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Annual Report 08/09 年報

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

Contents

BOARD OF DIRECTORS

Executive Directors

TING Pang Wan, Raymond *(Chairman)*
WU Chi Chiu *(Vice 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

AUDITOR

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 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 BANKER

The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE

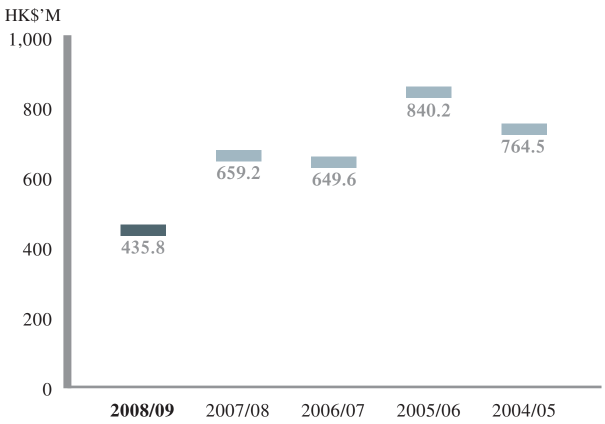
989

Financial Highlights

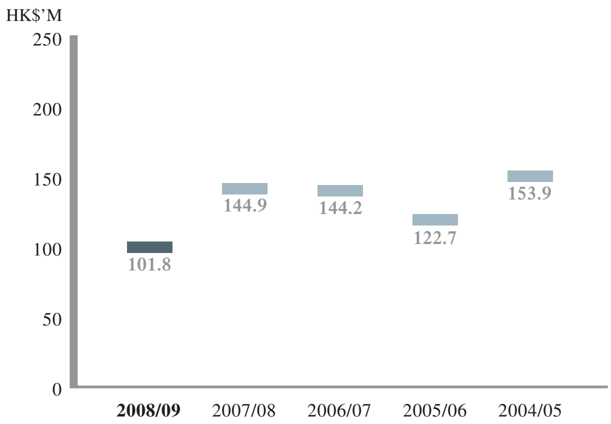
FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 March				
	2009	2008	2007	2006	2005
Turnover (HK$ million)	**435.8**	659.2	649.6	840.2	764.5
Gross profit (HK$ million)	**101.8**	144.9	144.2	122.7	153.9
(Loss) profit for the year from continuing operations (HK$ million)	**(56.9)**	26.9	49.6	(195.5)	(490.2)
Profit (loss) for the year from discontinued operations (HK$ million)	**209.9**	14.6	22.2	(33.0)	18.3
Profit (loss) for the year (HK$ million)	**153.0**	41.5	71.8	(228.5)	(471.9)
Earnings (losses) per share (HK cents)	**6.19**	1.8	5.3	(38.3)	(87.5)
Total assets (HK$ million)	**462.6**	455.6	400.6	460.8	886.7
Total liabilities (HK$ million)	**71.7**	236.1	228.4	408.1	607.8
Net assets (HK$ million)	**390.9**	219.5	172.2	52.7	278.9
Net assets value per share (HK$)	**0.14**	0.09	0.07	0.10	0.53
Working capital ratio	**3.25**	0.72	0.56	0.57	0.81
Long-term debt to equity	**0.01**	0.16	0.14	0.72	0.28

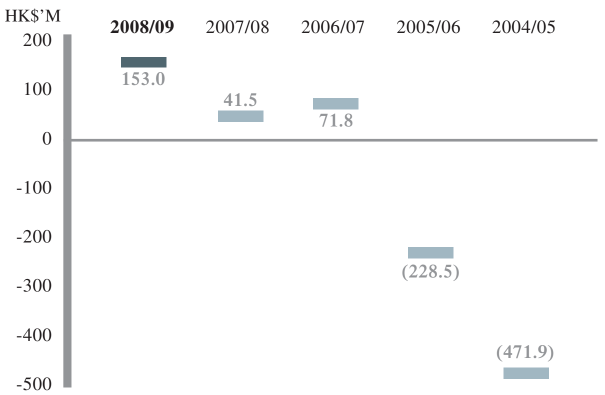
TURNOVER



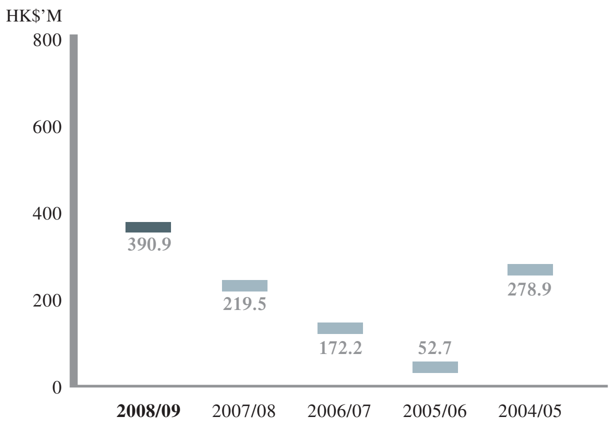
GROSS PROFIT



PROFIT (LOSS) FOR THE YEAR



NET ASSETS



Chairman's Statement

Chairman's Statement

On behalf of China Motion Telecom International Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present to shareholders the annual results of the Group for the year ended 31 March 2009.

2008 was a tough year for all businesses. With economies severely hit by the global financial crisis causing drastic changes in the operating environment, the Group's business faced unprecedented challenges during the year under review. However, the Group has been prudent in management following its new corporate strategy and in fine-tuning its business structure to counter pressures from the adverse market conditions. At the end of 2008, the Group divested from wholesale IDD and overseas calling card businesses, which enabled it to free capital to defend its financial standing. This business restructuring effort has also allowed the Group to optimize resources allocation for accelerating deployment of new growth strategies.

With the Hong Kong telecommunications market becoming more competitive, the China market with high growth potential and high profit margin will be our emphasis. To this end, the Group has realigned its strategy to focus on tapping unexploited potential in the China market and strengthening its competitiveness. In July 2009, the Group acquired certain retail service operations in Shanghai, marking its formal foray into retail business in the China market. It will keep working closely with key partners, and also cultivate new strategic corporations with other telecom carriers. Leveraging its solid business foundation and comprehensive marketing network, the Group is confident of seizing first opportunities when the market revives.

Moving ahead, the Group believes there are excellent investment opportunities in the difficult environment. To tap those opportunities, it will continue to fine-tune its business model and implement relevant internal control measures and conduct its business with prudence. Apart from diversifying existing businesses, the Group will actively explore new operation modes that promise higher profit margins, and pursue new ventures that can expand or strengthen its business portfolio and enhance its revenue base.

Lastly, I would like to thank all employees for their diligence and contribution in the past year. With the support of our staff, customers, suppliers and shareholders, we will continue to adhere to our core principles and focus on achieving our goals and delivering better returns to shareholders.

TING Pang Wan, Raymond
Chairman

Hong Kong, 21 July 2009

Management Discussion and Analysis

RESULTS AND OPERATION OVERVIEW

2008-09 had turned out to be an exciting yet challenging year. The meltdown of the financial industry and the deteriorating global market conditions that began in late 2008 had impacted the business negatively. During the year under review, the Group recorded a turnover of HK$435,817,000 of which HK$207,145,000 was from the continuing operations and a 12% decline when compared to the last corresponding year. The overall gross profit margin improved slightly to 23%. During the period, the Group managed to record a net profit after tax of HK$153,060,000 which was largely attributed to the extraordinary gain from the disposal of the discontinued operations. Excluding the effect of disposal and the discontinued operations as well as change in fair value of investment properties, the Group recorded a net loss of HK$12,991,000 from continuing operations.

During the year under review, the Group had begun to craft a new corporate strategy and fine tune its investment to capture potential new business opportunities. This new corporate strategy had resulted in the divestiture of the wholesale IDD and overseas calling cards business, which signalled the beginning of a restructuring effort in which the Group began to align its strategy focusing on the fast growing China market. The divestiture was completed at the end of September 2008 and as a result, the Group had made an extraordinary net gain of approximately HK$212,932,000 during the review year. The net gain on disposal provided the Group with the necessary capital and resources to accelerate the development and deployment of the new strategic plan.

The Board has recommended the payment of a final dividend of HK0.71 cents *(2008: Nil)* per ordinary share for the year ended 31 March 2009.

Mobile Communications Services

Turnover for the whole segment, which principally includes both the Mobile Virtual Network Operators ("MVNO") and Trunked Radio businesses, decreased slightly by 3% to HK$105,870,000 for the year under review. This turnover accounted for 51% of the Group's continuing operation. Gross margin stood at 38% and operating profit amounted to HK$8,937,000, down by 38% when compared to last corresponding year. The sharp decline in operating profit was mainly attributed to the downward pricing pressure due to the slow down in the economy and the higher overhead cost incurred.

With the disposal of the wholesale IDD and overseas calling card business, the MVNO, under the "CM Mobile" brand, became a core business and a major revenue and profit driver for the Group. During the year, MVNO introduced a new marketing campaign and aggressively focused on subscriber acquisition. It ended the year with an increase of 26% in total subscribers. The increase was across the broad for all customer segments including the core Single SIM Dual Number ("SSDN") service. Despite the success in customer acquisition, MVNO business had faced significant downward pricing pressure. The most significant impact was the financial turmoil that began in late 2008, resulting in the closing of manufacturing plants and facilities in southern China and the reduction of travel by local Hong Kong manufacturers and multinational corporations. This slowdown in travelling across the border had a profoundly negative impact on usage of MVNO's SSDN service. As companies began to downsize its operations in both Hong Kong and China, the telecommunications usage and services were greatly affected. Second, the single direction calling party pay charging scheme introduced by

Mobile Communications Services (continued)

China carriers in China had substantially lowered the average revenue per customer. Third, key local mobile operators were stepping up their marketing efforts and increasingly using price as a marketing tool, forcing the MVNO business to reduce prices to match competitive offers. The lower usage and pricing pressure were more than offset by the increasing number of customers, resulting in the decline in overall revenue and operating profit for the MVNO business. MVNO business during the period recorded a turnover of HK$97,193,000 and operating profit of HK$12,375,000, down 4% and 29% versus the same period a year ago with a gross profit margin of 40%.

