,118	48,104	-	109,620	224,857	-	334,477
Inter-segment revenue	-	-	1,101	-	1,101	9,878	(10,979)	-
Segment turnover	7,398	54,118	49,205	-	110,721	234,735	(10,979)	334,477
Segment results	(972)	7,144	(7,141)	729	(240)	1,090	-	850
Finance costs					(1,016)	(79)	-	(1,095)
Gain on disposal of subsidiaries					-	215,549	-	215,549
(Loss) Profit before Taxation					(1,256)	216,560	-	215,304
Taxation					-	(7,413)	-	(7,413)
(Loss) Profit for the period					(1,256)	209,147	-	207,891

Notes to the Condensed Consolidated Financial Statements

3. SEGMENT INFORMATION (continued)

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

Six months ended 30 September 2007	Continuing operations					Discontinued operations		
	International telecommuni- cations services	Mobile communi- cations services	Distribution and retail chain	Others	Total	International telecommuni- cations services	Inter- segment elimination	Group
	(Unaudited) (Restated) HK\$'000	(Unaudited) (Restated) HK\$'000	(Unaudited) (Restated) HK\$'000	(Unaudited) (Restated) HK\$'000	(Unaudited) (Restated) HK\$'000	(Unaudited) (Restated) HK\$'000	(Unaudited) (Restated) HK\$'000	(Unaudited) (Restated) HK\$'000
Turnover								
Revenue from external customers	7,495	55,208	56,573	-	119,276	205,060	-	324,336
Inter-segment revenue	-	-	1,285	-	1,285	9,893	(11,178)	-
Segment turnover	7,495	55,208	57,858	-	120,561	214,953	(11,178)	324,336
Segment results	(1,783)	9,363	(5,643)	(2,121)	(184)	16,974	-	16,790
Finance costs					(2,076)	(5)	-	(2,081)
(Loss) Profit before taxation					(2,260)	16,969	-	14,709
Taxation					(97)	-	-	(97)
(Loss) Profit for the period					(2,357)	16,969	-	14,612

(b) (i) **Secondary reporting format – the geographical segments of the Group's turnover are as follows:**

	Continuing operations		Discontinued operations		Total	
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) (Restated) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) (Restated) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) (Restated) HK\$'000
The People's Republic of China ("PRC")	1,654	2,033	-	-	1,654	2,033
Hong Kong	107,966	117,243	57,323	55,828	165,289	173,071
Other Asia Pacific regions	-	-	32,741	32,652	32,741	32,652
North America and the United Kingdom	-	-	134,793	116,580	134,793	116,580
	109,620	119,276	224,857	205,060	334,477	324,336

(ii) **Secondary reporting format – the geographical segments of the Group's results are as follows:**

	Continuing operations		Discontinued operations		Total	
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) (Restated) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) (Restated) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) (Restated) HK\$'000
PRC	(1,480)	(900)	-	-	(1,480)	(900)
Hong Kong	1,240	716	(2,661)	7,400	(1,421)	8,116
Other Asia Pacific regions	-	-	(3,703)	1,719	(3,703)	1,719
North America and the United Kingdom	-	-	7,454	7,855	7,454	7,855
	(240)	(184)	1,090	16,974	850	16,790

Notes to the Condensed Consolidated Financial Statements

4. FINANCE COSTS

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) (Restated) HK\$'000
Interest on bank and other borrowings:		
Wholly repayable within five years	746	1,021
Not wholly repayable within five years	240	1,005
Finance charges on obligations under finance leases	30	50
	1,016	2,076

5. LOSS BEFORE TAXATION

This is stated after charging (crediting):

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) (Restated) HK\$'000
Crediting:		
Write back of provision for trade receivables	(609)	(300)
Rentals income from investment properties less direct outgoings of HK\$Nil (30 September 2007: HK\$2,000)	(3,515)	(3,558)
Charging:		
Staff costs (include directors' emoluments)	23,073	25,165
Cost of inventories	18,646	25,166
Depreciation	2,912	3,769
Amortisation		
Premium for land lease	844	833
Intangible assets	791	790
Operating lease charges: minimum lease payments		
Telecommunications equipment	2,681	4,032
Premises	9,227	6,973
Allowance for doubtful trade and other receivables	126	577
Provision for inventories write-down	36	167
Loss on disposal of property, plant and equipment	249	153

6. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit arising from Hong Kong during the period. The income tax provision in respect of operations in the PRC and overseas is calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

The major components of income tax expense are:

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Continuing operations		
Current tax		
Hong Kong Profits Tax	–	97
Tax charge from continuing operations	–	97
Discontinued operations		
Current tax		
Overseas Profits Tax	7,413	–
Tax charge from discontinued operations	7,413	–
Total tax charge for the period	7,413	97

Notes to the Condensed Consolidated Financial Statements

7. DISCONTINUED OPERATIONS

On 29 August 2008, ChinaMotion NetCom Holdings Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with CITIC 1616 Holdings Limited to dispose of the entire issued share capital of ChinaMotion NetCom Limited ("CMNL"), a wholly-owned subsidiary of the Company, at a consideration of HK\$260,000,000 (subject to adjustments). The disposal was completed on 30 September 2008, on which date control of the business was passed to the acquirer. Details of the assets and liabilities disposed of are disclosed in note 18. The results of the discontinued operations for the current period up to the date of disposal and the prior period are summarised as follows:

	Note	Six months ended 30 September	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Profit for the period from discontinued operations			
Turnover		224,857	205,060
Cost of sales and services		(197,563)	(170,060)
Other revenue		290	1,061
Other net income		643	3,106
Distribution costs		(1,062)	(719)
Administrative expenses		(26,075)	(21,474)
Finance costs	(a)	(79)	(5)
Profit before taxation	(b)	1,011	16,969
Taxation		(7,413)	–
(Loss) Profit for the period from discontinued operations		(6,402)	16,969
Gain on disposal of discontinued operations		215,549	–
Profit from discontinued operations		209,147	16,969

Note:

(a) Finance costs

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest on bank and other borrowings: Wholly repayable within five years	55	–
Finance charges on obligations under finance leases	24	5
	<u>79</u>	<u>5</u>

(b) Profit before taxation

This is stated after charging (crediting):

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Crediting: Write back of provision for trade receivables	(25)	(134)
Charging: Staff costs (include directors' emoluments)	14,364	12,729
Depreciation	2,783	2,633
Operating lease charges: minimum lease payments		
Telecommunications equipment	8,927	18,178
Premises	7,184	–
Allowance for doubtful trade and other receivables	434	144
Loss on disposal of property, plant and equipment	37	62
	<u> </u>	<u> </u>

8. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2008 (2007: Nil).

Notes to the Condensed Consolidated Financial Statements

9. (LOSSES) EARNINGS PER SHARE

The calculation of basic (losses) earnings per share is based on the (loss) profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the six months ended 30 September 2008.

	Six months ended 30 September	
	2008 (Unaudited)	2007 (Unaudited) (Restated)
Weighted average number of shares in issue	2,350,475,573	2,350,475,573
Loss from continuing operations attributable to equity holders of the Company (HK\$'000)	(990)	(2,345)
Basic losses per share from continuing operations attributable to equity holders of the Company (HK cents)	(0.04)	(0.10)
Profit from discontinued operations attributable to equity holders of the Company (HK\$'000)	209,147	16,969
Basic earnings per share from discontinued operations attributable to equity holders of the Company (HK cents)	8.90	0.72
Profit attributable to equity holders of the Company (HK\$'000)	208,157	14,624
Basic earnings per share attributable to equity holders of the Company (HK cents)	8.86	0.62

Diluted earnings per share for the six months ended 30 September 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.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2008, the Group invested approximately HK\$1,418,000 (2007: HK\$5,775,000) on property, plant and equipment.

During the six months ended 30 September 2008, the Group disposed of a group of subsidiaries which held property, plant and equipment with net carrying amount of HK\$14,199,000.

11. INTERESTS IN ASSOCIATES

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Share of net assets	6,540	6,540
Impairment loss	(6,540)	(6,540)
Goodwill on acquisition	-	-
	-	-

12. OTHER NON-CURRENT ASSETS

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Club debentures	3,915	3,915
Prepayment (<i>Note</i>)	-	-
Loans and receivables/long-term investments (<i>Note</i>)	-	-
	3,915	3,915

Note: The Group has reviewed the carrying amount of the prepayment and loans and receivables/long-term investments as at 30 September 2008 and considers that it is not materially different from the carrying amount as at 31 March 2008.

