THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Motion Telecom International Limited, you should at once hand this circular to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

潤迅通信國際有限公司*

China Motion Telecom International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 989)

(I) Major and connected transactions relating to the acquisition of a retail and wholesale operator in telecommunications products and the disposal of the Properties as part of the Acquisition Consideration; and (II) Continuing connected transaction relating to the leasing of the Properties

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

光大控股

EVERBRIGHT

China Everbright Capital Limited

A notice convening the special general meeting of China Motion Telecom International Limited to be held at Boardroom V, Ground Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 14 July 2009 at 11:00 a.m. is set out on pages 170 to 172 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

* *For identification purpose only*

22 June 2009

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition Agreement"	the conditional agreement dated 1 June 2009 entered into between CMHL, the Sale Shares Vendors and CM Properties Group in relation to the sale and purchase of the entire issued share capital of Victory Marker, and assignment of the shareholders' loans due by the Victory Marker Group
"Acquisition Completion"	completion of the Sale Shares Acquisition
"Acquisition Consideration"	the aggregate consideration for the Sale Shares and the Sale Loans under the Acquisition Agreement
"Agreements"	the Acquisition Agreement and the Properties Agreement
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (excluding Saturday and a day on which a tropical cyclone warning No.8 or above or a "black rainstorm warning signal" is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are open for general business
"China Everbright"	China Everbright Capital Limited, a corporation licensed under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Agreements
"CMHL"	China Motion Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"CM Properties Group"	Jackie Industries Limited, China Motion Properties Limited, Best Class International Limited and World Sheen Properties Limited, all of which are indirect wholly-owned subsidiaries of the Company engaged in property holding business
"Company"	China Motion Telecom International Limited, a company incorporated in Bermuda with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange

"Companies Ordinance"	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Disposal Completion"	completion of the Properties Disposal
"Disposal Consideration"	the aggregate consideration of HK$67.1 million for the Properties Disposal
"Directors"	directors of the Company
"Enlarged Group"	the Group together with the Victory Marker Group after Acquisition Completion
"Group"	the Company and its subsidiaries
"Hongyi"	上海宏億通信產品銷售有限公司, a limited liability company established under the laws of the PRC
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent committee of the Board comprising three independent non-executive Directors formed for the purpose of advising and giving recommendation to the Independent Shareholders regarding the Agreements and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than Marvel Bonus and its associates (including the Sale Shares Vendors)
"Jinhan Yintong"	上海錦瀚銀通通信產品銷售有限公司, a wholly foreign-owned enterprise established under the laws of the PRC
"Latest Practicable Date"	18 June 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Lease"	the leasing arrangement of the Properties by CM Properties Group from the Sale Shares Vendors or their nominees under the Tenancy Agreement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Marvel Bonus"	Marvel Bonus Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and the controlling Shareholder holding approximately 55.1% equity interest in the Company
"Mr. Ting"	Mr. Ting Pang Wan, Raymond, the Chairman of the Board and beneficially interested in 50% of the issued share capital of Marvel Bonus
"Mr. Yam"	Mr. Yam Tak Cheung who is beneficially interested in 50% of the issued share capital of Marvel Bonus
"PRC"	the People's Republic of China excluding Hong Kong for the purpose of this circular
"Properties"	the properties respectively owned by CM Properties Group, namely units 2601, 2604, 2605, 2606, 2607 and 2608 on 26th Floor and Car Parking Spaces Nos. 85 and 86 on Basement 2 of Harbour Centre, No. 25 Harbour Road, Hong Kong
"Properties Agreement"	the conditional agreement dated 1 June 2009 entered into between CM Properties Group as vendors and the Sale Shares Vendors as purchasers in relation to the sale and purchase of the Properties
"Properties Disposal"	the proposed disposal of the Properties by CM Properties Group to the Sale Shares Vendors under the Properties Agreement
"Runxun Concept"	上海潤迅概念通信產品連鎖銷售有限公司, a limited liability company established under the laws of the PRC
"Sale Loans"	the aggregate sum of HK$3,969,000, representing the outstanding interest-free unsecured loans advanced by the Sale Shares Vendors to the Victory Marker Group as at the date of the Acquisition Agreement
"Sale Shares"	the total of 10,000 ordinary shares of HK$1.00 each in the share capital of Victory Marker, representing its entire issued share capital
"Sale Shares Acquisition"	the proposed acquisition of Sale Shares and assignment of Sale Loans between CMHL and the Sale Shares Vendors pursuant to the Acquisition Agreement
"Sale Shares Vendors"	Mr. Ting and Mr. Yam
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong

"SGM"	the special general meeting of the Company to be held at Boardroom V, Ground Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 14 July 2009 at 11:00 a.m. or any adjournment thereof to approve, ratify and confirm the Agreements and the transactions respectively contemplated thereunder
"Shanghai Mobile"	中國移動通信集團上海有限公司 (China Mobile Group Shanghai Company Limited), a limited liability company established under the laws of the PRC which is a wholly-owned subsidiary of China Mobile Limited
"Share(s)"	share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tenancy Agreement"	the tenancy agreement to be entered into between the Sale Shares Vendors or their nominee(s) (as the case may be) as landlord and an associated company nominated by CM Properties Group as tenant upon the Disposal Completion on terms as set out therein
"Victory Marker"	Victory Marker Limited, a company incorporated under the Companies Ordinance with limited liability
"Victory Marker Group"	Victory Marker and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

For illustration purpose only, amounts denominated in RMB have been converted into HK$ at a rate of RMB1.00 to HK$1.14.

潤 迅 通 信 國 際 有 限 公 司 *
China Motion Telecom International Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 989)

Executive Directors:
Mr. Ting Pang Wan, Raymond *(Chairman)*
Mr. Wu Chi Chiu *(Deputy Chairman and Chief Executive Officer)*
Ms. Fan Wei

Independent Non-executive Directors:
Mr. Lo Chi Ho, William
Mr. Huang An Guo
Ms. Wong Fei Tat

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

22 June 2009

To the Shareholders and, for information purpose only, the holder(s) of warrants of the Company

Dear Sir or Madam,

(I) Major and connected transactions relating to the acquisition of a retail and wholesale operator in telecommunications products and the disposal of the Properties as part of the Acquisition Consideration; and (II) Continuing connected transaction relating to the leasing of the Properties

INTRODUCTION

On 1 June 2009, the Board announced that CMHL, CM Properties Group and the Sale Shares Vendors entered into the Acquisition Agreement in relation to the acquisition of Sale Shares and the assignment of Sale Loans between CMHL and the Sales Shares Vendors for an aggregate consideration of HK$127 million payable upon the Acquisition Completion. Pursuant to the Acquisition Agreement, CM Properties Group as vendors entered into the Properties Agreement on 1 June 2009 with the Sale Shares Vendors as purchasers under which CM Properties Group agreed to sell and the Sale Shares Vendors agreed to purchase the Properties at the consideration of HK$67.1 million which sum shall be set-off against part of the Acquisition Consideration on a dollar for dollar basis.

* *For identification purpose only*

The Properties are currently used by the Group as its head office and principal place of business in Hong Kong. The Group will continue to occupy the Properties after the Disposal Completion under the Tenancy Agreement to be entered into between the Sale Shares Vendors or their nominee(s) (as the case may be) as landlord and an associated company nominated by CM Properties Group as tenant upon the Disposal Completion for a term of three years commencing from the date of the Disposal Completion at the monthly rental of HK$315,000 (exclusive of Government rent, rates and management fees).

Completion of the Acquisition Agreement and the Properties Agreement will take place simultaneously. The Acquisition Agreement and the Properties Agreement are inter-conditional.

Each of the Sale Shares Acquisition and the Properties Disposal constitutes a major transaction for the Company under the Listing Rules. As Marvel Bonus, the controlling Shareholder who is interested in approximately 55.1% of the issued share capital of the Company as at the Latest Practicable Date, is beneficially and equally owned between the Sale Shares Vendors through their respective wholly-owned investment companies, the Agreements also constitute connected transactions for the Company under the Listing Rules. Accordingly, the Agreements and the transactions contemplated therein are subject to the approval of the Independent Shareholders at the SGM by way of poll as required under the Listing Rules. Marvel Bonus and its associates, including the Sale Shares Vendors, will abstain from voting in respect of the resolution to be proposed at the SGM for the approval of the Agreements and the transactions contemplated therein.

The Tenancy Agreement shall constitute a continuing connected transaction for the Company and is subject to the reporting and announcement requirements but is exempt from Independent Shareholders' approval pursuant to Rule 14A.34 of the Listing Rules. Appropriate disclosure of the transactions contemplated under the Tenancy Agreement will be made in the next published annual reports and accounts of the Company in accordance with the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) details of the Agreements; (ii) recommendation of the Independent Board Committee; (iii) letter of advice from China Everbright to the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder; (iv) financial and other information of the Group; (v) financial information of the Victory Marker Group; (vi) unaudited pro forma financial information of the Enlarged Group; (vii) the valuation report on the Properties; and (viii) the notice convening the SGM.

THE ACQUISITION AGREEMENT

Date: 1 June 2009

Parties:

Vendors of Sale Shares and Sale Loans:
(i) Mr. Ting; and
(ii) Mr. Yam

Purchaser of Sale Shares and Sale Loans: CMHL

Vendors of the Properties:	(i)	Jackie Industries Limited;
	(ii)	China Motion Properties Limited;
	(iii)	Best Class International Limited; and
	(iv)	World Sheen Properties Limited

Mr. Ting is a connected person for the purpose of the Listing Rules by virtue of the fact that he is the Chairman of the Board and also the ultimate beneficial owner of Shanghai Assets (BVI) Limited which in turn holds 50% interest in Marvel Bonus, the controlling Shareholder. Mr. Yam is a connected person of the Company by virtue of his beneficial interest in Integrated Asset Management (Asia) Limited which in turn holds the other 50% interest in Marvel Bonus.

Assets to be acquired

The assets to be acquired comprise the Sale Shares and the Sale Loans. The Sale Shares represent the entire issued share capital of Victory Marker which is an investment holding company incorporated under the Companies Ordinance with limited liability. The principal asset held by Victory Marker is the entire registered capital of Jinhan Yintong, which in turn owns the entire registered capital of each of Runxun Concept and Hongyi. Runxun Concept is principally engaged in the retail of mobile handsets and accessories and the provision of sales and management services to Shanghai Mobile in Shanghai, while Hongyi is principally engaged in the wholesale of Shanghai Mobile's mobile SIM cards in Shanghai. Victory Marker is beneficially and equally owned by Mr. Ting and Mr. Yam. The Sale Loans represent the interest-free unsecured loans in the aggregate sum of HK$3,969,000 indebted by the Victory Marker Group to the Sale Shares Vendors as at the date of the Acquisition Agreement.