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 higher margin value-added services so as to protect and grow its core revenue base.

The Trunked Radio business, is one of the few licensed Public Radiocommunications Services ("PRS") operators in Hong Kong. Through the platform co-ordination with its partner in Shenzhen, the Group offers the only cross border trunked radio service to companies mostly in the transportation industry. Although the demand of the PRS continues to shrink over the year, Trunked Radio business had managed to maintain its customer base. Turnover for the business was HK$8,677,000, an increase of 10% versus last year. During the year, the business recorded an operating loss of HK$1,000,000 with a gross profit margin of 24%.

Distribution and Retail Chain

潤迅概念
CM CONCEPT

During the year, turnover from the segment, which include both the retail chain business and distribution channels for the prepaid calling card operation, decreased by 21% to HK$89,237,000. This turnover accounted for 43% of the Group's turnover for the continuing operations. The decrease was primarily attributed to the lower unit sales of handsets, which resulted from the weakening economy affected by the global financial industry meltdown. Gross margin improved to 33% from 29% a year ago due to a mix of revenues that shifted towards the higher margin service business. The segment incurred an operating loss of HK$18,780,000 because of higher rental expenses associated with the retail outlets and the high overhead cost.

As the economy began to worsen towards the second half of the fiscal year, consumers were reluctant to spend or began to reduce their spending on non-necessity goods and services. This slowdown in spending had impacted our retail chain business since the second half of the fiscal year. Handset and service plan unit sales were down 10% and 21% respectively versus the year before. In view of the uncertainty in the economy, the Group has adopted various measures to enhance competitiveness and efficiency in its operation. It had begun to swap out the high cost retail outlets with some lower cost ones in new development towns with the objective to align the overall cost of the rental with the turnover. At the end of the year under review, there were 19 "CM Concept" retail shops, down from 22 at the beginning of the year, serving as a one-stop-shop platform for telecommunications products and services.

In early April 2009, the Group had decided to divest the local prepaid calling card business which consisted of IDD and mobile prepaid calling card services. The combined prepaid calling card service had a turnover of HK$30,501,000 during the year and incurred an operating loss of HK$2,992,000. The divestiture allows the Group's MVNO business more flexibility to develop other wholesale business and sales channels which otherwise would create channel conflict issues.

International Telecommunications Services

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

During the year, the turnover for the segment, including the discontinued operations of wholesale IDD and overseas calling card business, decreased 45% to HK$253,059,000, of which HK$14,509,000 was from the remaining fixed network services business. This turnover included 6 months of operation for the wholesale IDD and overseas calling card business which was disposed at the end of September resulting in a capital gain of HK$212,932,000.

Fixed network services business holds one of the Fixed Telecommunications Network Services licenses in Hong Kong. It maintains a fiber-ring in Hong Kong with key points-of-interconnections with all key fixed network operators. Its core service is the "0050" prefix retail IDD service, which had a total of 342,000 registered subscribers at end of March. Revenue for the "0050" prefix retail IDD service remained relatively flat over the previous year. Turnover maintained at HK$14,509,000 with a gross margin of 11% but incurred an operating loss of HK$2,938,000, primarily due to the high overhead cost in maintaining the fixed network platform. The Group is currently evaluating various cost control measures and exploring some strategic co-operations with key partners to leverage the existing resources and maximise the return to investors.

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. This dip in the fiscal climate coupled with the challenging industry environment will result in continued pressure on the operations of the Group. The global recession, although negatively impacting our existing business, provides an excellent opportunity for the Group to potentially invest in new ventures and businesses at a reasonable valuation. The Group will not only step up its cost control measure to align its cost with the turnover, but also accelerate its new corporate strategy deployment to focus its business development and investment in the fast growing telecommunications market in China.

The divestiture of the wholesale IDD and calling card business both overseas and locally has recently provided the Group with the necessary capital and resources to make the acquisition if the opportunities arise. With the issuance of 3G licenses in China in late 2008, China mobile carriers are making substantial investments in building the new platforms and are working with partners in developing value-added services to differentiate and add value to their basic voice telephony service. The Group, leveraging its expertise in the mobile and radio telecommunication services, is exploring investment opportunities in this fast growing segment. On 17 July 2009, the Group completed the acquisition of a telecommunications retail service operation in Shanghai, China as announced in June 2009. This acquisition sets up a new milestone in the Group's transformation into the next generation service provider in Greater China.

Going forward, 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

Upon completion of disposal of ChinaMotion NetCom Limited ("CMNL") and its subsidiaries which were engaged in provision of wholesale IDD services and overseas calling cards services at a cash consideration of HK$260,000,000 (subject to adjustments) on 30 September 2008 pursuant to a sale and purchase agreement dated 29 August 2008 between ChinaMotion NetCom Holdings Limited, a wholly-owned subsidiary of the Company, and CITIC 1616 Holdings Limited (the "NetCom Disposal"), net proceeds of approximately HK$177,583,000 were raised for the Group and CMNL had no longer been a wholly-owned subsidiary of the Company. Besides, the deferred transfer of 51% interests in CM Tel (USA) LLC to CITIC 1616 Holdings Limited pursuant to the agreement was completed in May 2009 following the approval from the relevant government authorities in the United States of America in respect of change of control. Details of the NetCom Disposal were disclosed in the announcement dated 29 August 2008 and the circular dated 19 September 2008.

FINANCIAL POSITION

As at 31 March 2009, the Group's bank balances and cash amounted to approximately HK$167,017,000 *(2008: HK$36,949,000)*. Total borrowings and obligations under finance leases amounted to approximately HK$451,000 *(2008: HK$64,804,000)*. The Group's obligations under finance leases are repayable monthly and the last monthly installment will be in March 2011. The gearing ratio of total borrowings as a percentage of the total capital and reserves attributable to equity holders of the Company was approximately 0.1% *(2008: 30.5%)*.

As at 31 March 2009, the Group had aggregate banking facilities of approximately HK$92,000,000 (excluding property mortgage loans), of which HK$92,000,000 were unutilised.

As a result of the completion of the NetCom Disposal in September 2008 and the placing of 470,024,427 shares at HK$0.042 per placing share in December 2008, the Company raised net proceeds of approximately HK$177,583,000 and proceeds of approximately HK$19,741,000 respectively 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 31 March 2009, together with the unutilised banking facilities, stable rental income and net proceeds of NetCom Disposal and the placing will be sufficient to discharge its debts and to fund its operations.

SHARE CAPITAL

Pursuant to a placing agreement dated 1 December 2008, the Company placed 470,024,427 new shares of HK$0.01 each of the Company through a placing agent to at least six independent placees at HK$0.042 per placing share (representing a discount of approximately 19.23% to the closing price of HK$0.052 per share as quoted on The Stock Exchange of Hong Kong Limited on 28 November 2008, being the last trading day immediately prior to the entering of the said placing agreement) on 19 December 2008. The proceeds amounting to approximately HK$19,741,000 were used for general capital. The directors of the Company consider that the placing is the most efficient fund raising arrangement in terms of cost for the Company and that the Company can take this opportunity to broaden the capital base of the Company.

As at 31 March 2009, the Company had 2,820,500,000 shares in issue with total shareholders' fund of the Group amounting to approximately HK$384,446,000.

FINANCIAL GUARANTEES

As at 31 March 2009, the Group had contingent liabilities amounting to approximately HK$18,748,000 *(2008: HK$27,796,000)* in respect of guarantees given to third parties against non-performance of contractual obligations by subsidiaries and former subsidiaries.

CHARGE ON ASSETS

As at 31 March 2009, the Group's leasehold buildings, premium for land lease and investment properties with aggregate carrying value of approximately HK$220,370,000 *(2008: HK$273,497,000)* were pledged as security for banking facilities.

EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES

The Group is exposed to the fluctuations in Renminbi as certain expenses payable are settled by Renminbi. 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 2009, the Group had 159 full-time staff. Total staff costs (including directors' emoluments) incurred by both continuing and discontinued operations for the year amounted to approximately HK$65,180,000 *(2008: HK$78,340,000)*. 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

EXECUTIVE DIRECTORS

Mr. Ting Pang Wan, Raymond, aged 36, was appointed as executive director of the Company in October 2006 and became the Chairman of the Group in November 2006. Mr. Ting has over 14 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 46, was appointed as executive director of the Company in February 2006 and as Vice 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 13 years of experience in the field of property investment and development in Hong Kong and securities investment in local equity market. Mr. Wu had been an independent non-executive director of Bright Prosperous Holdings Limited (formerly known as Magnesium Resources Corporation of China Limited), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from August 2007 to August 2008. 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 53, 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 February 2005 to July 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Chi Ho, William, aged 43, 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 20 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. Mr. Lo currently is also the chief executive officer and an executive director of Sino Gas Group Limited and an independent non-executive director of Bright Prosperous Holdings Limited (formerly known as Magnesium Resources Corporation of China Limited), both of which are listed on the Main Board of the Stock Exchange. He was formerly an executive director of Artfield Group Limited, a company listed on the Main Board of the Stock Exchange and an independent non-executive director of China Spacesat Co., Ltd., a 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, the United Kingdom and 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 55, 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 34, 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 13 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.

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 2009.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. Its subsidiaries were principally engaged in provision of mobile communications services, distribution and retail chain and retail IDD services during the year. The Group was also engaged in provision of wholesale IDD services and overseas calling cards services which were discontinued in September 2008. The principal activities and other particulars of its subsidiaries are set out in note 40 to the financial statements.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2009 are set out in the consolidated income statement on page 40.

The Board has resolved to recommend the payment of a final dividend of HK0.71 cents (*2008: Nil*) per ordinary share for the year ended 31 March 2009 at the forthcoming annual general meeting. The final dividend, if approved by the shareholders, is expected to be payable on or around 16 October 2009 to those shareholders whose names appear on the register of members of the Company on 23 September 2009.

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$53,000.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2009 calculated under the Companies Act 1981 of Bermuda amounted to approximately HK$285,375,000 subject to restrictions as set out in note 33 to the financial statements.

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 17 and 18 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.

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 3.

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 2009.