Notes to the Condensed Consolidated Financial Statements

13. TRADE AND OTHER RECEIVABLES

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Trade receivables		
Trade receivables from third parties	45,359	109,396
Allowance for doubtful debts	(16,795)	(49,532)
	28,564	59,864
Other receivables		
Deposits, prepayments and other receivables	56,437	38,079
Due from associates	943	941
	57,380	39,020
	85,944	98,884

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 allowance for doubtful debts) as at the balance sheet date is as follows:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
0 – 30 days	12,038	29,369
31 – 60 days	2,848	7,597
61 – 90 days	1,549	6,019
Over 90 days	12,129	16,879
	28,564	59,864

14. TRADE AND OTHER PAYABLES

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Trade payables	38,092	126,148
Other payables		
Accrued charges and other creditors	58,359	25,644
Advance subscription fees received	8,731	8,547
Deposits received	2,778	6,340
Due to associates	747	850
	70,615	41,381
	108,707	167,529

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

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
0 – 30 days	4,936	22,152
31 – 60 days	2,558	9,851
61 – 90 days	811	8,614
Over 90 days	29,787	85,531
	38,092	126,148

Notes to the Condensed Consolidated Financial Statements

15. INTEREST-BEARING BORROWINGS

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Bank loans, secured	59,000	63,870
Bank overdrafts, secured	3,478	–
	62,478	63,870
Portion classified as current liabilities	(29,767)	(28,498)
Non-current portion	32,711	35,372

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

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Bank loans and overdrafts:		
Within one year	29,767	28,498
In the second year	5,458	5,372
In the third to fifth years, inclusive	15,806	17,168
Over 5 years	11,447	12,832
	62,478	63,870

16. OBLIGATIONS UNDER FINANCE LEASES

The minimum lease payments are as follows:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Amount payable:		
Within one year	419	538
In the second to fifth years inclusive	293	482
	712	1,020
Future finance charges	(55)	(86)
Present value of lease obligations	657	934

The present value of minimum lease payments is as follows:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Within one year	378	483
In the second year to fifth years inclusive	279	451
	657	934

Notes to the Condensed Consolidated Financial Statements

17. ISSUED CAPITAL

	30 September 2008		31 March 2008	
	Number of shares	(Unaudited) HK\$'000	Number of shares	(Audited) HK\$'000
Authorised:				
Ordinary shares				
At 30 September 2008 and at 31 March 2008 at HK\$0.01 each	78,000,000,000	780,000	78,000,000,000	780,000
Issued and fully paid:				
Ordinary shares				
At 30 September 2008 and at 31 March 2008 at HK\$0.01 each	2,350,475,573	23,505	2,350,475,573	23,505

18. DISPOSAL OF SUBSIDIARIES

Six months ended
30 September
2008
(Unaudited)
HK\$'000

Net assets disposed of:

Property, plant and equipment	14,199
Trade and other receivables	53,385
Cash and cash equivalents	12,567
Trade and other payables	(109,452)
Taxation	(286)
Borrowings due within one year	(5,839)
Reserves	227

(35,199)

Gain on disposal of subsidiaries 215,549

180,350

Satisfied by:

Net consideration received	187,945
Deferred consideration receivable	26,000
Less: Estimated adjustment on completion	(19,877)
Costs related to disposal	(13,718)

180,350

Net cash inflow arising on disposal:

Net consideration received	187,945
Less: Cash and cash equivalents disposed of	(12,567)

175,378

Notes to the Condensed Consolidated Financial Statements

19. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
(Income) Expense		
Salaries and other short-term employee benefits paid to:		
Key management personnel, including amounts paid to the Company's directors	5,884	6,058
Service fees paid to:		
A minority shareholder of subsidiaries	683	647
Service fees received from:		
A minority shareholder of subsidiaries	(40)	(154)

20. COMMITMENTS UNDER OPERATING LEASES

At 30 September 2008, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
In respect of leased properties, including transmission sites:		
Within one year	12,987	11,070
In the second to fifth years inclusive	11,166	3,957
Over five years	6,228	–
	30,381	15,027
In respect of leased lines:		
Within one year	925	9,915
In the second to fifth years inclusive	2,400	5,000
Over five years	3,000	3,000
	6,325	17,915

21. CHARGES ON ASSETS

At 30 September 2008, the Group's leasehold buildings, premium for land lease and investment properties with aggregate carrying value of approximately HK\$272,548,000 (31 March 2008: HK\$273,496,000) were pledged as security for banking facilities.