Consideration

The Acquisition Consideration for the Sale Shares and the Sale Loans shall be HK$127 million payable by CMHL to the Sale Shares Vendors at the Acquisition Completion in the manner as follows:

(i) as to HK$67.1 million by setting off against the Disposal Consideration receivable by the CM Properties Group under the Properties Agreement, on a dollar for dollar basis; and

(ii) as to the balance of HK$59.9 million in cash.

Further information on the Properties Agreement is set out in the section headed "The Properties Agreement" in this circular. The amount of HK$59.9 million being the cash portion of the Acquisition Consideration will be funded by the internal resources of the Group.

The Acquisition Consideration payable by CMHL to the Sale Shares Vendors was arrived at after arm's length negotiations between the parties with reference to the business prospects of Runxun Concept and Hongyi, the possible future earnings contribution to the Group and the approximate price-earnings multiple of 10 times of the warranted profit described in the paragraph headed "Warranted profit" below. The approximate price-earnings multiple of 10 times of the warranted profit is determined with reference to the price earnings multiples of comparable listed companies in Hong Kong engaging in retail telecommunications related business.

Warranted profit

Pursuant to the Acquisition Agreement, the Sale Shares Vendors jointly and severally represent, warrant and undertake that the audited consolidated net profit after tax of the Victory Marker Group reported under the Hong Kong Financial Reporting Standards for the year commencing 1 July 2009 and ending 30 June 2010 (the "Actual Profit") will not be less than HK$12.7 million. If the Actual Profit is less than HK$12.7 million, the Sale Shares Vendors shall jointly and severally indemnify CMHL an amount (the "Indemnity Amount") calculated as follows:

The Indemnity Amount = (HK$12.7 million – Actual Profit) x 10

Under the terms of the Acquisition Agreement, the aforesaid audited accounts of the Victory Marker Group for the year commencing 1 July 2009 and ending 30 June 2010 shall be completed on or before 30 September 2010 and the Indemnity Amount, if any, shall be payable by the Sale Shares Vendors to CMHL within 14 Business Days after 30 September 2010.

Conditions precedent

Acquisition Completion is conditional upon fulfilment of the following conditions:

(i) the results of the due diligence review carried out by CMHL on the assets and liabilities, business and prospects of the Victory Marker Group and in relation thereto, on the books, records, constitutional documents, contracts, accounting records and any other documents relating to any member of the Victory Marker Group and their respective businesses being satisfactory to CMHL prior to the date of the Acquisition Completion;

(ii) CMHL having received (a) the resolutions of the board of directors of Victory Marker, among other things, approving the terms of, and authorising a person or person(s) to execute, the documents contemplated under the Acquisition Agreement; and (b) a legal opinion from a firm of PRC legal advisers in form and substance acceptable to CMHL on such matters under the laws of the PRC relevant to such issues (including, but without limitation, that each of Jinhan Yintong, Runxun Concept and Hongyi is legally and validly established under the laws of the PRC and that the equity interests of each of Jinhan Yintong, Runxun Concept and Hongyi are legally and beneficially owned by Victory Marker or the relevant member of the Victory Marker Group) as CMHL may request;

(iii) all requirements imposed by the Stock Exchange under the Listing Rules or otherwise in connection with the transactions contemplated by the Acquisition Agreement having been fully complied with;

(iv) all waivers, consents, approvals or confirmations of the Stock Exchange which are required or appropriate or in relation thereto, and all relevant waivers, consents, approvals or confirmations required for the purposes of the parties for the entry into and the implementation of the Acquisition Agreement, having been obtained;

(v) the passing by the Independent Shareholders in the SGM by way of poll of resolution(s) approving, amongst other things, the transactions contemplated under the Acquisition Agreement and the implementation of such transactions;

(vi) the warranties, representations and undertakings given by the Vendors being true and accurate in all material respects when made, and being true and accurate in all material respects on the date of the Acquisition Completion; and

(vii) the Properties Agreement having become unconditional in all respects save as regards any condition requiring the Acquisition Agreement to become unconditional.

CMHL may waive the conditions (i), (ii) and (vi) above. The other conditions are not waivable. If the conditions above are not fulfilled or waived (as the case may be) on or before 31 August 2009 or such other date as CMHL and the Sale Shares Vendors may agree in writing, the Acquisition Agreement will, subject to the liability of any party to the Acquisition Agreement to the others in respect of any antecedent breaches of the terms of the Acquisition Agreement, be null and void and of no effect.

Acquisition Completion

Acquisition Completion shall take place within five Business Days after the Acquisition Agreement has become unconditional or at such other date and time as shall be mutually agreed between CMHL and the Sale Shares Vendors.

THE PROPERTIES AGREEMENT

Date: 1 June 2009

Parties:

Vendors:	(i)	Jackie Industries Limited;
	(ii)	China Motion Properties Limited;
	(iii)	Best Class International Limited; and
	(iv)	World Sheen Properties Limited
Purchasers:	(i)	Mr. Ting; and
	(ii)	Mr. Yam

The vendors of the Properties, being members of CM Properties Group, are indirect wholly-owned subsidiaries of the Company, all of which are engaged in property holding business.

The Properties Agreement was entered into by the parties pursuant to the terms of the Acquisition Agreement.

Assets to be disposed of

The Properties include units 2601, 2604, 2605, 2606, 2607, 2608 on 26th Floor and Car Parking Spaces Nos. 85 and 86 on Basement 2 of Harbour Centre, No. 25 Harbour Road, Hong Kong. The Properties have an aggregate gross floor area of approximately 10,137 square feet and are currently used by the Company as its head office and principal place of business in Hong Kong.

Consideration

The consideration for the Properties Disposal is HK$67.1 million, which will be set-off against part of the Acquisition Consideration on a dollar for dollar basis as described in the paragraph headed "Consideration" under the section headed "The Acquisition Agreement" of this circular. The consideration for the Properties Disposal was determined with reference to the market values of the Properties of the total amount of HK$67.1 million as at 31 March 2009 valued by a professional valuer who is independent of the Company and its connected persons. The professional valuer has adopted the direct comparison approach by making reference to comparable sales evidence as available in the market.

Conditions precedent

Completion of the Properties Agreement is conditional upon fulfilment of the following conditions:

(i) the Company obtaining all the necessary clearance and approvals under the Listing Rules and/or any rules and regulations laid down by the Stock Exchange;

(ii) the approval of the Independent Shareholders being obtained at a SGM by way of poll before the date of the Disposal Completion; and

(iii) the Acquisition Agreement having become unconditional in all respects save as regards any condition requiring the Properties Agreement to become unconditional.

The Properties Disposal and the Sale Shares Acquisition are inter-conditional on each other and the Acquisition Completion and the Disposal Completion shall take place simultaneously.

Pursuant to the Properties Agreement, the date of the Disposal Completion is agreed by the parties to be on 31 August 2009. If the conditions above are not fulfilled on or before 31 August 2009 or such other date as CM Properties Group and the Sale Shares Vendors may agree in writing, CM Properties Group shall have the right to rescind and annul the sale of the Properties by giving not less than 5 Business Days' written notice to the Sale Shares Vendors and the sale of the Properties shall at the expiration of such notice be annulled and all obligations of the Sale Shares Vendors and CM Properties Group under the Properties Agreement shall cease, provided that rights and liabilities of the parties hereto which have accrued prior to such rescission shall subsist.

However, in the event that the conditions precedent to the Acquisition Agreement and the Properties Agreement are fulfilled earlier than the agreed date of the Disposal Completion, that is, 31 August 2009, the CM Properties Group shall have the right by giving prior written notice of not less than 5 Business Days to the Sale Shares Vendors or their solicitors to call for earlier completion of the Properties Agreement, so that the Acquisition Completion and the Disposal Completion shall take place simultaneously.

THE TENANCY AGREEMENT

The Properties to be disposed of 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 will continue to occupy the Properties after the Disposal Completion subject to the Tenancy Agreement to be entered into between the Sale Shares Vendors or their nominee(s) (as the case may be) as landlord and an associated company nominated by CM Properties Group as tenant upon the Disposal Completion. Principal terms of the Tenancy Agreement are set out as follows:

Properties:	Units 2601, 2604, 2605, 2606, 2607, 2608 on 26th Floor and Car Parking Spaces Nos. 85 and 86 on Basement 2 of Harbour Centre, No. 25 Harbour Road, Hong Kong with total gross floor area of approximately 10,137 square feet.
Term:	Three years commencing from the date of the Tenancy Agreement provided that the landlord and the tenant shall each have the right to early terminate the tenancy at any time after the expiration of the first three months of the tenancy term by giving prior written notice of not less than three months to the other party or by rent in lieu of such notice to the other party.
Rental:	HK$315,000 per month, exclusive of government rent and rates, management fees and other outgoings, payable in advance without any deduction or set-off on the 12th day of each and every successive calendar month.
Deposit:	HK$1,158,926.50, equivalent to about three month's rental plus management fees and one quarter of government rates.

The monthly rental under the Tenancy Agreement is determined after arm's length negotiation between the parties with reference to the valuation of the Lease performed by an independent professional valuer.

The annual caps in respect of the Lease for each of the financial years ending 31 March 2010, 2011 and 2012 are expected not to exceed HK$3.0 million, HK$3.8 million and HK$3.8 million respectively. The annual caps are arrived at on the basis of the monthly rental payable by the Group under the Tenancy Agreement.

INFORMATION ON THE VICTORY MARKER GROUP

Victory Marker and Jinhan Yintong

Victory Marker was incorporated under the Companies Ordinance with limited liability on 23 October 2008. The principal business of Victory Marker is investment holding. It is held by the Sale Shares Vendors for the sole purpose of holding the investment in the entire registered capital of Jinhan Yintong.

Jinhan Yintong was established in the PRC with limited liability on 18 July 2007 and became a wholly foreign-owned enterprise in March 2009. It is engaged in the provision of agency services and investment holding businesses. Save for the entire interest in Runxun Concept and Hongyi, Jinhan Yintong has no other material assets and has not undertaken any operations since its date of establishment.