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, *Vice 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 Ms. Wong Fei Tat shall retire from office as directors at the forthcoming annual general meeting by rotation. Except Mr. Lo Chi Ho, William who has indicated with the Company that he would not seek for re-election at the forthcoming annual general meeting owing to health reason, the other retiring director, namely Ms. Wong Fei Tat, being eligible, will offer herself 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 14 and 15.

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

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries or any of its holding companies 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 COMPETING BUSINESS

None of the directors were interested in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group during the year.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2009, the directors and chief executive of the Company or their respective associates had the following interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which such director or chief executive was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules, to be notified to the Company and the Stock Exchange:

(a) Interests in shares of the Company

Name of director	Nature of Interest	Position	No. of ordinary shares held	Approximate shareholding percentage
Mr. TING Pang Wan, Raymond	Corporate *(Note)*	Long	1,555,000,000	55.13%

Note: The corporate interest of Mr. Ting Pang Wan, Raymond is beneficially owned by Marvel Bonus Holdings Limited ("Marvel Bonus"), the entire issued share capital of which is 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 is wholly and beneficially owned by Mr. Ting. Mr. Ting is therefore deemed to be interested in the 1,555,000,000 shares held by Marvel Bonus. Mr. Ting is also a director of Marvel Bonus and a director of Shanghai Assets.

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

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

Note: The corporate interest of Mr. Ting Pang Wan, Raymond in Marvel Bonus is beneficially owned by Shanghai Assets. Shanghai Assets is wholly and beneficially owned by Mr. Ting. Mr. Ting is 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 2009, there were no share options granted to the directors of the Company outstanding 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 31 March 2009, 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 2009, 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	Nature of interest	Position	No. of ordinary shares held	Approximate shareholding percentage
Mr. YAM Tak Cheung	Corporate *(Notes)*	Long	1,555,000,000	55.13%
Integrated Asset	Corporate *(Notes)*	Long	1,555,000,000	55.13%
Shanghai Assets	Corporate *(Notes)*	Long	1,555,000,000	55.13%
Marvel Bonus	Beneficial owner	Long	1,555,000,000	55.13%

Notes:

(1) Marvel Bonus is owned as to 50% by Integrated Asset and as to the remaining 50% by Shanghai Assets. Integrated Asset and Shanghai Assets are therefore deemed to be interested in the 1,555,000,000 shares held by Marvel Bonus. Integrated Asset is in turn wholly and beneficially owned by Mr. Yam Tak Cheung. Mr. Yam is 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.

(b) Interests in unlisted warrants of the Company

Name of warrantholder	Nature of interest	Units of unlisted warrants	Position
Oncentury Limited	Beneficial owner	460,000,000 *(Note)*	Long
Mr. DING Lu	Corporate interest	460,000,000 *(Note)*	Long

Note: The 460,000,000 units of unlisted warrants, entitling the holder of such warrants to subscribe for up to an aggregate of 460,000,000 shares of the Company (which represents 16.31% of the issued share capital of the Company as at 31 March 2009) at a subscription price of HK$0.337 (adjusted) per new share of the Company at any time during a period of 24 months commenced on 23 January 2008 and expiring on 22 January 2010, were first issued on 23 January 2008 pursuant to a subscription agreement dated 10 January 2008 entered into between the Company and Oncentury Limited. Mr. Ding Lu is the sole registered member of the entire issued share capital of Oncentury Limited.

Save as disclosed above, the Company has not been notified of any persons who, as at 31 March 2009, 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 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 Share Option Scheme since its adoption.

SHARE OPTION SCHEME (continued)

Summary of the 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 2009, the total number of shares available for issue under the scheme and any other schemes of the Company was 50,127,557 shares, representing 1.78% 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.

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.

SHARE OPTION SCHEME (continued)

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

During the year, there were no discloseable non-exempt connected transactions or non-exempt continuing connected transactions under the Listing Rules.

Subsequent to the year, the Group has entered into the following connected transactions and continuing connected transactions:

(a) On 1 June 2009, China Motion Holdings Limited ("CMH"), a wholly-owned subsidiary of the Company, Mr. Ting Pang Wan, Raymond and Mr. Yam Tak Cheung (collectively, the "Sale Shares Vendors"), and Jackie Industries Limited, China Motion Properties Limited, Best Class International Limited and World Sheen Properties Limited (collectively, the "CM Properties Group"), all being wholly-owned subsidiaries of the Company, entered into a conditional sale and purchase agreement (the "Acquisition Agreement") in relation to the acquisition of all the entire issued share capital in Victory Marker Limited ("Victory Marker") and the assignment of loans due by Victory Marker and its subsidiaries for an aggregate consideration of HK$127,000,000 (the "Acquisition Consideration"). The group of Victory Marker is principally engaged in the provision of sale and management services and the wholesale of Shanghai Mobile's mobile SIM cards in Shanghai. Pursuant to the Acquisition Agreement, the CM Properties Group as vendors and the Sale Shares Vendors as purchasers entered into a conditional sale and purchase agreement (the "Properties Agreement") on 1 June 2009 for the sale of certain properties of the Group situated at Room 2601, 2604-08 on 26th Floor and car parking spaces nos. 85 and 86 on Basement 2 of Harbour Centre, 25 Harbour Road, Hong Kong (the "Properties") at the consideration of HK$67,100,000 which sum shall be set-off against part of the Acquisition Consideration on a dollar for dollar basis. The said transactions constituted the major transactions under the Listing Rules and also connected transactions as Marvel Bonus, the controlling shareholder of the Company, is beneficially and equally owned by the Sale Shares Vendors, through their respective wholly-owned investment companies. The said transactions were approved by the independent shareholders of the Company at the special general meeting held on 14 July 2009 and completion took place on 17 July 2009. Details of the transactions were disclosed in the announcement and the circular dated 1 June 2009 and 22 June 2009 respectively.

(b) The Properties disposed by CM Properties Group under the Properties Agreement are currently used by the Group as its head office and principal place of business in Hong Kong. The Group would continue to occupy the Properties under the tenancy agreement dated 17 July 2009 (the "Tenancy Agreement") entered into between the Sale Shares Vendors or their nominee(s) as landlord and an associated company nominated by CM Properties Group as tenant for a term of three years at HK$315,000 per month, exclusive of government rent and rates, management fees and other outgoings. The Tenancy Agreement constituted a continuing connected transaction pursuant to the Listing Rules. Details of the Tenancy Agreement were disclosed in the announcement and the circular dated 1 June 2009 and 22 June 2009 respectively.

Certain related party transactions as disclosed in note 36 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 such exempt continuing connected transactions 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 agreement governing them on terms that are fair and reasonable and in interests of the shareholders of the Company as a whole.

The auditor 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 2009 attributable to the Group's major customers and suppliers are as follows:

Sales	
The largest customer	7%
Five largest customers combined	21%
Purchases	
The largest supplier	16%
Five largest suppliers combined	47%

At no time during the year, did the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) have an interest in the major customers or suppliers noted above.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the auditor 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 2009 have been reviewed by the Audit Committee and agreed by the Group's external auditor.

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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 18 September 2009 to Wednesday, 23 September 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, and be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer of shares, accompanied by the relevant share certificates, must be lodged for registration with the Company's principal share registrar or branch share registrar as follows:-

(i) in case of those members registered on the principal register: at the office of the Company's principal share registrar, Butterfield Fulcrum Group (Bermuda) Limited, c/o RBC Dexia Corporate Services Hong Kong Limited at 51st Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong; and

(ii) in case of those members registered on the Hong Kong branch register: at the office of the Company's Hong Kong branch share registrar, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong,

not later than 4:30 p.m. on Thursday, 17 September 2009.

FRAUD OF FORMER DIRECTORS

In February 2009, two former directors were convicted of conspiracy to defraud the Group of approximately HK$12,000,000 in consultancy fees through bogus agreements between September 2000 and April 2005. Accordingly, the Company had considered and explored the feasibility on the likelihood of recovery of the defrauded sum and had sought legal opinion in this regard, whereby the recovery action would involve substantial amount of litigation cost, including but not limited to the fee on a counsel at trial and substantial time and cost on the study of voluminous documents from the criminal trial before proceeding to any civil claim. Credit searches had also been conducted on the two former directors and the result shows that they do not possess any substantial assets to satisfy our judgement. As such, the Group does not consider it advisable to commence any proceedings for recovery.

SUBSEQUENT EVENTS

(a) In April 2009, Eagle Heights Limited, a wholly-owned subsidiary of the Company, as vendor, and Mr. Pu Xueyuan, as purchaser, an independent third party, entered into a sale and purchase agreement in relation to the disposal of all the entire issued share capital of Digital Pacific Limited, which was engaged in the provision of long distance call services and retail sales of international calling cards, at par and the assumption of all liabilities, excluding inter-company group balances, by the purchaser in amount of HK$10,303,000. Such disposal was completed in April 2009 and as a result, the Group has made a substantial disposal gain of approximately HK$8,668,000.

(b) On 1 June 2009, CMH, the Sale Shares Vendors, and CM Properties Group entered into the Acquisition Agreement in relation to the acquisition of all the entire issued share capital in Victory Marker and the assignment of loans due by Victory Marker and its subsidiaries at an aggregate consideration of HK$127,000,000. The group of Victory Marker is principally engaged in the provision of sales and management services and the wholesale of Shanghai Mobile's mobile SIM cards in Shanghai. Pursuant to the Acquisition Agreement, the CM Properties Group as vendors and the Sale Shares Vendors as purchasers entered into the Properties Agreement on 1 June 2009 for the sale of the Properties at the consideration of HK$67,100,000 which sum shall be set-off against part of the Acquisition Consideration on a dollar for dollar basis. The said transactions which constituted major and connected transactions were approved by the independent shareholders of the Company at the special general meeting held on 14 July 2009 and completion took place on 17 July 2009. Details of the transactions were disclosed in the announcement and the circular dated 1 June 2009 and 22 June 2009 respectively.