Management Discussion and Analysis

RESULTS AND OPERATIONS REVIEW

For the period under review, the Group has begun to fine tune its investment and corporate strategy to capture potential business opportunities. With the need to redeploy capital for future investment and the increasing competitiveness in the international voice business worldwide, the Group has made a strategic decision to divest the wholesale IDD and overseas calling cards business. The divestiture of this business was completed at the end of September 2008 and as a result, the Group has made a substantial gain of approximately HK\$216 million from such operation during the review period.

Despite a deteriorating global market condition and the melt down of the financial industry, the Group managed to record a slight increase in turnover to HK\$334 million, of which HK\$110 million was from the continuing operations. The overall gross profit margin was 20%, whereas for the continuing operations, it was 36%. During the period, net profit amounted to HK\$208 million, a substantial increase which largely attributed to the gain from the disposal of the discontinued operations.

Mobile Communications Services

Turnover for the whole segment decreased slightly by 2% to HK\$54 million for the period under review, accounting for 16% of the Group's total turnover. Operating profit amounted to HK\$7 million with a gross profit margin of 40%.

The Group maintains its leadership in the cross border mobile communications. The Mobile Virtual Network Operators ("MVNO"), under the "CM Mobile" brand, remains a core business and a major revenue driver for the Group. The MVNO business achieved an operating profit of HK\$9 million with a gross profit margin of 41% despite a slight decline in average revenue per subscriber as a result of implementing a one way charging mechanism in China during the period. To expand the reach to and broaden our target base, the Group has stepped up its marketing and sales effort to acquire new subscribers for its One Sim Dual Number service resulting in 26% subscriber growth when compared to the last corresponding period.

As competition continues to heat up in the mobile segment, apart from continuing to expand sales channels and dealerships, the Group will continue to strengthen its sales team to serve targeted corporate clients, implement credit measures and focus on high margin value-added services so as to protect and grow its core revenue base.

Distribution and Retail Chain

During the period, turnover from the segment decreased by 15% to HK\$49 million, accounting for 15% of the Group's total turnover. The decrease was primarily attributed to the retail chain business reflecting our focus on higher margin handsets and less on the branded lower margin products. As a result, this business segment reported a higher gross margin to 35%, but still incurred an operating loss of HK\$7 million because of the higher rental expenses associated with the retail outlets.

The 22 retail outlets, under the "CM Concept" brand, serve as a one-stop-shop platform for telecommunications products and services. The Group will continue to face pressure in this sector as retail consumption is expected to be low in this uncertain economy. As such, the Group has adopted various measures to enhance competitiveness and efficiency in its operation. Those measures included adjustment of commission policy, improvement of product knowledge of sales staff, strengthening of cooperation with major operators and handset suppliers, and sourcing of new products.

The Group's IDD pre-paid calling cards remains an undisputed leader in the outbound calling to China. Besides the retail outlets, the Group maintains a network of more than 1,000 distributors and resellers, making it one of the largest distribution networks in the territory. To build on this base, the Group will continue to enhance its offerings in the mobile prepaid and international ethnic market.

International Telecommunications Services

With the disposal of wholesale IDD and overseas calling cards business, the retail IDD business becomes the focus for the international telecommunications segment.

During the period, the turnover for the segment, including the discontinued operations, increased by 9% to HK\$242 million, of which HK\$7 million was from the remaining retail IDD services. Revenue for the retail IDD service, branded under "0050" prefix dialing code, remained relatively flat over the previous period. The discontinued segment recorded an operating profit of HK\$1 million, whereas the remaining retail IDD business had an operating loss of HK\$1 million. As at 30 September 2008, the retail IDD service segment had a total of 338,000 registered subscribers.