Runxun Concept

Runxun Concept was established in the PRC on 14 April 2000. Its businesses principally involve: (i) as a retailer to sell mobile handsets and accessories in its own retail outlets in Shanghai (the "Old Retail Business"); and (ii) as a subcontracting service provider to provide sales and management services to Shanghai Mobile, a wholly-owned subsidiary of China Mobile Limited, one of the major telecommunication operators in the PRC, at retail outlets and business halls in the Shanghai region and to distribute Shanghai Mobile's pre-paid SIM cards to other retail stores in Shanghai, from which Runxun Concept receives commission income and service fee based on the types of services provided in the retail outlets and business halls and the number of pre-paid SIM cards distributed by Runxun Concept (the "Provision of Sales and Management Services").

The Old Retail Business

Runxun Concept operated its own retail outlets to sell mobile handsets and accessories since its inception in 2000 and had about 97 retails outlets in Shanghai between 2001 and 2002. However, due to the highly competitive environment in the retail of telecommunication products in the PRC and substantial working capital requirements in inventories and retail stores operations, the Old Retail Business had a very low profit margin and retails outlets of Runxun Concept had been reduced to about 17 in 2006. As Runxun Concept has shifted its focus to the Provision of Sales and Management Services as further described below, the Old Retail Business has been downscaled to minimal operation currently.

Provision of Sales and Management Services

Runxun Concept has established business relationship with Shanghai Mobile since 2000 through distributing Shanghai Mobile's pre-paid SIM cards and has commenced to provide sales and management services to Shanghai Mobile since 2002 through four co-operative agreements. The Sale Shares Vendors considered that such co-operative arrangements had business potential for Runxun Concept and in order to capture this business opportunity, the Sale Shares Vendors acquired Runxun Concept in early 2006. Under these four co-operative arrangements, Runxun Concept was authorised to use the brand name of "China Mobile" to operate retail outlets, under which arrangement of the products and services offered to at the relevant retail outlets were designated by Shanghai Mobile while the costs of operating the retail outlets, including the rental, overheads and staff cost, were borne by Runxun Concept. Runxun Concept then received commission income and service fee based on the types of services provided in these sale outlets. The Sale Shares Vendors considered such business model to have growth potential as Runxun Concept can capitalise on its experiences in managing retail stores and sales personnel by providing specialised sales and management services to Shanghai Mobile, and yet without the burden of maintaining substantial working capital for its own inventory. In view of the mutual benefits of the arrangements and the efforts of the Sale Shares Vendors in improving the service quality of Runxun Concept, Shanghai Mobile further outsourced the sales and management operation of their retail outlets and business halls to Runxun Concept under which Shanghai Mobile would share a portion or fixed amount of rental and administrative expenses of those retails outlets and business halls. Under such arrangement Runxun Concept could further benefit from reducing overhead expenses and diverting its resources to recruiting, training, supervising and motivating retail staff so that a more comprehensive and quality services could be offered to customers. The business model of the Provision of Sales and Management Services has been proved to be successful as the number of co-operative agreements entered into between Runxun Concept and Shanghai Mobile has been gradually increased to 27 in early 2009 and the financial performance of Runxun Concept has been improved since change of ownership in 2006.

The 27 co-operative agreements with Shanghai Mobile were entered into between 2006 and 2009 with term ranging from 10 months to 3 years. As at the Latest Practicable Date, nine co-operative agreements have expired but remain effective as Runxun Concept is still providing sales and management services to those relevant retails outlets and business halls. As advised by the Sale Shares Vendors, the expired agreements are currently under the renewal process and Runxun Concept and Shanghai Mobile have agreed in principle on the renewed terms and conditions and expect to enter into written agreements soon. The Sale Shares Vendors consider that there would not been any material obstacles to renew the aforesaid expired agreements due to the satisfactory co-operation relationship between Runxun Concept and Shanghai Mobile in the past. Nevertheless, the Sale Shares Vendors have jointly and severally warranted under the Acquisition Agreement that all the co-operative agreements and any renewed co-operative agreements when executed between Runxun Concept, Hongyi and Shanghai Mobile are, and shall be, legal, valid, subsisting and binding on each of the respective parties for a period of 12 months from the date of the Acquisition Completion.

Apart from providing sales and management services to Shanghai Mobile at retail outlets and business halls in the Shanghai region, Runxun Concept is also authorised by Shanghai Mobile to distribute Shanghai Mobile's pre-paid SIM cards to other retail stores in Shanghai, from which Runxun Concept receives commission income based on the number of pre-paid SIM cards sold to its customers.

For the year ended 31 December 2008, Runxun Concept recorded revenue of HK$41.4 million from the business segment of Provision of Sales and Management Services which accounted for approximately 71.0% of the total revenue generated by the Victory Marker Group.

Hongyi

Hongyi was established in the PRC on 23 April 2003. It is principally engaged in the wholesale of Shanghai Mobile's mobile SIM cards in Shanghai. Hongyi has entered into co-operative agreements with Shanghai Mobile for the wholesale of Shanghai Mobile's mobile SIM cards to other retailers or telecommunications dealers in Shanghai. It recorded revenue of approximately HK$2.7 million for the year ended 31 December 2008.

The Sale Shares Vendors acquired Runxun Concept and Hongyi from their respective original owners in 2006 at the consideration of RMB2.5 million (equivalent to approximately HK$2.9 million) and RMB0.5 million (equivalent to approximately HK$0.6 million) respectively. Pursuant to an internal restructuring by the Sale Shares Vendors in respect of their holdings in Runxun Concept and Hongyi, Jinhan Yintong was established in July 2007 for the purpose of holding the entire interests in the registered capital of Runxun Concept and Hongyi, and Victory Marker was established by the Sale Shares Vendors in October 2008 to hold the registered capital of Jinhan Yintong in January 2009. The consideration for the acquisition of Runxun Concept and Hongyi by the Sale Shares Vendors was recorded as the shareholders' loan in the accounts of the Victory Marker Group and as at 31 December 2008, including the incorporation costs of Victory Marker and Jinhan Yintong and other capital contribution to the Victory Marker Group, the balance of the shareholders' loan from the Sale Shares Vendors amounted to approximately HK$4.0 million.

Based on the audited combined accounts of the Victory Marker Group prepared under the Hong Kong Financial Reporting Standards for the year ended 31 December 2007, the Victory Marker Group recorded net profit before tax of approximately HK$1.4 million and net profit after tax of approximately HK$0.7 million. Based on the audited combined accounts of the Victory Marker Group prepared under the Hong Kong Financial Reporting Standards for the year ended 31 December 2008, the audited combined net profit before tax of the Victory Marker Group was approximately HK$16.8 million and the audited combined net profit after tax was approximately HK$12.5 million. For the year ended 31 December 2008, the audited combined net profit of the Victory Marker Group included a waiver of an amount payable to the former owner(s) of Runxun Concept in the total amount of approximately HK$8.6 million. As at each of the years ended 31 December 2007 and 2008, the Victory Marker Group had an audited combined net liability of approximately HK$5.6 million and net assets of approximately HK$7.2 million respectively, which included a shareholders' loan from the Sale Shares Vendors of approximately HK$3.7 million and HK$4.0 million for each of the respective years.

The waiver of the amount payable to the former owner(s) of Runxun Concept as mentioned above is not recurring in nature and not related to the operation prospect of the Victory Marker Group. For illustration purpose, without taking into account of the wavier of the amount payable to the former owner(s) of Runxun Concept and Hongyi of approximately HK$8.6 million and the relevant tax amount based on 25% thereto of approximately HK$2.2 million, the audited combined net profit after tax of the Victory Marker Group for the year ended 31 December 2008 would have been approximately HK$6.1 million (being audited net profit after tax of HK$12.5 million deducting the waiver of the amount payable of HK$8.6 million and adding the tax saving amount of HK$2.2 million).

REASONS FOR THE AGREEMENTS

The principal business of the Company is investment holding. The subsidiaries of the Company are principally engaged in the provision of mobile communications services, distribution and retailing of telecommunications products, provision of retail IDD services, provision of trunked radio services and property investments.

The Directors consider that mobile communications services and related retail industry in which the Group operates is highly competitive in Hong Kong. The Group has divested its wholesale IDD and overseas calling cards business in September 2008 to streamline its operations to improve its operational efficiency in order to maintain profit margin. The Directors consider that the foray into the service outsourcing business for telecommunications operators in Shanghai, the PRC provides good opportunity to the Group to tap the new market which is of greater growth potential and higher profit margin. As announced by the State Council of the PRC in March 2009, Shanghai will be built into a major international financial centre and shipping hub by 2020. It is expected that there will be high growth potential in the telecommunications industry in the PRC and Shanghai Mobile will keep expanding its retail outlets in order to maintain its competitiveness in the market. By entering into of the Acquisition Agreement, the Directors believe the Victory Marker Group will deliver attractive return to the Group in the medium to long term spectrum.

As mentioned in the section headed "Information on the Victory Marker Group" of this circular, the total consideration incurred by the Sale Shares Vendors for the acquisition of Runxun Concept and Hongyi amounted to approximately HK$3.5 million. The Directors have had regard to the consideration incurred by the Sale Shares Vendors when determining the Acquisition Consideration and consider it to be justifiable given the efforts and contribution made by the Sale Shares Vendors to the performance of Runxun Concept and Hongyi. By the time when the Sale Shares Vendors acquired Runxun Concept, its business was focused on mobile handset retail business, where profit margin was low and capital investment in inventories was high. Such business model exposed Runxun Concept to very high operation risk given the rapid changing models in mobile handset and possible obsolete inventories. In fact, the number of retail outlets operated by Runxun Concept for the operation of the Old Retail Business had reduced from about 97 between 2001 and 2002 to about 17 in 2006.

Following the acquisition by the Sale Shares Vendors in 2006, Runxun Concept reformulated its strategy to move towards a service-based business model and introduced a new management team that had extensive telecommunication operation and financial experiences. Structured trainings and sales incentive programs were also deployed to motivate the staff. With the initial four retail outlets under the co-operative arrangement with Shanghai Mobile, Runxun Concept has gradually developed its business in the Provision of Sales and Management Services and expanded the co-operative arrangement to 27 retail outlets and business halls by early 2009. Revenue from the Provision of Sales and Management Services increased from HK$22.7 million in 2007 to HK$41.4 million in 2008. Overall gross profit margin has also been improved from about 24% in 2007 to 45% in 2008. In light of the above, the Directors consider that the Sale Shares Vendors had successfully made a turnaround of the performance of the Victory Marker Group and established a sound foundation to capture the high growth potential in the telecommunications industry in Shanghai.