SUBSEQUENT EVENTS (continued)

(c) On 17 July 2009, the Sale Shares Vendors or their nominee(s) as landlord and an associated company nominated by CM Properties Group as tenant entered into the Tenancy Agreement for the rental of the Properties for a term of three years at HK$315,000 per month, exclusive of government rent and rates, management fees and other outgoings. The Tenancy Agreement constituted a continuing connected transaction to the Company. Details of the Tenancy Agreement were disclosed in the announcement and the circular dated 1 June 2009 and 22 June 2009 respectively.

(d) On 20 July 2009, ChinaMotion NetCom Holdings Limited, a wholly-owned subsidiary of the Company, as vendor, and the Company, as guarantor, entered into a sale and purchase agreement with CITIC 1616 Holdings Limited, as purchaser, to dispose of the entire issued share capital of CM Tel (HK) Limited ("CM Tel"), a wholly-owned subsidiary of the Company, engaged in provision of fixed network services, and the net payables, representing the net amount which stood due owing from CM Tel to member of the Group (excluding CM Tel) as at completion, at a cash consideration of HK$10,000,000 subject to the adjustments as set out in the said agreement. Completion of the disposal shall take place by no later than 31 October 2009 subject to the fulfillment of the condition as stipulated therein.

AUDITOR

Moores Rowland Mazars had acted as auditors of the Company for the year ended 31 March 2006. The financial statements for the year ended 31 March 2007, 2008 and 2009 were audited by Mazars CPA Limited who would retire at the conclusion of the forthcoming annual general meeting and being eligible, offer themselves for re-appointment. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Mazars CPA Limited as auditor of the Company.

On behalf of the Board

WU Chi Chiu
Director

Hong Kong, 21 July 2009

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 as set out in Appendix 14 to the Listing Rules during the year ended 31 March 2009, 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules on 21 July 2009 to replace its own Code for Securities Transactions by Directors adopted on 20 July 2005 (the "Code") as the Company's code of conduct for dealings in securities of the Company by directors. All directors have confirmed, following specific enquiries by the Company, that they have complied with the required standard as set out in the Model Code and the Code 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 *(Vice 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 14 and 15.

THE BOARD (continued)

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.

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 a total of four regular Board meetings at approximately quarterly intervals during the year ended 31 March 2009. The attendance of each director is set out as follows:-

	Number of meetings attended/ Eligible to attend
Mr. TING Pang Wan, Raymond	4/4
Mr. WU Chi Chiu	4/4
Ms. FAN Wei	4/4
Mr. LO Chi Ho, William	4/4
Mr. HUANG An Guo	3/4
Ms. WONG Fei Tat	4/4

There were twelve 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 were 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 scheme 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 2009 are disclosed in note 11 to the financial statements.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

The Remuneration Committee held three meetings during the year ended 31 March 2009. The attendance of each member is set out as follows:-

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

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 scheme of the Company.

Nomination Committee

The Board has established a Nomination Committee in 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 2009. The attendance of each member is set out as follows:-

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

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

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

(b) To review the nomination policy;

(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 auditor and to consider the appointment and resignation of the auditor and the auditor's remuneration. The terms of reference of the Audit Committee revised on 21 July 2009 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 2009. The attendance of each member is set out as follows:-

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

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 2008 and the interim results for six months ended 30 September 2008 and the reports from external auditor, management representation letters and management's response in relation thereto;

(b) To recommend and/or approve the resignation and the appointment of the external auditor 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 2008 and six months ended 30 September 2008.

AUDITOR'S REMUNERATION

For the year ended 31 March 2009, the auditor's remuneration paid and payable in respect of the audit services and other non-audit services, including tax and consultancy services, provided by the auditor to the Group amounted to HK$1,684,000 and HK$751,000 respectively.

DIRECTORS' AND AUDITOR'S 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 2009 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 reasonable. The adoption of new or amended accounting standards that became effective during the year has not resulted in significant changes to the Group's accounting policies and has no significant impact on the results reported for the year ended 31 March 2009.

The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Group for the year ended 31 March 2009 is set out in the independent auditor's report on page 38.

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 Auditor") to conduct review and make recommendations for the improvement and strengthening of the internal control system.

The review by the External Auditor 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 Auditor, the Audit Committee and the Board considered that the key areas of the Group's internal control system are reasonably implemented with room for improvement. The Group shall use its best endeavour to implement the recommendations made by the External Auditor in order to further improve the internal control system.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The general meetings of the Company provide a communication channel between the shareholders and the Board that the shareholders of the Company are encouraged to attend the meetings for any enquiries about the Company's performance.

The Company also maintains a website at www.chinamotion.com to disseminate information and updates on the Company's business developments and operations, financial information, corporate governance practices and other shareholders information to shareholders as well as investors.

By order of the Board

WU Chi Chiu
Director

Hong Kong, 21 July 2009

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
42ND FLOOR, CENTRAL PLAZA, 18 HARBOUR ROAD
WANCHAI, HONG KONG
香港灣仔港灣道18號中環廣場42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, the "Group") set out on pages 40 to 103, which comprise the consolidated and the Company's balance sheets as at 31 March 2009, 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.

AUDITOR'S 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 (as amended), 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.

AUDITOR'S RESPONSIBILITY (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 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.

Mazars CPA Limited
Certified Public Accountants
Hong Kong
21 July 2009

Chan Wai Man
Practising Certificate number: P02487

	Note	2009 HK$'000	2008 HK$'000
Continuing operations			
Turnover	6	207,145	234,604
Cost of sales and services		(136,456)	(157,408)
Gross profit		70,689	77,196
Other revenue	6	10,952	9,059
Other net income	7	4,425	4,381
Distribution costs		(4,571)	(3,515)
Administrative expenses		(93,831)	(81,801)
Change in fair value of investment properties		(43,900)	23,955
Finance costs	9	(1,322)	(3,888)
(Loss) profit before taxation	10	(57,558)	25,387
Taxation	12	667	1,456
(Loss) profit for the year from continuing operations		(56,891)	26,843
Discontinued operations			
Profit from discontinued operations	13	209,951	14,623
Profit for the year		153,060	41,466
Attributable to:			
Equity holders of the Company			
– continuing operations		(56,228)	26,793
– discontinued operations		209,951	14,623
	14, 33(a)	153,723	41,416
Minority interests			
– continuing operations		(663)	50
– discontinued operations		–	–
	33(a)	(663)	50
		153,060	41,466
Dividends	15	20,026	–
(Losses) earnings per share	16		
From continuing operations			
– Basic and diluted		HK (2.26) cents	HK 1.14 cents
From discontinued operations			
– Basic and diluted		HK 8.45 cents	HK 0.62 cents

Balance Sheets

As at 31 March 2009

		Group		Company	
	Note	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES					
Non-current assets					
Investment properties	17	155,600	204,814	–	–
Property, plant and equipment	18	12,775	35,722	292	445
Interests in subsidiaries	19	–	–	344,376	197,403
Interests in associates	20	–	–	–	–
Premium for land lease	21	59,875	65,952	–	–
Other non-current assets	22	3,815	3,915	–	–
Intangible assets	23	–	1,899	–	–
Deferred tax assets	29	1,888	–	–	–
		233,953	312,302	344,668	197,848
Current assets					
Inventories	24	4,447	6,801	–	–
Trade and other receivables	25	57,187	98,884	5,109	103
Pledged bank deposits		–	748	–	–
Bank balances and cash		167,017	36,949	1,364	702
		228,651	143,382	6,473	805
Current liabilities					
Trade and other payables	26	68,275	167,529	728	558
Borrowings due within one year	27	–	28,498	–	–
Obligations under finance leases	28	309	483	–	–
Taxation		1,690	3,813	–	–
		70,274	200,323	728	558
Net current assets (liabilities)		158,377	(56,941)	5,745	247
Total assets less current liabilities		392,330	255,361	350,413	198,095
Non-current liabilities					
Borrowings due after one year	27	–	35,372	–	–
Obligations under finance leases	28	142	451	–	–
Deferred tax liabilities	29	1,235	–	–	–
		1,377	35,823	–	–
NET ASSETS		390,953	219,538	350,413	198,095

		Group		Company	
	Note	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
CAPITAL AND RESERVES					
Issued capital	30	28,205	23,505	28,205	23,505
Reserves	33	356,241	188,937	322,208	174,590
Total capital and reserves attributable to equity holders of the Company		384,446	212,442	350,413	198,095
Minority interests	33	6,507	7,096	–	–
TOTAL EQUITY		390,953	219,538	350,413	198,095

Approved and authorised for issue by the Board of Directors on 21 July 2009

TING Pang Wan, Raymond
Director

WU Chi Chiu
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Total equity at 1 April		219,538	172,177
Issue of shares, including share premium	33(a)	19,741	–
Issue of warrants		–	1,000
		239,279	173,177
Net (loss) gain recognised directly in equity			
Exchange reserve	33(a)	(1,397)	4,895
Reserve released upon disposal of subsidiaries	33(a)	11	–
		(1,386)	4,895
Profit for the year	33(a)	153,060	41,466
Total recognised profit for the year		151,674	46,361
Total equity at 31 March		390,953	219,538
Total recognised profit for the year			
Attributable to			
Equity holders of the Company		152,263	46,040
Minority interests		(589)	321
		151,674	46,361

Consolidated Cash Flow Statement

Year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	34	1,706	33,848
Interest received		1,045	460
Finance charges on obligations under finance leases		(78)	(98)
Interest paid		(1,323)	(3,818)
Income tax paid		(5,953)	–
Net cash (used in) from operating activities		(4,603)	30,392
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		125	171
Net proceeds from disposal of investment properties/premium for land lease and buildings		16,041	5,092
Purchase of property, plant and equipment		(2,497)	(18,010)
Net proceeds from disposal of subsidiaries	35	159,027	–
Net cash from (used in) investing activities		172,696	(12,747)
FINANCING ACTIVITIES			
New bank borrowings		18,074	46,290
Repayment of bank borrowings		(81,944)	(40,107)
Repayment of obligations under finance leases		(650)	(868)
Additions of obligations under finance leases		6,006	400
Proceeds from issue of shares		19,741	–
Proceeds from issue of warrants		–	1,000
Decrease in pledged bank deposits		748	660
Net cash (used in) from financing activities		(38,025)	7,375
Net increase in cash and cash equivalents		130,068	25,020
Cash and cash equivalents at beginning of year		36,949	11,929
Cash and cash equivalents at end of year, represented by bank balances and cash		167,017	36,949

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 2009 to be Marvel Bonus Holdings Limited, a company incorporated in British Virgin Islands. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

2. 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 ("Listing Rules").