Management Discussion and Analysis

PROSPECTS

The world economy has been seriously hit by the recent global financial crisis and is expected to remain in the slump in the foreseeable future. That plus the challenging industry environment will continue to pose pressure on operations of the Group. As such, the Group will step up its cost control measure and will focus on developing new services to consolidate its leadership in the mobile and distribution business. In addition, the Group will continue to fine tune its business model and will actively explore different potential investment opportunities to strengthen and expand its businesses portfolio.

DISPOSAL OF WHOLESALE IDD AND OVERSEAS CALLING CARDS BUSINESS

On 29 August 2008, ChinaMotion NetCom Holdings Limited, a wholly-owned subsidiary of the Company, as vendor, entered into a sale and purchase agreement with CITIC 1616 Holdings Limited, as purchaser, to dispose of the entire issued share capital of ChinaMotion NetCom Limited (“CMNL”), a wholly-owned subsidiary of the Company and together with its subsidiaries (the “NetCom Group”) engaged in provision of wholesale IDD services and overseas calling cards services, and the net payables, representing the net amount which stood due owing from the NetCom Group to the Group (excluding the NetCom Group) as at completion, at a cash consideration of HK\$260,000,000 subject to the adjustments as set out in the said agreement (the “NetCom Disposal”). Net proceeds of approximately HK\$180,350,000 were raised for the Group from the NetCom Disposal. Details of the transaction were disclosed in the announcement dated 29 August 2008 and the circular dated 19 September 2008.

The said transaction was completed on 30 September 2008 save that transfer of 51% interests in CM Tel (USA) LLC, a member of the NetCom Group, would be deferred with deferred consideration of HK\$26,000,000 in escrow pending the approval from the relevant government authorities in the United States of America in respect of change of control. Upon completion, CMNL had ceased to be a wholly-owned subsidiary of the Company.

FINANCIAL POSITION

As at 30 September 2008, the Group's bank balances and cash amounted to approximately HK\$215,011,000 (31 March 2008: HK\$36,949,000). Total borrowings and obligations under finance leases amounted to approximately HK\$63,135,000 (31 March 2008: HK\$64,804,000). 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 15% (31 March 2008: 31%).

As at 30 September 2008, the Group had aggregate banking facilities of approximately HK\$92,000,000 (excluding property mortgage loans), of which HK\$67,522,000 were unutilised.

As a result of the completion of the NetCom Disposal, the Company raised net proceeds of approximately HK\$180,350,000 which have been retained as general working capital of the Group and to fund any potential investments available to the Group in future.

It is anticipated that the Group's bank balance and cash, as at 30 September 2008, together with the unutilised banking facilities, stable rental income and net proceeds of NetCom Disposal will be sufficient to discharge its debts and to fund its operations.

SHARE CAPITAL

As at 30 September 2008, the Company had 2,350,475,573 shares in issue with total shareholders' fund of the Group amounting to approximately HK\$420,460,000.

CONTINGENT LIABILITIES

As at 30 September 2008, the Group had contingent liabilities amounting to approximately HK\$14,000,000 and HK\$4,781,000 (31 March 2008: HK\$27,796,000 and HK\$Nil) in respect of guarantees given to third parties against non-performance of contractual obligations by subsidiaries and former subsidiaries respectively.

Management Discussion and Analysis

CHARGE ON ASSETS

As at 30 September 2008, the Group's leasehold building, premium for land lease and investment properties with aggregate carrying value of approximately HK\$272,548,000 (31 March 2008: HK\$273,496,000) 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

Following the NetCom Disposal, the Group had 171 full-time staff as at 30 September 2008. Total staff costs (including directors' emoluments) incurred by both continued and discontinued operations for the period amounted to approximately HK\$37,437,000 (2007: HK\$37,894,000). 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.

Other Information

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 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 of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which such director or chief executive was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (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 1)	Long	66.16% (Note 2)

Notes:

1. 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.
2. As a result of the completion of a placing of 470,024,427 new shares of the Company on 19 December 2008, the shareholding of Marvel Bonus in the Company was diluted from 66.16% to 55.13% on that date.

Other Information

DIRECTORS' INTERESTS IN SECURITIES (continued)

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

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

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

(c) Interests in share options of the Company

As at 30 September 2008, there were no share options granted to the directors of the Company under the share option scheme of the Company. Details of the share option scheme are set out under the section of "SHARE OPTION SCHEME" below.