Looking ahead, the Directors are of the view that there will have plenty of business opportunity for the Victory Marker Group to expand its business in the Provision of Sales and Management Services as Shanghai Mobile is currently expanding its sales network in face of the upcoming industry challenge and competition in the new 3G services to be launched in the PRC. As advised by the management of the Victory Marker Group, Shanghai Mobile had about 282 large-scaled business halls by August 2008 and around 50 of them had their sales and management functions outsourced to external service providers, including the Victory Marker Group. Given that the Victory Marker Group is one of the major service providers of Shanghai Mobile with established relationship and proven track records, the Directors are optimistic on the growth of the Provision of Sales and Management Services business by securing additional co-operative arrangements with Shanghai Mobile. The Directors consider that Shanghai Mobile will continue to co-operate with the Victory Marker Group for the latter to provide sales and management services given the nearly nine years business relationship between Shanghai Mobile and Runxun Concept and the established reputation of Runxun Concept for its service quality. These factors lead to a stable and long term income stream to be contributed by the Victory Marker Group. Taking into account the above, the Directors consider that using the one-year warranted profit of HK$12.7 million undertaken by the Sale Shares Vendors (as mentioned in the paragraph headed "Warranted profit" under the section headed "The Acquisition Agreement" of this circular) and the mechanism for calculating the Indemnity Amount would be a reasonable basis to determine the Acquisition Consideration of the Victory Marker Group, and that the price-earnings multiple of 10 times thereon would be justifiable after comparing with other listed companies in Hong Kong engaging in retail telecommunications related business.

While profitability of the existing telecommunications business of the Group is yet to improve further, the Properties are, in the view of the Directors, limited in terms of future growth in capital value. The Properties Disposal would enable the Group to further rationalise its business and operations with a view to improving the return on assets employed. Although the Properties to be disposed are the Group's current head office and principal place of business in Hong Kong, the aforesaid lease back arrangement under the Tenancy Agreement offers a more flexible term of occupancy to the Group.

In light of the above, the Directors consider that the terms of the Agreements are fair and reasonable so far as the Independent Shareholders are concerned and the transactions contemplated under the Agreements are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE SALE SHARES ACQUISITION AND THE PROPERTIES DISPOSAL

Upon the Acquisition Completion, members of the Victory Marker Group will become wholly-owned subsidiaries of the Company and their results will be consolidated with that of the Group.

Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular, the financial effects of the Sale Shares Acquisition and the Properties Disposal are summarised below:

Net assets

As extracted from the interim report of the Company for the six months ended 30 September 2008, the unaudited consolidated total assets and total liabilities of the Group were approximately HK$600.9 million and HK$173.5 million respectively. The unaudited net asset value attributable to Shareholders as at 30 September 2008 was approximately HK$427.4 million.

As set out in Appendix III to this circular, assuming the Acquisition Completion and the Disposal Completion had taken place on 30 September 2008, the unaudited pro forma consolidated total assets and total liabilities of the Enlarged Group would be approximately HK$615.3 million and HK$182.6 million respectively. The unaudited pro forma net asset value attributable to Shareholders would be approximately HK$432.7 million.

Earnings

Given the prospects of the Victory Marker Group, it is expected that the Victory Marker Group will contribute positively to the results of the Group as a wholly-owned subsidiary of the Company in future after the Acquisition Completion. In addition, as the Sale Share Vendors have provided a warranted profit of the Victory Marker Group of not less than HK$12.7 million for the year commencing 1 July 2009 and ending 30 June 2010, and will compensate the Indemnity Amount in case of any short-fall, it is expected that there will have a positive impact on the earnings of the Enlarged Group.

As the Properties had a carrying value of HK$61.7 million in the management accounts of the Group as at 31 March 2009 and the consideration for the Properties Disposal of HK$67.1 million would be set-off against part of the Acquisition Consideration upon the Acquisition Completion under the Acquisition Agreement, there would have an estimated gain of the Group to be derived from the Properties Disposal of, subject to audit, approximately HK$5.4 million based on the book value of the Properties as at 31 March 2009.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Following the disposal of the wholesale IDD and overseas calling cards business in September 2008, the Group has streamlined its operations to improve its operational efficiency. The Group plans to fine tune its investment and corporate strategy to capture potential opportunities. Given the telecommunications industry in Hong Kong is highly competitive, the Directors consider that the foray into the service outsourcing business for telecommunications operators in Shanghai provides good opportunity to the Group to tap the new market which is of greater growth potential and higher profit margin. Despite the global financial crisis and the challenging economic environment in Hong Kong, the Directors are optimistic about the performance of the Group as the Group's business is further diversified to the retailing and wholesaling of telecommunication products in the PRC. Meanwhile, the Group will continue to implement cost control measures to improve its profit margin and will strive to explore investment opportunities in order to strengthen and expand its businesses portfolio.

LISTING RULES IMPLICATIONS

Each of the Sale Shares Acquisition and the Properties Disposal constitutes a major transaction for the Company under the Listing Rules. As Marvel Bonus, the controlling Shareholder who is interested in approximately 55.1% of the issued share capital of the Company as at the Latest Practicable Date, is beneficially and equally owned between the Sale Shares Vendors through their respective wholly-owned investment companies, the Agreements also constitute connected transactions for the Company under the Listing Rules. Accordingly, the Agreements and the transactions contemplated therein are subject to the approval of the Independent Shareholders at the SGM by way of poll as required under the Listing Rules. Marvel Bonus and its associates, including the Sale Shares Vendors, will abstain from voting in respect of the resolution to be proposed at the SGM for the approval, ratification and confirmation of the Agreements and the transactions respectively contemplated thereunder.

The Tenancy Agreement shall constitute a continuing connected transaction for the Company and is subject to the reporting and announcement requirements but is exempt from Independent Shareholders' approval pursuant to Rule 14A.34 of the Listing Rules. Appropriate disclosure of the transactions contemplated under the Tenancy Agreement will be made in the next published annual reports and accounts of the Company in accordance with the Listing Rules.

The Independent Board Committee has been established to advise and give recommendation to the Independent Shareholders regarding the terms of the Agreements and the transactions contemplated thereunder. China Everbright has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Agreements and the transactions contemplated thereunder.

SGM

The Company will convene the SGM at Boardroom V, Ground Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 14 July 2009 at 11:00 a.m. (or any adjournment thereof), to consider and, if thought fit, pass the resolution to approve, ratify and confirm the Agreements and the transactions respectively contemplated thereunder. A notice of the SGM is set out on pages 170 to 172 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it 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,

as soon as possible but in any event and in both cases, not less than 48 hours before the time for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

RECOMMENDATION

Your attention is drawn to the advice of the Independent Board Committee set out in its letter on page 20 of this circular. Your attention is also drawn to the letter of advice from China Everbright to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Agreements set out on pages 21 to 33 of this circular. The Independent Board Committee, having taken into account the advice of China Everbright, considers that the entering into of the Agreements are in the interests of the Company and the Shareholders as a whole. The Independent Board Committee also considers that the terms of the Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and recommends the Independent Shareholders to vote in favour of the ordinary resolution to approve, ratify and confirm the Agreements and the transactions respectively contemplated under the Agreements at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the further information contained in the appendices to this circular.

By order of the Board of
China Motion Telecom International Limited
TING Pang Wan, Raymond
Chairman

潤迅通信國際有限公司*
China Motion Telecom International Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 989)

22 June 2009

To the Independent Shareholders

Dear Sir or Madam,

Major and connected transactions relating to the acquisition of a retail and wholesale operator in telecommunications products and the disposal of the Properties as part of the Acquisition Consideration

We refer to the circular of the Company dated 22 June 2009 of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the circular unless the context otherwise requires.

We have been appointed by the Board to consider the transactions contemplated under the Agreements and to advise the Independent Shareholders as to whether, in our opinion, the terms of the Agreements are in the interests of the Company and the Shareholders as a whole and the transactions respectively contemplated under the Agreements are fair and reasonable so far as the Independent Shareholders are concerned. China Everbright has been appointed as the independent financial adviser to advise us in this respect.

We wish to draw your attention to the letter from the Board and the letter from China Everbright as set out in the circular. Having considered the principal factors and reasons considered by, and the advice of China Everbright as set out in its letter of advice, we consider that the terms of the Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Agreements are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve, ratify and confirm the Agreements and the transactions respectively contemplated under the Agreements at the SGM.

Yours faithfully,
For and on behalf of
Independent Board Committee of
China Motion Telecom International Limited
Huang An Guo **Lo Chi Ho, William** **Wong Fei Tat**
Independent Non-executive Directors

* *For identification purpose only*

The following is the text of a letter of advice from China Everbright Capital Limited to the Independent Board Committee and the Independent Shareholders which has been prepared for the purpose of incorporation in the circular.

光大控股
EVERBRIGHT

China Everbright Capital Limited

22 June 2009

To the Independent Board Committee and
the Independent Shareholders of
China Motion Telecom International Limited

Dear Sirs,

Major and connected transactions
relating to the acquisition of a retail and wholesale operator
in telecommunications products and
the disposal of the Properties as part of the Acquisition Consideration

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the proposed major and connected transactions regarding the proposed acquisition of Sale Shares and the assignment of the Sale Loans and the disposal of the Properties as part of the Acquisition Consideration, details of which are set out in the "Letter from the Board" of the circular (the "Circular") issued by the Company to the Shareholders dated 22 June 2009 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 1 June 2009, CMHL, CM Properties Group and the Sale Shares Vendors entered into the Acquisition Agreement in relation to the acquisition of Sale Shares and the assignment of Sale Loans between CMHL and the Sales Shares Vendors for an aggregate cash consideration of HK$127 million payable upon the Acquisition Completion. Pursuant to the Acquisition Agreement, CM Properties Group as vendors entered into the Properties Agreement on 1 June 2009 with the Sale Shares Vendors as purchasers under which CM Properties Group agreed to sell and the Sale Shares Vendors agreed to purchase the Properties at the consideration of HK$67.1 million which sum shall be set-off against the Acquisition Consideration.

Each of the Sale Shares Acquisition and the Properties Disposal constitutes a major transaction for the Company under the Listing Rules. As Marvel Bonus, the controlling Shareholder who is interested in approximately 55.1% of the issued share capital of the Company as at the Latest Practicable Date, is beneficially and equally owned between the Sale Shares Vendors through their respective wholly-owned investment companies, the Agreements also constitute connected transactions for the Company under the

Listing Rules. Accordingly, the Agreements and the transactions contemplated therein are subject to the approval of the Independent Shareholders at the SGM by way of poll as required under the Listing Rules. Marvel Bonus and its associates, including the Sale Shares Vendors, will abstain from voting in respect of the resolution to be proposed at the SGM for the approval of the Agreements and the transactions contemplated therein.