These financial statements have been prepared on a basis consistent with the accounting polices adopted in the 2008 financial statements.

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 in future will have no material impact on the results and the financial positions of the Group.

HKFRSs (Amendments)	Improvements to HKFRSs *(Note a)*
HKFRSs (Amendments)	Improvements to HKFRSs 2009 *(Note b)*
HKAS 1 (Revised)	Presentation of Financial Statements *(Note c)*
HKAS 23 (Revised)	Borrowing Costs *(Note c)*
HKAS 27 (Revised)	Consolidated and Separate Financial Statements *(Note d)*
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate *(Note c)*
HKFRS 3 (Revised)	Business Combinations *(Note d)*
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments *(Note c)*
HKFRS 8	Operating Segments *(Note c)*

Notes:

a. Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
b. Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010 as appropriate.
c. Effective for annual periods beginning on or after 1 January 2009.
d. Effective for annual periods beginning on or after 1 July 2009.

3. 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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 Company. 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.

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 payments 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 the estimated useful lives of intangible assets.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Subsidiaries

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

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

Associates

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

The Group's investments in associates are accounted for under the equity method of accounting. The consolidated income statement includes the Group's share of the post-acquisition results of the associates for the year. The consolidated balance sheet includes the Group's share of the net assets of the associates and also goodwill. The Group discontinues recognising its share of further losses when the Group's share of losses of the associates equals or exceeds the carrying amount of its investments in the associates, as the Group has no obligations in respect of the associates. 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 investments in the associates.

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 associates, 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.

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. A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers the financial asset and the Group has transferred all the risks and rewards of ownership of the financial asset. A financial liability is derecognised only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial assets' original effective interest rate. Such impairment loss is reversed in subsequent periods through income statement when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

The Group's financial liabilities include trade and 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.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within trade and other payable at fair value (being the transaction price, unless the fair value can otherwise be reliably estimated). Subsequently, it is measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that is required to settle the commitment at the balance sheet date.

Derecognition for financial instruments

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

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

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 services 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Foreign currency translation

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

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

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

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the 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 when the gain or loss on disposal is recognised.

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.

Impairment of non financial assets

At each balance sheet date, the Group reviews internal and external sources of information to determine whether its property, plant and equipment, investments in associates, intangible assets, 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

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.

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

Rental 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.

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 assets and liabilities 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Segment reporting

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

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

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

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

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

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

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

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

5. RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial Risk Management

The Group's major financial instruments include trade and other receivables, trade and other payables, obligations under finance leases and 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 Hong Kong and the People's Republic of China (the "PRC") 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. HK$ are pegged to the US$ 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 2009, 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. The Group's income and operating cash flow 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 2009, a reasonably possible change of 100 basis-point interest rates 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 2009, 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 counterparties 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 credit risk is primarily attributable to trade or other receivables. The Group has no significant concentration 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.

5. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Financial Risk Management (continued)

Liquidity risk (continued)

The table below analysis 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 which are based on the contractual undiscounted payments, are as follows:

	At 31 March 2009				
	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					
Obligations under finance leases	335	147	–	–	482
Trade payables	36,194	–	–	–	36,194
Deposits received, accruals and other payable	32,069	12	–	–	32,081
Total	68,598	159	–	–	68,757

	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	538	335	147	–	1,020
Trade payables	126,148	–	–	–	126,148
Deposits received, accruals and other payable	38,831	2,550	–	–	41,381
Total	194,015	8,257	17,315	12,832	232,419

Fair value of financial instruments

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

The carrying value of trade receivables (net of allowance for doubtful debts) and payables is 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.

5. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Capital 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, obligations under finance leases, 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 aims at maintaining the following debt to equity ratios of not more then 50%. The debt to equity ratios as at 31 March 2009 and 2008 are as follows:

	2009 HK$'000	2008 HK$'000
Total debt *(note a)*	451	64,804
Less: bank balances and cash	(167,017)	(36,949)
Net debt	N/A	27,855
Equity *(note b)*	384,446	212,442
Net debt to equity ratio	N/A	13.1%
Total debt to equity ratio	0.1%	30.5%

Notes:

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

(b) Equity represents all capital and reserves attributable to equity holders of the Company.

6. TURNOVER AND REVENUE

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 40 to the financial statements.

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

	2009 HK$'000	2008 HK$'000
International telecommunications services income	45,009	46,723
Sale of telecommunications products	37,355	52,043
Commission income	20,195	24,102
Mobile communications services income	94,824	99,450
Trunked radio services income	6,734	7,042
Repair and maintenance services income	3,028	5,244
Turnover	207,145	234,604
Rental income	7,019	7,074
Interest income	1,031	256
Others	2,902	1,729
Other revenue	10,952	9,059
Revenue	218,097	243,663

7. OTHER NET INCOME

	2009 HK$'000	2008 HK$'000
Allowance for doubtful debts written back	752	301
Gain on disposal of investment properties/ premium for land lease and buildings	3,332	2,726
Reversal of impairment loss on premium for land lease	–	513
Reversal of impairment loss on buildings	–	204
Reversal of impairment loss on other non-current assets	–	176
Reversal of impairment loss on property, plant and equipment	249	341
Sundry income	92	120
	4,425	4,381

8. SEGMENT INFORMATION

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

Primary reporting format – Business segments

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

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

For the year ended 31 March 2009	Continuing operations: International telecom-munications services HK$'000	Continuing operations: Mobile communi-cations services HK$'000	Continuing operations: Distribution and retail chain HK$'000	Continuing operations: Others HK$'000	Continuing operations: Total HK$'000	Discontinued operations: International telecom-munication services HK$'000	Inter-segment elimination HK$'000	Group HK$'000
Turnover								
Revenue from external customers	14,509	105,870	86,766	–	207,145	228,672	–	435,817
Inter-segment revenue	–	–	2,471	–	2,471	9,878	(12,349)	–
Segment turnover	14,509	105,870	89,237	–	209,616	238,550	(12,349)	435,817
Segment results	(2,938)	8,937	(18,780)	(43,455)	(56,236)	4,511	–	(51,725)
Finance costs					(1,322)	(79)	–	(1,401)
(Loss) profit before taxation					(57,558)	4,432	–	(53,126)
Taxation					667	(7,413)	–	(6,746)
Gain on disposal of subsidiaries					–	212,932	–	212,932
(Loss) profit for the year					(56,891)	209,951	–	153,060
Assets								
Segment assets	6,082	25,906	22,547	271,531	326,066	–	–	326,066
Unallocated assets					136,538	–	–	136,538
Total assets					462,604	–	–	462,604
Liabilities								
Segment liabilities	5,572	40,843	17,205	4,654	68,274	–	–	68,274
Unallocated liabilities					3,377	–	–	3,377
Total liabilities					71,651	–	–	71,651
Other information								
Capital expenditure	312	746	346	184	1,588	909	–	2,497
Depreciation	1,189	1,284	1,677	1,325	5,475	2,783	–	8,258
Amortisation								
– Premium for land lease	–	–	–	1,648	1,648	–	–	1,648
– Intangible assets	–	–	1,581	–	1,581	–	–	1,581
Significant non-cash expenses (other than depreciation and amortisation)								
– Business segment	(20)	927	878	1,109	2,894	558	–	3,452
– Unallocated items					4,089	–	–	4,089

8. SEGMENT INFORMATION (continued)

Primary reporting format – Business segments (continued)

For the year ended 31 March 2008	Continuing operations: International telecom-munications services HK$'000	Continuing operations: Mobile communi-cations services HK$'000	Continuing operations: Distribution and retail chain HK$'000	Continuing operations: Others HK$'000	Continuing operations: Total HK$'000	Discontinued operations: International telecom-munication services HK$'000	Inter-segment elimination HK$'000	Group HK$'000
Turnover								
Revenue from external customers	14,558	109,328	110,718	–	234,604	424,636	–	659,240
Inter-segment revenue	–	–	2,699	–	2,699	19,838	(22,537)	–
Segment turnover	14,558	109,328	113,417	–	237,303	444,474	(22,537)	659,240
Segment results	(1,732)	14,515	(10,239)	26,731	29,275	14,651	–	43,926
Finance costs					(3,888)	(28)	–	(3,916)
Profit before taxation					25,387	14,623	–	40,010
Taxation					1,456	–	–	1,456
Profit for the year					26,843	14,623	–	41,466
Assets								
Segment assets	5,321	25,085	32,208	297,654	360,268	62,040	–	422,308
Unallocated assets					33,376	–	–	33,376
Total assets					393,644	62,040	–	455,684
Liabilities								
Segment liabilities	1,704	53,641	14,863	5,467	75,675	90,448	–	166,123
Unallocated liabilities					70,023	–	–	70,023
Total liabilities					145,698	90,448	–	236,146
Other information								
Capital expenditure	20	1,718	949	2,024	4,711	13,299	–	18,010
Depreciation	1,490	2,180	2,029	1,221	6,920	5,135	–	12,055
Amortisation								
– Premium for land lease	–	–	–	1,677	1,677	–	–	1,677
– Intangible assets	–	–	1,581	–	1,581	–	–	1,581
Significant non-cash expenses (other than depreciation and amortisation)								
– Business segment	244	722	(166)	407	1,207	1,371	–	2,578
– Unallocated items					–	–	–	–

Secondary reporting format – the geographical segments of the Group's turnover are as follows:

	Continuing operations		Discontinued operations		Total	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
PRC	3,028	5,244	–	–	3,028	5,244
Hong Kong	204,117	229,360	62,009	105,672	266,126	335,032
Other Asia Pacific regions	–	–	29,689	67,997	29,689	67,997
North America and the United Kingdom	–	–	136,974	250,967	136,974	250,967
	207,145	234,604	228,672	424,636	435,817	659,240