All interests disclosed above represent long positions.

Save as disclosed above, as at 30 September 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 herein, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors, nor chief executive of the Company, or any of their spouses or children under the age of 18 had any interests in, or had been granted, any rights to subscribe for any securities in or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 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:

(a) Interests in shares of the Company

Name of shareholder	No. of ordinary shares held	Nature of interest	Position	Approximate shareholding percentage
Mr. YAM Tak Cheung	1,555,000,000	Corporate <i>(Notes 1 and 2)</i>	Long	66.16% <i>(Note 3)</i>
Integrated Asset	1,555,000,000	Corporate <i>(Notes 1 and 2)</i>	Long	66.16% <i>(Note 3)</i>
Shanghai Assets	1,555,000,000	Corporate <i>(Notes 1 and 2)</i>	Long	66.16% <i>(Note 3)</i>
Marvel Bonus	1,555,000,000	Beneficial owner	Long	66.16% <i>(Note 3)</i>

Other Information

SUBSTANTIAL SHAREHOLDERS (continued)

Notes:

- (1) Marvel Bonus was owned as to 50% by Integrated Asset and as to the remaining 50% by Shanghai Assets. Integrated Asset and Shanghai Assets were therefore deemed to be interested in the 1,555,000,000 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, a director of the Company, as disclosed under the section of "DIRECTORS' INTERESTS IN SECURITIES" above.
- (3) As a result of the completion of a placing of 470,024,427 new shares of the Company on 19 December 2008, the shareholding of the substantial shareholders in the Company was diluted from 66.16% to 55.13% on that date.

(b) Interests in unlisted warrants of the Company

Name of warrant holder	Units of unlisted warrants	Nature of interest	Position
Oncentury Limited	460,000,000	Beneficial owner	Long
Mr. DING Lu	460,000,000	Corporate interest	Long

The 460,000,000 units of unlisted warrants, representing 19.57% of the issued share capital of the Company as at 30 September 2008, were issued on 23 January 2008. The warrants entitle holder thereof to subscribe for 460,000,000 new shares of the Company at a subscription price of HK\$0.337 (adjusted) per new share at any time during a period of 24 months commencing from 23 January 2008.

Save as disclosed above, the Company has not been notified of any persons who, as at 30 September 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 SCHEME

On 6 September 2002, the Company adopted a share option scheme (the "Share Option Scheme"), pursuant to which the directors of the Company may at its discretion grant share options to any employee; directors (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 which, 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 Share Option Scheme since its adoption.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the auditors of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including the review of the Group's interim results for the six months ended 30 September 2008.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30 September 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has applied the principles in and complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the period, except that under code provision E.1.2, Mr. Ting Pang Wan, Raymond, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 20 August 2008 due to other business commitments.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Other Information

SUBSEQUENT EVENTS

- (a) The Group entered into a sale and purchase agreement in March 2008 to dispose of its properties in Beijing with net carrying value of HK\$5,315,000 as at 30 September 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.
- (b) Subsequent to the balance sheet date, the Group entered into a sale and purchase agreement in October 2008 to dispose of its properties with net carrying value of HK\$7,427,000 as at 30 September 2008 for consideration of HK\$11,800,000. The disposal was completed in mid-December 2008.
- (c) On 1 December 2008, the Company entered into the placing agreement with Kingston Securities Limited, as placing agent, for placing of 470,024,427 new shares of the Company, representing approximately 16.66% of the Company's issued share capital as enlarged by the placing, on a fully written basis to not fewer than six independent places at the placing price of HK\$0.042 per share. All conditions set out in the placing agreement, among other things, the grant of the listing of, and permission to deal in, the placing shares, under the placing by the Stock Exchange, have been fulfilled and the placing was completed on 19 December 2008. The net proceeds of approximately HK\$19.49 million from the placing will be used for general working capital. Details of the placing were disclosed in the announcements dated 1 December 2008 and 19 December 2008.

OTHER DISCLOSURE

The directors of the Company are not aware of any material changes from the information disclosed in the annual report of the Company for the year ended 31 March 2008, other than those disclosed in this report.

By Order of the Board
Ting Pang Wan, Raymond
Chairman

Hong Kong, 22 December 2008