An Independent Board Committee, comprising Mr. LO Chi Ho, William, Mr. HUANG An Guo and Ms. WONG Fei Tat (all being independent non-executive Directors), has been established to advise the Independent Shareholders and give recommendation to the Independent Shareholders in relation to the Agreements and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In arriving at our opinion and recommendation, we have relied on the information supplied, the opinion and representations expressed by the Directors and the management of the Company. We have reviewed, amongst others, the annual report and interim report of the Company, the audited combined accounts of the Victory Marker Group for the period of ten months ended 31 December 2006 and two years ended 31 December 2008 as well as the valuation report conducted by the independent valuer, Prudential Surveyors International Ltd. ("Prudential") with the date of valuation at 31 March 2009. We have also discussed with the Directors and management of the Group with respect to the terms of and reasons for the entering into the Agreements. Further, we have discussed with Prudential regarding their valuation method, approach and assumptions on the Properties. We consider that we have been provided with, and we have reviewed, sufficient information which enables us to form a reasonable basis for our recommendation.

We have assumed that the information and representations contained or referred to in the Circular and the information and representations that have been provided by the Company and/or the Directors and/or the management of the Company, for which they are solely and wholly responsible, are true, accurate and complete at the time they were made and continue to be true up to and including the date of the SGM.

We consider that we have been provided with sufficient information to form a reasonable basis of our opinion. We have no reason to suspect that any material fact or information has been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Having made all reasonable enquiries, the Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and further confirmed that, to their best knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

We have not, however, carried out any independent verification on the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company, Victory Marker, their respective associates and subsidiaries, nor have we considered the taxation implication on the Group or the Shareholders as a result of the entering into the Agreements and transactions contemplated thereunder.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Agreements and transactions contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent. We have no obligation to update this letter after the date of this letter. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Agreements and transactions contemplated thereunder, we have taken the following principal factors and reasons into consideration:

1. Background of the Group

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the provision of mobile communications services, distribution and retailing of telecommunications products, provision of retail IDD services, provision of trunked radio services and property investments.

2. Background of and reasons for entering into the Acquisition Agreement and the Properties Agreement

i. Information of Victory Marker

Victory Marker was incorporated on 23 October 2008. The principal business of Victory Marker is investment holding. It is held by the Sale Shares Vendors for the sole purpose of holding the investment in the entire registered capital of Jinhan Yintong. Jinhan Yintong was established in the PRC with limited liability on 18 July 2007 and became a wholly foreign-owned enterprise in March 2009. Through its wholly owned subsidiaries, Runxun Concept and Hongyi, Jinhan Yintong is engaged in the provision of sales and management services to Shanghai Mobile and the distribution of Shanghai Mobile's pre-paid SIM cards. For the two years ended 31 December 2008, the audited combined net profit after tax of the Victory Marker Group were approximately HK$0.7 million and HK$12.5 million, respectively.

Runxun Concept was established in the PRC on 14 April 2000. Its businesses principally involve (i) as a retailer to sell mobile handsets and accessories in its own retail outlets in Shanghai, the operation of which has been reduced and is expected to further reduce to minimum scale in 2009; and (ii) as a subcontracting service provider to provide sales and management services to Shanghai Mobile, a wholly-owned subsidiary of China Mobile Limited, one of the major telecommunication operators in the PRC, at retail outlets and business halls in the Shanghai region and to distribute Shanghai Mobile's pre-paid SIM cards to other retail stores in Shanghai, from which Runxun Concept receives commission income and service fee based on the types of services provided in the retail outlets and business halls managed by Runxun Concept and the number of pre-paid SIM cards distributed by Runxun Concept. Runxun Concept currently provides services to 27 retail outlets and business halls in the Shanghai region. For the year ended 31 December 2008, it has recorded revenue of approximately HK$41.4 million from the commission income and service fee received in the provision of sales and management services.

Hongyi was established in the PRC on 23 April 2003. It is principally engaged in the wholesale of Shanghai Mobile's mobile SIM cards in Shanghai. Hongyi has entered into co-operative agreements with Shanghai Mobile for the wholesale of Shanghai Mobile's mobile SIM cards to other retailers or telecommunications dealers in Shanghai. It has recorded revenue of approximately HK$2.7 million for the year ended 31 December 2008.

For more information about the Victory Marker Group, please refer to the information set out in the "Letter from the Board" of the Circular.

ii. Reasons for the Acquisition Agreement and the Properties Agreement

a) Acquisition Agreement

In assessing whether the terms of the Acquisition Agreement are fair and reasonable and in the best interests of the Company and Independent Shareholders as a whole, we have taken into account of the following considerations:

i) Business development and strategic plans of the Group

As stated in the annual report of the Company for the year ended 31 March 2008 ("Annual Report"), the Group is principally engaged in international telecommunications services, mobile communication services and distribution and retail chain. We noted from the Annual Report that, one of the Group's strategic focuses is to capture potential business opportunities and broaden income sources hence strengthen its revenue base. By entering into the Acquisition Agreement, the Group has effectively set an established foothold in the PRC retail telecommunication market with a strong presence in Shanghai, one of the fastest growing cities in the PRC. The Group will also broaden its income sources from the operation of the Victory Marker Group.

As discussed with the management of the Company, the Directors consider that the entering into the Acquisition Agreement is expected to help the Group to tap into the retail telecommunication market in the PRC and position the Group to capitalise on the growth of the market. The Group would also enjoy the growth from the soon-to-be introduced 3G mobile service and sales of mobile communication products and services accompanied with such new service.

ii) Proven profitable track record and business model

Prior to the acquisition by the Sale Shares Vendors in 2006, Runxun Concept was focused on the retail distribution of mobile handsets and accessories in its own retail outlets. The business environment had become highly competitive and running the business required high capital investment in inventory, which turned it into a very low margin business. Since the acquisition by the Sale Shares Vendors, Runxun Concept had streamlined its business and operation and strategically moved towards a service-based business model for the provision of sales and management services to Shanghai Mobile. A new management team was introduced with extensive telecommunication operation and financial experiences. Structured trainings and sales incentive programs were also deployed to motivate the staff. Under the new business model, Runxun Concept does not require to invest in inventory and can increase its revenue by adding a new line of business from the provision of sales and management services. With an initial four co-operative agreements signed with Shanghai Mobile, Runxun Concept has expanded rapidly in this business and increased the co-operative agreements to 27 in the beginning of 2009 with a staff force of over 280 employees. Its has, as indicated from the audited combined financial information of the Victory Marker Group, recorded revenues of HK$51.8 million and HK$58.3 million for the two years ended 31 December 2008, respectively, which represented a growth rate of 12.6%. Its gross profit margin has increased from about 23.7% in 2007 to 45.2% in 2008. Thus, the track record has proven that the Victory Marker Group has a profitable business model and track record.

iii) Higher revenue growth and gross profit margin

We have reviewed the audited combined financial statements of the Victory Marker Group for two years ended 31 December 2008 (the "Review Period"), details of which are set out as follows:

	Year ended 31 December	
	2007	**2008**
	HK$'000	*HK$'000*
Turnover	51,817	58,342
% growth		*12.6%*
Gross Profit	12,256	26,360
% growth		*115.1%*
Profit after tax	726	12,483
% growth		*1619.4%*
Profit after tax *(note)*	726	6,026
% growth		*730.0%*
Gross profit margin	23.7%	45.2%
Net profit margin	1.4%	21.4%
Net profit margin *(note)*	1.4%	10.3%

Note: excluding the waiver of HK$8.6 million payable to the former owner(s) of Runxun Concept and adding the tax saving amount of HK$2.2 million

The above stated financial information of the Victory Marker Group showed that the revenue of the Victory Marker Group has experienced growth during the Review Period with increasing turnover and notable increase in gross profit and gross profit margin.

We have been advised by the management of the Company that the turnover growth of the Victory Marker Group in 2008 was due to the increase in commission and service fee income as a result of the increase in types of services provided and sales of communication products by the Victory Marker Group. The management of the Company also represented that the improvement in the gross profit margin of the Victory Marker Group under the Review Period, was mainly attributable to i) the scale down of the lower profit margin retail outlets, which relies heavily on the old business model of mainly distribution of mobile handsets and accessories; and ii) the increase of higher margin retail outlets, which focus in the provision of sales and management services to retail shops of Shanghai Mobile.

We have also reviewed the audited financial statement of the Company for the two years ended 31 March 2008, details of which are set out as follows:

	Year ended 31 December	
	2007	**2008**
	HK$'000	*HK$'000*
Turnover	649,605	659,240
% growth		*1.5%*
Gross Profit	144,207	144,931
% growth		*0.5%*
Profit before tax	71,759	40,010
% growth		*-44.2%*
Profit after tax	71,834	41,466
% growth		*-42.3%*
Gross profit margin	22.2%	22.0%
Net profit margin	11.1%	6.3%

The turnover of the Group increased slightly by 1.5% for the year ended 31 March 2008 as compared to that in 2007 while the gross profit has also showed slight increase of 0.5% during the same period. The gross profit margin of the Group were stable at 22.2% and 22.0% for the two years ended 31 March 2008, respectively.

The turnover growth rate and the levels of gross profit margin from the Victory Marker Group were higher than those of the Group. The Directors also anticipate that with the established sales network that the Victory Marker Group has and such network situated in the high growth Shanghai region, the Victory Marker Group is positioned to capture high growth in terms of revenue and maintain high level of gross profit margin in its businesses. In view of the above, the entering into the Acquisition Agreement would allow the Group to enjoy higher turnover growth and higher gross profit margin provided by the Victory Marker Group as compared to those of the Group.

iv) One of the major sales and management services providers with tremendous growth potential

As advised by the management of the Victory Marker Group, Shanghai Mobile currently has about 282 large-scaled business halls in around August 2008 and around 50 of them have outsourced the sales and management functions to other services providers, including the Victory Marker Group. The Victory Marker Group is currently providing sales and management services to 27 retail outlets and business halls, making it one of the major sales and management services providers to Shanghai Mobile. The entering into the Acquisition Agreement would allow the Group to gain access in one of the major sales and management services providers to Shanghai Mobile.