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

	Continuing operations		Discontinued operations		Total	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
PRC	(3,485)	(2,340)	–	–	(3,485)	(2,340)
Hong Kong	(52,751)	31,615	1,021	7,376	(51,730)	38,991
Other Asia Pacific regions	–	–	(3,918)	(4,096)	(3,918)	(4,096)
North America and the United Kingdom	–	–	7,408	11,371	7,408	11,371
	(56,236)	29,275	4,511	14,651	(51,725)	43,926

8. SEGMENT INFORMATION (continued)

Secondary reporting format – the geographical segments of the Group's total assets are as follows:

	Continuing operations		Discontinued operations		Total	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
PRC	**28,389**	5,742	**–**	–	**28,389**	5,742
Hong Kong	**434,215**	387,902	**–**	18,332	**434,215**	406,234
Other Asia Pacific regions	**–**	–	**–**	15,645	**–**	15,645
North America and the United Kingdom	**–**	–	**–**	28,063	**–**	28,063
	462,604	393,644	**–**	62,040	**462,604**	455,684

Secondary reporting format – the geographical segments of the Group's capital expenditure are as follows:

	Continuing operations		Discontinued operations		Total	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
PRC	**52**	484	**–**	–	**52**	484
Hong Kong	**1,536**	4,227	**348**	10,219	**1,884**	14,446
Other Asia Pacific regions	**–**	–	**74**	443	**74**	443
North America and the United Kingdom	**–**	–	**487**	2,637	**487**	2,637
	1,588	4,711	**909**	13,299	**2,497**	18,010

9. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on bank and other borrowings		
Wholly repayable within five years	951	1,856
Not wholly repayable within five years	317	1,942
Finance charges on obligations under finance leases	54	90
	1,322	3,888

10. (LOSS) PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	2009 HK$'000	2008 HK$'000
Staff costs (include directors' emoluments)		
Salaries, wages and other benefits	49,672	50,789
Contribution to defined contribution plans	1,144	1,163
	50,816	51,952
Auditor's remuneration	1,030	1,610
Cost of inventories	33,686	47,865
Depreciation	5,475	6,920
Amortisation		
Premium for land lease	1,648	1,677
Intangible assets	1,581	1,581
Operating lease charges		
Telecommunications equipment	6,356	5,133
Premises	18,679	17,225
Allowance for doubtful trade and other receivables	6,080	747
Impairment loss		
Intangible assets	318	–
Other non-current assets	100	–
Provision for inventories write-down	239	102
Rental income from investment properties less direct outgoings of HK$Nil *(2008: HK$3,000)*	(7,019)	(7,072)
Loss on disposal of property, plant and equipment	170	272

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

2009	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	–	2,110	12	2,122
Wu Chi Chiu	–	1,787	12	1,799
Fan Wei	–	1,719	12	1,731
Non-executive directors:				
Lo Chi Ho, William*	100	–	–	100
Huang An Guo*	100	–	–	100
Wong Fei Tat*	100	–	–	100
	300	5,616	36	5,952

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

* Independent non-executive directors

No directors have waived emoluments in respect of the years ended 31 March 2009 and 2008.

The five individuals whose emoluments were the highest in the Group for the year include three directors *(2008: three)* whose emoluments are reflected in the analysis presented above. Details of the emoluments of the remaining two individuals *(2008: two)* are as follows:

	2009 HK$'000	2008 HK$'000
Salaries, allowances and benefits in kinds	1,388	1,798
Discretionary bonus	998	70
Retirement scheme contributions	24	95
	2,410	1,963

The emoluments were paid to individuals as follows:

Emoluments band	**Number of individuals**	
	2009	2008
Nil to HK$1,000,000	–	1
HK$1,000,001 to HK$1,500,000	2	1
	2	2

12. TAXATION

Hong Kong Profits Tax has not been provided as the Group's estimated assessable profits for the year are wholly absorbed by unrelieved tax losses brought forward from previous years. 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.

The major components of income tax charge (credit) are:

	Note	2009 HK$'000	2008 HK$'000
Continuing operations			
Current tax			
Hong Kong Profits Tax			
(Over) under provision in prior years		(14)	97
PRC Enterprise Income Tax			
Over provision in prior years		–	(1,553)
		(14)	(1,456)
Deferred taxation			
Origination and reversal of temporary differences		2,835	–
Benefit of tax losses recognised		(3,488)	–
		(653)	–
Tax credit from continuing operations		(667)	(1,456)
Discontinued operations			
Current tax			
Overseas Profits Tax			
Current year		2,354	–
Under provision in prior years		5,059	–
Tax charge from discontinued operations	13	7,413	–
Total tax charge (credit) for the year		6,746	(1,456)

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 (loss) profit of the consolidated companies as follows:

	2009 HK$'000	2008 HK$'000
(Loss) profit before taxation		
Continuing operations	(57,558)	25,387
Discontinued operations	217,364	14,623
	159,806	40,010
Notional tax on profit before taxation, calculated at applicable tax rates	26,368	7,002
Non-deductible expenses	16,351	17,500
Tax exempt revenue	(44,643)	(21,285)
Utilisation of previously unrecognised tax losses	(2,969)	(4,526)
Tax effect of unused tax losses not recognised	4,170	2,527
Over provision in prior years	(14)	(1,553)
Under provision in prior years	5,059	97
Unrecognised temporary differences	2,410	486
Utilisation of previously unrecognised temporary differences	(691)	(1,682)
Effect on overseas tax rates differences	1,358	–
Recognition of previously unrecognised deferred tax assets	(3,488)	–
Recognition of previously unrecognised temporary differences	2,835	–
Others	–	(22)
Tax charge (credit) for the year	6,746	(1,456)

The relevant applicable tax rate was 16.5% *(2008: 17.5%)*.

13. 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 35. The results of the discontinued operations for the year up to the date of disposal and the prior year are summarised as follows:

	Note	2009 HK$'000	2008 HK$'000
Profit for the year from discontinued operations			
Turnover		228,672	424,636
Cost of sales and services		(197,562)	(356,901)
Other revenue		289	1,129
Other net income		730	3,054
Distribution costs		(1,062)	(1,548)
Administrative expenses		(26,556)	(55,719)
Finance costs	(a)	(79)	(28)
Profit before taxation	(b)	4,432	14,623
Taxation	12	(7,413)	–
(Loss) profit for the year from discontinued operations		(2,981)	14,623
Gain on disposal of discontinued operations	35	212,932	–
Profit from discontinued operations		209,951	14,623

Notes:

		2009 HK$'000	2008 HK$'000
(a)	**Finance costs**		
	Interest on bank and other borrowings		
	Wholly repayable within five years	55	20
	Finance charges on obligations under finance leases	24	8
		79	28
(b)	**Profit before taxation**		
	This is stated after charging (crediting):		
	Staff costs (include directors' emoluments)		
	Salaries, wages and other benefits	13,814	25,310
	Contribution to defined contribution plans	550	1,078
		14,364	26,388
	Auditor's remuneration		
	Current year	793	733
	Over provision in prior years	(116)	–
		677	733
	Depreciation	2,783	5,135
	Operating lease charges		
	Telecommunications equipment	8,927	26,194
	Premises	7,184	10,262
	Allowance for doubtful trade and other receivables	521	1,297
	Loss on disposal of property, plant and equipment	37	74
	Allowance for doubtful debts written back	(112)	(137)
(c)	**An analysis of the cash flows of the discontinued operations is as follows:**		
	Net cash (used in) generated from operating activities	(13,182)	27,123
	Net cash used in investing activities	(909)	(13,298)
	Net cash generated from financing activities	1,507	4,142
	(Decrease) increase in cash and cash equivalents	(12,584)	17,967

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$132,577,000 *(2008: HK$116,530,000)*.

15. DIVIDENDS

	2009 HK$'000	2008 HK$'000
Proposed final dividend – HK0.71 cents *(2008: Nil)* per ordinary share	20,026	–

The directors have proposed a final dividend of HK0.71 cents *(2008: Nil)* per ordinary share and is subject to the approval by the shareholders in the forthcoming annual general meeting.

16. (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 year ended 31 March 2009.

	2009	2008
Weighted average number of shares in issue	2,483,112,603	2,350,475,573
(Loss) profit from continuing operations attributable to equity holders of the Company (HK$'000)	(56,228)	26,793
Basic (losses) earnings per share from continuing operations attributable to equity holders of the Company (HK cents)	(2.26)	1.14
Profit from discontinued operations attributable to equity holders of the Company (HK$'000)	209,951	14,623
Basic earnings per share from discontinued operations attributable to equity holders of the Company (HK cents)	8.45	0.62
Profit attributable to equity holders of the Company (HK$'000)	153,723	41,416
Basic earnings per share attributable to equity holders of the Company (HK cents)	6.19	1.76

Diluted (losses) earnings per share for the year ended 31 March 2009 and 2008 were the same as the basic (losses) earnings per share as the potential ordinary shares outstanding during the year ended 31 March 2009 and 2008 were anti-dilutive.

17. INVESTMENT PROPERTIES

	Group	
	2009	2008
	HK$'000	HK$'000
At fair value		
At beginning of year	204,814	187,730
Transfer from premium for land lease upon change of use *(note 21)*	–	1,489
Transfer from leasehold buildings upon change of use *(note 18)*	–	165
Transfer to premium for land lease upon change of use *(note 21)*	–	(4,122)
Transfer to leasehold buildings upon change of use *(note 18)*	–	(2,748)
Disposals	(5,314)	(1,655)
Change in fair value	(43,900)	23,955
At balance sheet date	155,600	204,814

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

	2009	2008
	HK$'000	HK$'000
Land in Hong Kong:		
Medium-term lease	155,600	199,500
Land outside Hong Kong:		
Medium-term lease	–	5,314
	155,600	204,814

The investment properties were valued at open market value by independent, professional qualified valuers, Prudential Surveyors International Ltd., as at 31 March 2009.

The Group's investment properties with an aggregate carrying value at the balance sheet date of HK$155,600,000 *(2008: HK$199,500,000)* were pledged to secure banking facilities granted to the Group.

18. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Telecom-munications equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
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 17)*	(165)	–	–	–	–	(165)
Transfer from investment properties upon change of use *(note 17)*	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
Reconciliation of carrying amount – year ended 31 March 2009						
At beginning of year	8,045	5,060	19,163	1,576	1,878	35,722
Additions	–	809	972	256	460	2,497
Impairment reversed	–	–	249	–	–	249
Disposals	(2,966)	(65)	(267)	–	–	(3,298)
Depreciation	(184)	(1,557)	(4,612)	(979)	(926)	(8,258)
Exchange differences	–	(10)	69	3	–	62
Disposal of subsidiaries	–	(1,344)	(12,814)	(28)	(13)	(14,199)
At balance sheet date	4,895	2,893	2,760	828	1,399	12,775
At 1 April 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
At 31 March 2009						
Cost	5,524	36,851	409,221	31,862	7,693	491,151
Accumulated depreciation and impairment losses	(629)	(33,958)	(406,461)	(31,034)	(6,294)	(478,376)
	4,895	2,893	2,760	828	1,399	12,775

The net book value of the Group's property, plant and equipment includes an amount of HK$411,000 *(2008: HK$996,000)* in respect of assets held under finance leases.

Property, plant and equipment with an aggregate net book value at the balance sheet date of HK$4,895,000 *(2008: HK$8,045,000)* were pledged to secure banking facilities granted to the Group.

Company

	Motor vehicle HK$'000
Reconciliation of carrying amount – year ended 31 March 2008	
Additions	509
Depreciation	(64)
At balance sheet date	445
Reconciliation of carrying amount – year ended 31 March 2009	
At beginning of year	**445**
Depreciation	**(153)**
At balance sheet date	**292**
At 1 April 2008	
Cost	509
Accumulated depreciation	(64)
	445
At 31 March 2009	
Cost	**509**
Accumulated depreciation	**(217)**
	292

19. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**113,115**	113,115
Impairment loss	**(113,115)**	(113,115)
	–	–
Due from subsidiaries	**1,301,774**	1,144,881
Allowance for doubtful debts	**(769,655)**	(904,370)
	532,119	240,511
Due to subsidiaries	**(187,743)**	(43,108)
	344,376	197,403

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

Particulars of the Company's principal subsidiaries at the balance sheet date, which in the opinion of the directors principally affect the results for the year or form a substantial portion of the net assets, are set out in note 40 to the financial statements.

20. INTERESTS IN ASSOCIATES

	Note	Group 2009 HK$'000	Group 2008 HK$'000
Share of net assets		5,530	6,540
Impairment loss		(5,530)	(6,540)
		–	–
Goodwill on acquisition	(a)	–	–
		–	–

(a) Goodwill on acquisition

	Goodwill HK$'000
Goodwill on acquisition	
At 1 April 2008 and 31 March 2009	107,045
Accumulated amortisation and impairment losses	
At 1 April 2008 and 31 March 2009	107,045
Carrying value	
At 31 March 2009	–
At 31 March 2008	–

20. INTERESTS IN ASSOCIATES (continued)

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

Name	Place 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:

	2009 HK$'000	2008 HK$'000
Non-current assets	8,575	9,800
Current assets	186,938	191,003
Non-current liabilities	–	–
Current liabilities	(172,839)	(173,901)
Revenue	8,359	56,475
(Loss) profit for the year	(3,006)	555

21. PREMIUM FOR LAND LEASE

	Group	
	2009 HK$'000	2008 HK$'000
At beginning of year	65,952	65,106
Transfer to investment properties upon change of use *(note 17)*	–	(1,489)
Transfer from investment properties upon change of use *(note 17)*	–	4,122
Impairment loss reversed	–	513
Disposals	(4,429)	(1,446)
Amortisation	(1,648)	(1,677)
Revaluation	–	823
	59,875	65,952

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

	Group	
	2009	2008
	HK$'000	HK$'000
Land in Hong Kong		
Long lease	**59,875**	61,445
Medium-term lease	**–**	4,507
	59,875	65,952

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$1,554,000 *(2008: HK$1,669,000)*.

Premium for land lease with an aggregate net book value at the balance sheet date of HK$59,875,000 *(2008: HK$65,952,000)* were pledged to secure banking facilities granted to the Group.

22. OTHER NON-CURRENT ASSETS

	Group	
	2009	2008
	HK$'000	HK$'000
Club debenture	**3,815**	3,915
Prepayment *(note)*	**–**	–
Loans and receivables/ Long-term investments *(note)*	**–**	–
	3,815	3,915

Note:

The Group has reviewed the carrying amount of prepayment and loans and receivables/ long-term investments as at 31 March 2009 and considered that it is not materially different from the carrying amount as at 31 March 2008.

23. INTANGIBLE ASSETS

	Group HK$'000
Reconciliation of carrying amount – year ended 31 March 2008	
At 1 April 2007	3,480
Amortisation	(1,581)
At 31 March 2008	1,899
Reconciliation of carrying amount – year ended 31 March 2009	
At 1 April 2008	**1,899**
Amortisation	**(1,581)**
Impairment loss	**(318)**
At 31 March 2009	**–**
Carrying value	
Cost	4,743
Accumulated amortisation and impairment losses	(2,844)
At 31 March 2008	1,899
Carrying value	
Cost	**4,743**
Accumulated amortisation and impairment losses	**(4,743)**
At 31 March 2009	**–**

24. INVENTORIES

	Group	
	2009 HK$'000	2008 HK$'000
Finished goods	**4,447**	6,801

25. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2009	2008	2009	2008
		HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables	(a)				
Trade receivables from third parties		40,104	109,396	–	–
Allowance for doubtful debts	(b)	(18,296)	(49,532)	–	–
		21,808	59,864	–	–
Other receivables					
Deposits, prepayments and other receivables		35,370	38,079	5,109	103
Due from associates	(c)	9	941	–	–
		35,379	39,020	5,109	103
		57,187	98,884	5,109	103

(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 amounts of the amounts due approximate 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:

	Group	
	2009	2008
	HK$'000	HK$'000
0 – 30 days	8,826	29,369
31 – 60 days	2,682	7,597
61 – 90 days	1,637	6,019
Over 90 days	8,663	16,879
	21,808	59,864

25. TRADE AND OTHER RECEIVABLES (continued)

(b) Allowance for doubtful debts

	Group	
	2009	2008
	HK$'000	HK$'000
Balance at beginning of year	**49,532**	49,914
Increase in allowance	**1,608**	559
Amount recovered	**(442)**	(137)
Amount written off	**(2,978)**	(804)
Disposal of subsidiaries	**(29,424)**	–
	18,296	49,532

Included in the Group's trade receivables balance are debtors with a carrying amount of HK$13,408,000 *(2008: HK$36,461,000)* 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 consider that the amounts are recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 30-60 days *(2008: 30-60 days)*.

(c) Due from associates

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

26. TRADE AND OTHER PAYABLES

	Note	Group 2009 HK$'000	Group 2008 HK$'000	Company 2009 HK$'000	Company 2008 HK$'000
Trade payables	(a)	36,194	126,148	–	–
Other payables					
Accrued charges and other creditors		19,049	25,644	728	558
Advance subscription fees received		9,284	8,547	–	–
Deposits received		3,024	6,340	–	–
Due to associates	(b)	724	850	–	–
		32,081	41,381	728	558
		68,275	167,529	728	558

(a) Trade payables

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

	Group 2009 HK$'000	Group 2008 HK$'000
0 – 30 days	6,123	22,152
31 – 60 days	4,710	9,851
61 – 90 days	1,985	8,614
Over 90 days	23,376	85,531
	36,194	126,148

(b) Due to associates

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

27. INTEREST-BEARING BORROWINGS

	Group	
	2009	2008
	HK$'000	HK$'000
Bank loans, secured	–	63,870
Bank overdrafts, secured	–	–
	–	63,870
Portion classified as current liabilities	–	(28,498)
Non-current portion	–	35,372

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

	Group	
	2009	2008
	HK$'000	HK$'000
Bank loans and overdrafts:		
Within one year	–	28,498
In the second year	–	5,372
In the third to fifth years, inclusive	–	17,168
Over 5 years	–	12,832
	–	63,870

The effective interest rate of the bank loans at 31 March 2008 was 5.33%.

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

	Group	
	2009	2008
	HK$'000	HK$'000
At floating rates		
HK$	–	59,580
US$	–	4,290
	–	63,870

28. OBLIGATIONS UNDER FINANCE LEASES

Group

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000
Amount payable:				
Within one year	335	538	309	483
In the second to fifth years inclusive	147	482	142	451
	482	1,020	451	934
Future finance charges	(31)	(86)	–	–
Present value of lease obligations	451	934	451	934

The average lease term is two years. The effective interest rate of the finance lease obligations is 11.26% *(2008: 8.01%)*.

29. DEFERRED TAXATION

The movement for the year in the Group's net deferred tax position is as follows:

	2009 HK$'000	2008 HK$'000
At beginning of year	–	–
Income statement credit	653	–
At balance sheet date	653	–

Recognised deferred tax assets (liabilities)

	2009		2008	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
Depreciation allowance	–	(2,835)	–	–
Tax losses	3,488	–	–	–
Deferred tax assets (liabilities)	3,488	(2,835)	–	–
Offset deferred tax assets (liabilities)	(1,600)	1,600	–	–
Net tax assets (liabilities)	1,888	(1,235)	–	–

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	
	2009	2008
	HK$'000	HK$'000
Deductible temporary differences	12,658	7,932
Tax losses	782,826	788,773
At the balance sheet date	795,484	796,705

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 these 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

	2009		2008	
	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				
At 1 April 2008 and 2007	2,350,475,573	23,505	2,350,475,573	23,505
Share issued upon placement *(note)*	470,024,427	4,700	–	–
At 31 March 2009 and 2008	2,820,500,000	28,205	2,350,475,573	23,505

Note:

On 19 December 2008, 470,024,427 shares were placed at HK$0.042 per placing share with at least six independent investors under the general mandate granted to the directors pursuant to the resolution passed by the shareholders of the Company at the annual general meeting of the Company held on 20 August 2008.

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company adopted a share option scheme on 6 September 2002 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.