In addition, the Victory Marker Group has been in business working relationship with Shanghai Mobile for nearly nine years, which substantiates that it has an established relationship with Shanghai Mobile and possesses the necessary skills and know how in the provision of sales and management services to retail telecommunication business in the PRC. Given such a proven track record and established relationship with Shanghai Mobile, the Directors are optimistic to further expand the business in the provision of sales and management services by entering into more co-operative agreements with Shanghai Mobile, and thus securing a stable income stream for the Group.

v) Warranted profit

We have considered factors including the warranted profit of HK$12.7 million for the year from 1 July 2009 to 30 June 2010 provided by the Sale Shares Vendors. With reference to the warranted profit of HK$12.7 million, the Acquisition Consideration represents an implied price to earnings multiple of 10 times. If the audited consolidated net profit after tax of the Victory Marker Group reported under the Hong Kong Financial Reporting Standards for the year commencing 1 July 2009 and ending 30 June 2010 (the "Actual Profit") is less than HK$12.7 million (the "Indemnity Amount"), the Sale Shares Vendors shall jointly and severally indemnify CMHL the short-fall amount times a multiple of 10 calculated as follows:

The Indemnity Amount = (HK$12.7 million – Actual Profit) X 10

For illustration purpose, if in a scenario where the Actual Profit was zero, then the Indemnity Amount would be HK$12.7 million multiply by 10, which would equal to HK$127 million, equaling the amount of the Acquisition Consideration. In such an event, the Group would be indemnified with the total amount of the Acquisition Consideration and yet retained the businesses of the Victory Marker Group.

In view of the above, the entering into the Acquisition Agreement would allow the Group to enjoy the advantages of having immediate access to an established retail telecommunication business focusing in the provision of sales and management services in one of the fastest growing cities in the PRC, a retail telecommunication related business with proven business model and profit making track record, access to the authorised dealer license with Shanghai Mobile and significant growth potential to secure more co-operative agreements with Shanghai Mobile. The Directors consider these advantages would be beneficial to the Group in a highly competitive retail telecommunication industry. The Directors also consider that the Acquisition Agreement would allow the Group to benefit from the growth and development in a market with tremendous growth potential.

b) Properties Agreement

In assessing whether the terms of the Properties Agreement are fair and reasonable and in the best interests of the Company and Independent Shareholders as a whole, we have taken into account of the following considerations:

i) Focus of the Group's resources with a view to improve return

The Properties include units 2601, 2604, 2605, 2606, 2607, 2608 on 26th Floor and Car Parking Spaces Nos. 85 and 86 on Basement 2 of Harbour Centre, No. 25 Harbour Road, Hong Kong. The Properties have an aggregate gross floor area of approximately 10,137 square feet and are currently used by the Company as its head office and principal place of business in Hong Kong.

As advised by the Directors, the operation of the Group's business does not necessary require the owning of the Properties. Unlike the business nature of some property developers or infrastructure companies, where the owning of certain properties or assets is essential for those business or operation. In the business nature of a telecommunication business like the one operating by the Group, the business could well be operated under the leasing of similar properties as its head office and principal place of business. In addition, the proceeds of HK$67.1 million from the Properties Disposal would allow the Group to effectively allocate its resources with a view to improve the return on assets employed as compared to the investment in fixed assets such as the Properties. The proceeds will be used as part of the consideration for the acquisition of the Victory Marker Group which has the operation of provision of sales and management services to Shanghai Mobile. The Directors anticipate that the investment in the Victory Marker Group shall enhance the Group's return with tremendous growth potential.

iii. Principal terms of the Acquisition Agreement

a) Consideration

The Acquisition Agreement stipulates that the consideration for the acquisition of Sale Shares and the assignment of Sale Loans is HK$127 million. As stated in the Letter from the Board, the Acquisition Consideration was arrived at after arm's length negotiations between CMHL and the Sale Shares Vendors.

We cannot identify any company listed on the Stock Exchange whose principal business is exactly the same as the Victory Marker Group. Alternatively, in accessing the fairness and reasonableness of the Acquisition Consideration, we have, on a best effort basis, conducted a search of companies listed on the Stock Exchange, which engage in businesses of provision of services to telecommunication operators or provision of telecommunication services or distributes mobile handsets and accessories. We are of the view that these businesses are similar to those of the Victory Marker Group. We have also considered listed companies that generate services income from telecommunication operators, which are similar to those of the Victory Marker Group and such income represented a notable percentage to their respective total turnover. To our best knowledge and based on the information from Bloomberg, we have identified 5 companies (the "Comparable Companies") listed on the Main Board of the Stock Exchange for comparison. In view of i) the similarity of businesses of the Comparable Companies with those of the Victory Marker Group; ii) some Comparable Companies generate revenues from similar customers; and iii) the services income generated by some of the Comparable Companies represented a notable percentage to their respective total turnover, we are of the view that the Comparable Companies are suitable for our comparable analysis. We have also reviewed the implied price to earnings multiples under the Acquisition Consideration as compared to the prevailing market price to earnings multiples of the Comparable Companies. The price to earnings multiples of the Comparable Companies are summarised as follows:

Comparable Companies	**Stock code**	**Principal business**	**P/E (times)** *(Note 1)*
China Motion Telecom International Limited	989	provision of mobile communications services, distribution and retailing of telecommunications products, provision of retail IDD services	12.4
China Communications Services Corporation Limited	552	provides specialised telecommunication support services to telecommunications operators	18.1
CITIC 1616 Holdings Limited	1883	provides connectivity services to telecommunications operators	9.9
First Mobile Group Holdings Limited	865	distributes and trades a wide variety of brands of mobile phones and accessories	5.7
CCT Telecom Holdings Limited	138	manufactures and sells telecommunication products and accessories	N/A *(Note 2)*
Average			**11.5**

Note 1: as at the closing price of 18 June 2009
Note 2: CCT Telecom Holdings Limited recorded loss during the period and thus, no P/E ratio is available
Source: Bloomberg

The price to earnings multiples of the Comparable Companies range from approximately 5.7 times to 18.1 times with an average of 11.5 times. The implied price to earnings ratio of the Acquisition Consideration is 10 times and is lower than the average price to earning multiple of the Comparable Companies. It is also approximately 13.0% discount to the average price to earnings multiples of the Comparable Companies, which is in favor of the Group.

In view of the above, we consider that the Acquisition Consideration under the Acquisition Agreement is on normal commercial terms and is fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole. We are of the view that the business of the Victory Marker Group is in the ordinary and usual course of business of the Group.

b) Payment terms

The Acquisition Consideration for the Sale Shares and the assignment of the Sale Loans shall be HK$127 million payable by CMHL to the Sale Shares Vendors at Acquisition Completion in the manner as follows:

(i) as to HK$67.1 million by setting off against the Disposal Consideration receivable by the CM Properties Group under the Properties Agreement, on a dollar for dollar basis; and

(ii) as to the balance of HK$59.9 million in cash.

The use of the Disposal Consideration to set-off part of the Acquisition Consideration would lessen the Group's cash outlay to settle for the Acquisition Consideration, leaving the Group with additional cash reserve for its business expansion or future investment when opportunity arises. In addition, the financial position of the Group would be improved as compared to if the Group uses its cash to settle the full Acquisition Consideration.

In view of the above, we consider that the payment terms of the Acquisition Consideration are on normal commercial terms and are fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole.

iv. Principal terms of the Properties Agreement

a) Basis of the consideration and valuation methodology

We have reviewed the valuation report and enquired with Prudential regarding the methodology and the assumptions used in arriving at the market value of the Properties. Based on our discussion with Prudential, we have not identified any major factors which cause us to doubt the fairness of the principal basis and assumptions used when arriving at the valuation of the Properties. As stated in the valuation report, the market value of the Properties as at 31 March 2009 was HK$67.1 million. We understand that the valuation of the Properties has been made using direct comparison approach with reference to market comparables. Based on the above and our discussions with Prudential, we are of the view that the methodology adopted by Prudential is a reasonable approach in deriving the appraised value of the Properties.

In view of the above, we consider the Disposal Consideration is on normal commercial terms and is fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole. We also consider that the Property Disposal is not in the ordinary and usual course of business of the Group but we are of the view that such disposal would not have material impact to the principal activity of the Group.

3. Financial effects of the Acquisition Agreement and the Properties Agreement

Set out below are the possible financial effects on the Group resulting from the entering into of the Acquisition Agreement and the Properties Agreement as expected by the Directors:

i. Earnings

a) Acquisition Agreement

Upon the Acquisition Completion, the Company will indirectly wholly own the Victory Marker Group. Accordingly, the entire results and assets and liabilities of the Victory Marker Group will be consolidated into the financial statements of the Group.

The earnings of the Group would be increased by the amount of the earnings that the Victory Market Group provides. However, if Actual Profit is less than the warranted profit of HK$12.7 million, the Sales Shares Vendor shall jointly and severally indemnify CMHL the Indemnity Amount calculated as follows:

The Indemnity Amount = (HK$12.7 million – Actual Profit) X 10

As such, the earnings of the Group would increase by the Actual Profit and the Indemnity Amount.

b) Properties Agreement

As advised by the Directors, the book value of the Properties as at 31 March 2008 had an aggregate value of HK$61.7 million. The Group is selling the Properties at an aggregate value of HK$67.1 million, which had been appraised by Prudential. Upon completion of the Properties Agreement, due to the difference between the price for the Properties Disposal and the aforementioned book value, there would be an estimated gain of the Group of approximately HK$5.4 million.

ii. Net Asset Value

a) Acquisition Agreement

According to the Company's interim result for the 6 months ended 30 September 2008, the net assets value of the Group was HK$427.4 million. The settling of the Acquisition Consideration would lower the Group's net asset value by HK$121.6 million, being the cash portion of the Acquisition Consideration of HK$59.9 million and the book value of the Properties of HK$61.7 million but upon the Acquisition Completion, the Group's net asset value would increase by HK$127 million. As a result, the entering into the Acquisition Agreement would increase the Group's net asset value by approximately HK$5.4 million.

b) Properties Agreement

As stated in the Acquisition Agreement, the Acquisition Consideration would be partially satisfied by setting off with the HK$67.1 million on the Disposal Consideration receivable by the CM Properties Group under the Properties Agreement, on a dollar for dollar basis. Such amount from the Disposal Consideration would include as part of the Acquisition Consideration and as such no impact on the net asset value of the Group upon the completion of the Properties Agreement.

iii. Working Capital

a) Acquisition Agreement

As stated in the Company's interim result as at 30 September 2008, the Group has a net cash position with bank balances and cash of HK$215.0 million. As advised by the Company that it has settled all its borrowings of approximately HK$62 million at around November 2008. The Group was in a net cash position of approximately HK$153 million. The entering into the Acquisition Agreement would require the Group to settle the cash payment portion of the Acquisition Consideration of HK$59.9 million, which would cause the net cash level of the Group to decline by approximately HK$59.9 million.

b) Properties Agreement

As stated in the Acquisition Agreement, the Acquisition Consideration would be partially satisfied by setting-off with the HK$67.1 million on the Disposal Consideration receivable by the CM Properties Group under the Properties Agreement, on a dollar for dollar basis. Such amount from the Disposal Consideration would include as part of the Consideration and as such no impact on the working capital of the Group upon the completion of the Properties Agreement.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition Agreement and the Properties Agreement and the transactions respectively contemplated thereunder.

Yours faithfully,
For and on behalf of
China Everbright Capital Limited
Richard Chu

1. FINANCIAL SUMMARY

Set out below is a summary of the audited financial information of the Group for the three years ended 31 March 2006, 2007 and 2008 extracted from the Company's relevant annual reports.

	For the year ended 31 March		
	2006	**2007**	**2008**
	(audited)	**(audited)**	**(audited)**
	HK$'000	*HK$'000*	*HK$'000*
RESULTS			
Turnover	840,222	649,605	659,240
Profit/(loss) before taxation	(229,555)	71,759	40,010
Taxation credit/(charge)	1,077	75	1,456
Profit/(loss) for the year	(228,478)	71,834	41,466
Attributable to:			
Equity holders of the Company	(201,055)	71,888	41,416
Minority interests	(27,423)	(54)	50
	(228,478)	71,834	41,466

	As at 31 March		
	2006	**2007**	**2008**
	(audited)	**(audited)**	**(audited)**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	460,792	400,604	455,684
Total liabilities	(408,132)	(228,427)	(236,146)
NET ASSETS	52,660	172,177	219,538
REPRESENTED BY:			
Total capital and reserve attributable to equity holders of the Company	45,831	165,402	212,442
Minority interests	6,829	6,775	7,096
TOTAL EQUITY	52,660	172,177	219,538

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

Set out below are the audited consolidated income statement, balance sheets, consolidated statement of changes in equity and consolidated cash flow statement, together with the notes to the financial statements of the Group as extracted from the annual report of the Company for the year ended 31 March 2008. References to page numbers in this section are to the page numbers of such annual report of the Company.

Consolidated Income Statement
For the year ended 31 March 2008

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

Balance Sheets
As at 31 March 2008

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

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

Consolidated Statement of Changes in Equity
For the year ended 31 March 2008

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

Consolidated Cash Flow Statement
For the year ended 31 March 2008

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

Notes to the Financial Statements

For the year ended 31 March 2008

1. GENERAL INFORMATION

China Motion Telecom International Limited (the "Company") and its subsidiaries (collectively, the "Group") are principally engaged in the provision of international telecommunications services, mobile communications services, distribution and retail sales, repair and maintenance services for telecommunications equipment and trunked radio services. The Company is a limited liability company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited. The directors regard the ultimate holding company as at 31 March 2008 to be Marvel Bonus Holdings Limited, a company incorporated in the British Virgin Islands. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

2. PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors have carefully assessed the working capital and financing requirements of the Group in the foreseeable future, as the current liabilities of the Group exceeded its current assets by HK$56,941,000 *(2007: HK$90,720,000)* at the balance sheet date as well as commitments that are payable in the next twelve months as stated in note 36 to the financial statements.

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

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

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on or after 1 April 2007. A summary of the new HKFRSs is set out below:

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

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

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

HKAS 1 (Revised)	Presentation of Financial Statements *(note a)*
HKAS 23 (Revised)	Borrowing Costs *(note a)*
HKAS 27 (Revised)	Consolidated and Separate Financial Statements *(note b)*
HKFRS 3 (Revised)	Business Combinations *(note b)*
HKFRS 8	Operating Segments *(note a)*

Notes:

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

4. PRINCIPAL ACCOUNTING POLICIES

Basic of preparation

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

Basis of consolidation

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

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

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

Property, plant and equipment

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

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

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

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

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

Investment properties

Investment properties are land and/or building that are held by owner or lessee under finance lease, either to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use and properties that are held under operating lease, which satisfy the definition of investment property and carrying at fair value.

Investment properties are stated at fair value at the balance sheet date. Any gain or loss arising from a change in fair value is recognised in the consolidated income statement. Profit or loss on disposal of investment properties is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement upon disposal.

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

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

Premium for land lease

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

Intangible assets

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

Subsidiaries

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

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

Associates

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

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

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

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

Goodwill

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

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

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Financial assets and financial liabilities are measured as follows:

Loans and receivables

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

Trade receivables and payables

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

Financial liabilities

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

Derecognition for financial instruments

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

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

Revenue recognition

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

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

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

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

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

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

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

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

Cash equivalents

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

Foreign currency translation

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

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

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

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

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

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

Inventories

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

Impairment of non financial assets

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

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

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

Borrowing costs

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

Leases

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

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

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

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

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

Employee benefits

Defined contribution plans

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

Long service payment

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

Taxation

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

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

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

Related parties

A party is related to the Group if

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

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

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

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

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

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

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

Segment reporting

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

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

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

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

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Allowance for bad and doubtful debts

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

Useful lives and impairment of property, plant and equipment

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

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

6. **RISK MANAGEMENT OBJECTIVES AND POLICIES**

(a) **Financial Risk Management**

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

Market risk

(i) Foreign exchange risk

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

(ii) Cash flow and fair value interest rate risk

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

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

Credit risk

As at 31 March 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the 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 credits risk is primarily attributable to trade or other receivables. The Group has no significant concentrations of credit risk. The exposures to these credit risks are monitored on an ongoing basis.

Liquidity risk

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

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

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

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

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

Fair value of financial instruments

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

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

(b) Capital Risk Management

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

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

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

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

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

Notes:

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

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

7. TURNOVER AND REVENUE

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

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

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

8. OTHER NET INCOME

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

9. SEGMENT INFORMATION

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

Primary reporting format – Business segments

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

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

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

For the year ended 31 March 2007	International telecommunications services HK$'000	Mobile communications services HK$'000	Distribution and retail chain HK$'000	Others HK$'000	Inter-segment elimination HK$'000	Group HK$'000
Turnover						
Revenue from external customers	417,104	120,423	112,078	–	–	649,605
Inter-segment revenue	21,918	–	2,939	–	(24,857)	–
Segment turnover	439,022	120,423	115,017	–	(24,857)	649,605
Segment results	18,149	19,251	338	39,435	–	77,173
Unallocated operating income and expenses						(11)
Finance costs						(5,403)
Profit before taxation						71,759
Taxation						75
Profit for the year						71,834
Assets						
Segment assets	46,240	24,529	36,274	261,107		368,150
Interests in associates						–
Unallocated assets						32,454
Total assets						400,604
Liabilities						
Segment liabilities	66,223	68,694	16,262	2,435		153,614
Unallocated liabilities						74,813
Total liabilities						228,427
Other information						
Capital expenditure	1,673	577	2,958	2,063		7,271
Depreciation	8,797	3,164	3,862	1,988		17,811
Amortisation						
Premium for land lease	–	–	–	1,954		1,954
Intangible assets	–	–	263	–		263
Significant non-cash expenses (other than depreciation and amortisation)						
Business segment	278	1,482	1,466	2,585		5,811
Unallocated items						1,500

Secondary reporting format – Geographical segments

	Turnover *HK$'000*	Segment results *HK$'000*	Total assets *HK$'000*	Capital expenditure *HK$'000*
For the year ended 31 March 2008				
PRC	5,244	(2,340)	5,742	484
Hong Kong	335,032	38,991	406,234	14,446
Other Asia Pacific regions	67,997	(4,096)	15,645	443
North America and the United Kingdom	250,967	11,371	28,063	2,637
	659,240	43,926	455,684	18,010
For the year ended 31 March 2007				
PRC	5,540	(1,841)	6,024	122
Hong Kong	379,913	74,047	364,899	5,963
Other Asia Pacific regions	66,404	(149)	15,063	982
North America and the United Kingdom	197,748	5,116	14,618	204
	649,605	77,173	400,604	7,271

10. FINANCE COSTS

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

11. PROFIT BEFORE TAXATION

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

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

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

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

* Independent non-executive directors

Notes: (a) Resigned on 14 November 2006
(b) Resigned on 10 April 2006

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

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

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

The emoluments were paid to individuals as follows:

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

13. TAXATION

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

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

Reconciliation of tax expense

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

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

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

14. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

15. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately HK$41,416,000 *(2007: HK$71,888,000)* and the weighted average number of 2,350,475,573 *(2007: 1,355,201,600)* ordinary shares in issue during the year ended 31 March 2008.

Diluted earnings per share for the year ended 31 March 2008 and 2007 have not been presented as the conversion of potential ordinary shares to ordinary shares would have anti-dilutive effect to the basic earnings per share.

16. INVESTMENT PROPERTIES

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

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

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

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

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

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Telecommunications equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Reconciliation of carrying amount – year ended 31 March 2007						
At beginning of year	46,735	7,703	23,024	1,100	657	79,219
Additions	–	944	1,610	3,272	1,445	7,271
Transfer to investment properties upon change of use *(note 16)*	(48,993)	–	–	–	–	(48,993)
Transfer from investment properties upon change of use *(note 16)*	4,280	–	–	–	–	4,280
Revaluation	3,677	–	–	–	–	3,677
Impairment reversed	558	–	–	–	–	558
Disposals	–	(520)	(483)	(340)	–	(1,343)
Depreciation	(712)	(2,705)	(12,314)	(1,514)	(566)	(17,811)
Exchange differences	–	(6)	92	(14)	–	72
At balance sheet date	5,545	5,416	11,929	2,504	1,536	26,930
Reconciliation of carrying amount – year ended 31 March 2008						
At beginning of year	5,545	5,416	11,929	2,504	1,536	26,930
Additions	–	1,737	14,053	709	1,511	18,010
Transfer to investment properties upon change of use *(note 16)*	(165)	–	–	–	–	(165)
Transfer from investment properties upon change of use *(note 16)*	2,748	–	–	–	–	2,748
Revaluation	91	–	–	–	–	91
Impairment reversed	204	–	341	–	–	545
Disposals	(179)	(58)	(28)	(188)	(243)	(696)
Depreciation	(199)	(2,315)	(7,166)	(1,449)	(926)	(12,055)
Exchange differences	–	280	34	–	–	314
At balance sheet date	8,045	5,060	19,163	1,576	1,878	35,722

Group

	Buildings *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Telecommuni-cations equipment *HK$'000*	Leasehold improvements *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At 1 April 2007						
Cost	6,232	43,189	524,026	35,247	7,012	615,706
Accumulated depreciation and impairment losses	(687)	(37,773)	(512,097)	(32,743)	(5,476)	(588,776)
	5,545	5,416	11,929	2,504	1,536	26,930
At 31 March 2008						
Cost	8,703	44,386	537,996	32,734	8,119	631,938
Accumulated depreciation and impairment losses	(658)	(39,326)	(518,833)	(31,158)	(6,241)	(596,216)
	8,045	5,060	19,163	1,576	1,878	35,722

The net book value of the Group's property, plant and equipment includes an amount of HK$996,000 *(2007: HK$1,533,000)* in respect of assets held under finance leases.