A summary of the share option scheme is disclosed under the section of "SHARE OPTION SCHEME" of the Directors' Report on pages 22 to 25. No share options have ever been granted by the Company since it has been adopted.

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. On 23 January 2008, the 460,000,000 units of unlisted warrants were issued by the Company. The warrants rank pari passu in all respects among themselves. Each warrant carries the rights to subscribe for one new share at subscription price per new share at any time during a period of 24 months commencing from the date of issue of the warrants. The placement of 470,024,427 shares as disclosed in note 30 has resulted in adjustment to the subscription price from HK$0.345 per new share to HK$0.337 per new share with effect upon completion of the placement. 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. As at 31 March 2009 and 2008, no subscription right was exercised by the warrant holder.

33. CAPITAL AND RESERVES

(a) Group

		Reserves attributable to equity holders of the Company											
	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 profits/ (losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total capital and reserves HK$'000
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
Properties revaluation	–	–	–	914	–	–	–	–	–	–	914	–	914
Disposal of property	–	–	–	(914)	–	–	–	–	–	–	(914)	–	(914)
Exchange differences	–	–	–	–	4,624	–	–	–	–	–	4,624	271	4,895
Issue of warrant	–	–	–	–	–	–	–	–	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
At 1 April 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
Exchange differences	–	–	–	–	(1,471)	–	–	–	–	–	(1,471)	74	(1,397)
Reserve released upon disposal of subsidiaries	–	–	–	–	11	–	–	–	–	–	11	–	11
Issue of shares	4,700	15,041	–	–	–	–	–	–	–	–	15,041	–	19,741
Profit for the year	–	–	–	–	–	–	–	–	–	153,723	153,723	(663)	153,060
At 31 March 2009	28,205	35,383	4,900	9,294	5,676	450	77,623	216,587	1,000	5,328	356,241	6,507	390,953

(b) Company

		Reserves						Total
	Issued capital	Share premium	Capital redemption reserve	Contributed surplus	Capital reserve	Accumulated profits/ (losses)	Total	capital and reserves
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2007	23,505	20,342	450	269,441	–	(233,173)	57,060	80,565
Issue of warrant	–	–	–	–	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
At 1 April 2008	23,505	20,342	450	269,441	1,000	(116,643)	174,590	198,095
Issue of shares	4,700	15,041	–	–	–	–	15,041	19,741
Profit for the year	–	–	–	–	–	132,577	132,577	132,577
At 31 March 2009	28,205	35,383	450	269,441	1,000	15,934	322,208	350,413

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 OPERATIONS

	2009 HK$'000	2008 HK$'000
(Loss) profit before taxation		
Continuing operations	(57,558)	25,387
Discontinued operations	217,364	14,623
	159,806	40,010
Interest expenses	1,323	3,818
Finance charges on obligations under finance leases	78	98
Interest income	(1,045)	(460)
Depreciation	8,258	12,055
Amortisation on premium for land lease	1,648	1,677
Amortisation on intangible assets	1,581	1,581
Change in fair value of investment properties	43,900	(23,955)
Impairment loss on intangible assets	318	–
Impairment loss on other non-currents assets	100	–
Allowance for doubtful trade and other receivables	6,601	2,044
Allowance for doubtful debts written back	(864)	(438)
Reversal of impairment loss on buildings	–	(204)
Reversal of impairment loss on premium for land lease	–	(513)
Reversal of impairment loss on other non-current assets	–	(176)
Reversal of impairment loss on property plant and equipment	(249)	(341)
Loss on disposal of property, plant and equipment	207	346
Gain on disposal of investment properties/ premium for land lease and buildings	(3,332)	(2,726)
Gain on disposal of subsidiaries	(212,932)	–
Provision for inventories write-down	239	102
Exchange difference arising on translation	(1,459)	4,618
Decrease (increase) in inventories	2,115	(304)
Increase in trade and other receivables	(15,684)	(16,585)
Increase in trade and other payables	11,097	13,201
Cash generated from operations	1,706	33,848

35. DISPOSAL OF SUBSIDIARIES

	Note	2009 HK$'000
Net liabilities disposed of:		
Property, plant and equipment		14,199
Trade and other receivables		54,350
Cash and cash equivalents		12,567
Trade and other payables		(110,351)
Taxation		(286)
Obligations under finance leases		(5,839)
Reserves		11
		(35,349)
Gain on disposal of subsidiaries	13	212,932
		177,583
Satisfied by:		
Net consideration received		203,545
Deferred consideration receivables		5,989
Less: Costs related to disposal		(31,951)
		177,583
Net cash inflow arising on disposal:		
Net consideration received, net of related costs		171,594
Less: Cash and cash equivalents disposed of		(12,567)
		159,027

36. RELATED PARTY TRANSACTIONS

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

	2009 HK$'000	2008 HK$'000
Expenses		
Salaries and other short-term employee benefits paid to:		
Key management personnel, including amounts paid to the Company's directors as disclosed in note 11	12,663	12,263
Service fee paid to:		
Minority shareholders of subsidiaries	1,587	1,467
Service fee income from:		
Minority shareholders of subsidiaries	(40)	(1,142)

37. 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:

	2009 HK$'000	2008 HK$'000
In respect of leased properties, including transmission sites:		
Within one year	10,615	11,070
In the second to fifth years inclusive	7,792	3,957
After five years	5,560	–
	23,967	15,027
In respect of leased lines:		
Within one year	888	9,915
In the second to fifth years inclusive	2,400	5,000
After five years	2,400	3,000
	5,688	17,915

(b) 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:

	2009 HK$'000	2008 HK$'000
Within one year	4,352	7,364
In the second to fifth years inclusive	–	4,352
	4,352	11,716

38. FINANCIAL GUARANTEES

	Group		Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Guarantees in respect of banking facilities of subsidiaries and former subsidiaries	–	–	157,211	238,333
Guarantees given to third parties against non-performance of contractual obligations by subsidiaries and former subsidiaries	18,748	27,796	14,950	14,950

39. POST BALANCE SHEET EVENTS

(a) In April 2009, Eagle Heights Limited, a wholly-owned subsidiary of the Company, as vendor, and Mr. Pu Xueyuan, as purchaser, an independent third party, entered into a sale and purchase agreement in relation to the disposal of all the entire issued share capital of Digital Pacific Limited, which was engaged in the provision of long distance call services and retail sales of international calling cards, at par and the assumption of all liabilities, excluding inter-company group balances, by the purchaser in amount of HK$10,303,000. Such disposal was completed in April 2009 and as a result, the Group has made a disposal gain of approximately HK$8,668,000.

(b) On 1 June 2009, China Motion Holdings Limited, a wholly-owned subsidiary of the Company, Mr. Ting Pang Wan, Raymond and Mr. Yam Tak Cheung (collectively, the "Sale Shares Vendors"), and Jackie Industries Limited, China Motion Properties Limited, Best Class International Limited and World Sheen Properties Limited (collectively, the "CM Properties Group"), all being wholly-owned subsidiaries of the Company, entered into a conditional sale and purchase agreement (the "Acquisition Agreement") in relation to the acquisition of all the entire issued share capital in Victory Marker Limited ("Victory Marker") and the assignment of loans due by Victory Marker and its subsidiaries for an aggregate consideration of HK$127,000,000 (the "Acquisition Consideration"). The group of Victory Marker is principally engaged in the provision of sales and management services and the wholesale of Shanghai Mobile's mobile SIM cards in Shanghai. Pursuant to the Acquisition Agreement, the CM Properties Group as vendors and the Sale Shares Vendors as purchasers entered into a conditional sale and purchase agreement on 1 June 2009 for the sale of certain properties of the Group situated at Room 2601, 2604-08 on 26th Floor and car parking spaces nos. 85 and 86 on Basement 2 of Harbour Centre, 25 Harbour Road, Hong Kong at the consideration of HK$67,100,000 which sum shall be set-off against part of the Acquisition Consideration on a dollar for dollar basis. The said transactions which constituted major and connected transactions were approved by the independent shareholders of the Company at the special general meeting held on 14 July 2009 and completion took place on 17 July 2009. Details of the transactions were disclosed in the announcement and the circular date 1 June 2009 and 22 June 2009 respectively.

39. POST BALANCE SHEET EVENTS (continued)

(c) On 17 July 2009, the Sale Shares Vendors or their nominee(s) as landlord and an associated company nominated by CM Properties Group as tenant entered into the Tenancy Agreement for the rental of the Properties for a term of three years at HK$315,000 per month, exclusive of government rent and rates, management fees and other outgoings. The Tenancy Agreement constituted a continuing connected transaction to the Company. Details of the Tenancy Agreement were disclosed in the announcement and the circular dated 1 June 2009 and 22 June 2009 respectively.

(d) On 20 July 2009, ChinaMotion NetCom Holdings Limited, a wholly-owned subsidiary of the Company, as vendor, and the Company, as guarantor, entered into a sale and purchase agreement with CITIC 1616 Holdings Limited, as purchaser, to dispose of the entire issued share capital of CM Tel (HK) Limited ("CM Tel"), a wholly-owned subsidiary of the Company, engaged in provision of fixed network services, and the net payables, representing the net amount which stood due owing from CM Tel to member of the Group (excluding CM Tel) as at completion, at a cash consideration of HK$10,000,000 subject to the adjustments as set out in the said agreement. Completion of the disposal shall take place by no later than 31 October 2009 subject to the fulfillment of the condition as stipulated therein.

40. 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
China Motion Properties Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Property holding
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
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
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

40. PRINCIPAL SUBSIDIARIES (continued)

Name	Country/place of incorporation/ operation and kind of legal entity in the PRC	Particulars of issued share capital/ registered capital	Percentage of effective equity interests held[1]	Principal activities
Shenzhen Motion Mobile Telecom Services Co., Ltd	PRC, equity joint venture	Paid-up capital US$12,000,000 Registered capital US$29,000,000	90%	Provision of GSM-related services to telecommunications operator in the PRC
Shenzhen Motion Telecom Service 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.

41. COMPARATIVE FIGURES

Comparative figure of change in fair value of investment properties previously classified under other net income has been disclosed separately in order to conform with the presentation of the current year.

Particulars of principal properties held by the Group which have been completed for existing use at 31 March 2009 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%

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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