Property, plant and equipment with an aggregate net book value at the balance sheet date of HK$8,045,000 *(2007: HK$4,507,000)* were pledged to secure banking facilities granted to the Group.

Company

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

18. INTERESTS IN SUBSIDIARIES

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

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

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

19. INTERESTS IN ASSOCIATES

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

(a) Goodwill on acquisition

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

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

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

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

Summary of financial information of associates is as follows:

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

20. PREMIUM FOR LAND LEASE

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

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

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

The cost of premium for land lease is amortised over the lease period. The amount to be amortised within the next twelve months after the balance sheet date amounting to HK$1,669,000 *(2007: HK$1,603,000)*.

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

21. OTHER NON-CURRENT ASSETS

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

Note:

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

22. INTANGIBLE ASSETS

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

23. INVENTORIES

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

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

24. TRADE AND OTHER RECEIVABLES

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

(a) Trade receivables

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

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

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

(b) Allowance for doubtful debts

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

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

(c) Due from associates

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

25. CASH AND CASH EQUIVALENTS

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

26. TRADE AND OTHER PAYABLES

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

(a) Trade payables

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

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

(b) Due to associates

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

27. INTEREST-BEARING BORROWINGS

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

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

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

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

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

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

28. OBLIGATIONS UNDER FINANCE LEASES

Group

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

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

29. DEFERRED TAXATION

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

Unrecognised deferred tax assets arising from

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

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

30. ISSUED CAPITAL

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

31. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

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

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

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

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

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

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

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

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

32. WARRANTS

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

33. CAPITAL AND RESERVES

(a) Group

	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 losses *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total capital and reserve *HK$'000*
At 1 April 2006	394,107	455,573	4,900	–	2,715	450	77,623	–	–	(889,537)	(348,276)	6,829	52,660
Capital reduction	(388,852)	(455,573)	–	–	–	–	–	844,425	–	–	388,852	–	–
Transfer	–	–	–	–	–	–	–	(627,838)	–	627,838	–	–	–
Placement	18,250	20,342	–	–	–	–	–	–	–	–	20,342	–	38,592
Properties revaluation	–	–	–	9,294	–	–	–	–	–	–	9,294	–	9,294
Exchange differences	–	–	–	–	(203)	–	–	–	–	–	(203)	–	(203)
Profit for the year	–	–	–	–	–	–	–	–	–	71,888	71,888	(54)	71,834
At 31 March 2007	23,505	20,342	4,900	9,294	2,512	450	77,623	216,587	–	(189,811)	141,897	6,775	172,177
At 1 April 2007	23,505	20,342	4,900	9,294	2,512	450	77,623	216,587	–	(189,811)	141,897	6,775	172,177
Property revaluation	–	–	–	914	–	–	–	–	–	–	914	–	914
Disposal of property	–	–	–	(914)	–	–	–	–	–	–	(914)	–	(914)
Exchange differences	–	–	–	–	4,624	–	–	–	–	–	4,624	271	4,895
Issue of warrants *(note 32)*	–	–	–	–	–	–	–	–	1,000	–	1,000	–	1,000
Profit for the year	–	–	–	–	–	–	–	–	–	41,416	41,416	50	41,466
At 31 March 2008	23,505	20,342	4,900	9,294	7,136	450	77,623	216,587	1,000	(148,395)	188,937	7,096	219,538

(b) Company

	Reserves							
	Issued capital	**Share premium**	**Capital redemption reserve**	**Contributed surplus**	**Capital reserve**	**Accumulated losses**	**Total**	**Total capital and reserves**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	394,107	455,573	450	52,854	–	(857,413)	(348,536)	45,571
Capital reduction	(388,852)	(455,573)	–	844,425	–	–	388,852	–
Transfer	–	–	–	(627,838)	–	627,838	–	–
Placement	18,250	20,342	–	–	–	–	20,342	38,592
Loss for the year	–	–	–	–	–	(3,598)	(3,598)	(3,598)
At 31 March 2007	23,505	20,342	450	269,441	–	(233,173)	57,060	80,565
At 1 April 2007	23,505	20,342	450	269,441	–	(233,173)	57,060	80,565
Issue of warrants	–	–	–	–	1,000	–	1,000	1,000
Profit for the year	–	–	–	–	–	116,530	116,530	116,530
At 31 March 2008	23,505	20,342	450	269,441	1,000	(116,643)	174,590	198,095

Note:

As at 31 March 2008 and 2007, the Company has no reserve available for cash distribution as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the Company's share premium account of HK$20,342,000 *(2007: HK$20,342,000)* may be distributed in the form of fully paid bonus shares.

Enterprise expansion reserve

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

Contributed surplus

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

Exchange reserve

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

34. CASH GENERATED FROM (USED IN) OPERATIONS

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

35. RELATED PARTY TRANSACTIONS

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

	2008	2007
	HK$'000	*HK$'000*
Expenses		
Salaries and other short-term employee benefits paid to:		
Key management personnel, including amounts paid to the Company's directors as disclosed in note 12	12,263	11,414
Service fee paid to:		
Minority shareholders of subsidiaries	1,467	920
Service fee income from:		
Minority shareholders of subsidiaries	(1,142)	–

36. COMMITMENTS

(a) Commitments under operating leases

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

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

(b) Future operating lease arrangements

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

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

(c) Other commitments

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

37. CONTINGENT LIABILITIES

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

38. POST BALANCE SHEET EVENTS

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

39. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries are as follows:

Name	Country/ place of incorporation/ operation and kind of legal entity in the PRC	Particulars of issued share capital/ registered capital	Percentage of effective equity interests held[1]	Principal activities
Best Class International Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Property holding
China Motion Data System Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Property holding
China Motion Holdings Limited	British Virgin Islands	100 ordinary shares of US$1 each	100%	Investment holding
ChinaMotion NetCom (Asia) Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Provision of long distance call services
ChinaMotion NetCom (Canada) Ltd.	Canada	1 common share	100%	Provision of long distance call services
China Motion Properties Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Property holding
China Motion (Japan) Limited	Japan	200 shares of Yen50,000 each	100%	Provision of long distance call services
China Motion (Singapore) Pte. Ltd.	Singapore	100,000 shares of S$1 each	100%	Provision of long distance call services
China Motion (Taiwan) Limited	Taiwan	NT$5,000,000	100%	Provision of long distance call services

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 (UK) Limited	United Kingdom	2 shares of £1 each	100%	Provision of long distance call services
China Motion Telecom (HK) Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	100%	Provision of mobile communications services
China Motion United Telecom Limited	Hong Kong	66,800,000 ordinary shares of HK$1 each	70%	Investment holding and provision of roaming trunked radio services
CM Concept Holdings (China) Limited	Hong Kong	100 ordinary shares of HK$1 each and 500 non-voting deferred shares of HK$10,000 each	100%	Investment holding
CM Concept (HK) Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Retail business
CM Tel (HK) Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Provision of long distance call services
CM Tel (Canada) Ltd	Canada	100 common shares of C$1 each	100%	Provision of long distance call services
CM Tel (USA) LLC	United States	US$10,000	100%	Provision of long distance call services
Digital Pacific Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Provision of long distance call services and retail business
Express Lane Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Property holding
Guangzhou Motion Telecom Service Co., Ltd.	PRC, equity joint venture	Paid-up capital HK$2,660,000 Registered capital HK$3,800,000	70%	Maintenance services and provision of telecommunications related services
Jackie Industries Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Property holding
Sheen Metro Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Property holding
Shenzhen Motion Mobile Telecom Services Co., Ltd.	PRC, equity joint venture	Paid-up capital US$12,000,000 Registered capital US$29,000,000	90%	Provision of GSM-related services to telecommunications operator in the PRC

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 Telecom Services Co Ltd	PRC, equity joint venture	Paid-up and registered capital RMB25,000,000	70%	Maintenance for telecommunications equipment
Townlink Limited	Hong Kong	2,000,000 ordinary shares of HK$1 each	70%	Provision of telecommunications services and the sale of mobile transceivers and related accessories
World Sheen Properties Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Property holding

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

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

3. UNAUDITED INTERIM FINANCIAL INFORMATION

Set out below are the unaudited condensed consolidated income statement, condensed consolidated balance sheet, condensed consolidated statement of changes in equity of the Group and the condensed consolidated cash flow statement, together with the notes to the financial statements of the Group as extracted from the interim report of the Company for the six months ended 30 September 2008. References to page numbers in this section are to the page numbers of such interim report of the Company.

Condensed Consolidated Income Statement
For the six months ended 30 September 2008

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

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

Condensed Consolidated Balance Sheet
As at 30 September 2008

	Note	30 September 2008 (Unaudited) HK$'000	31 March 2008 (Audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		204,814	204,814
Property, plant and equipment	10	17,318	35,722
Interests in associates	11	–	–
Premium for land lease		65,108	65,952
Other non-current assets	12	3,915	3,915
Intangible assets		1,108	1,899
		292,263	312,302
Current assets			
Inventories		7,704	6,801
Trade and other receivables	13	85,944	98,884
Pledged bank deposits		–	748
Bank balances and cash		215,011	36,949
		308,659	143,382
Current liabilities			
Trade and other payables	14	108,707	167,529
Borrowings due within one year	15	29,767	28,498
Obligations under finance leases	16	378	483
Taxation		1,708	3,813
		140,560	200,323
Net current assets (liabilities)		168,099	(56,941)
Total assets less current liabilities		460,362	255,361

	Note	30 September 2008 (Unaudited) HK$'000	31 March 2008 (Audited) HK$'000
Non-current liabilities			
Borrowings due after one year	15	32,711	35,372
Obligations under finance leases	16	279	451
		32,990	35,823
NET ASSETS		427,372	219,538
CAPITAL AND RESERVES			
Issued capital	17	23,505	23,505
Reserves		396,955	188,937
Total capital and reserves attributable to equity holders of the Company		420,460	212,442
Minority interests		6,912	7,096
TOTAL EQUITY		427,372	219,538

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2008

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

Condensed Consolidated Cash Flow Statement
For the six months ended 30 September 2008

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

Note (a):

An analysis of the cash flows of the discontinued operations is as follows:			
Net cash (used in) generated from operating activities		(13,182)	16,869
Net cash outflow from investing activities		(13,476)	(3,767)
Net cash inflow (outflow) from financing activities		1,507	(98)
(Decrease) increase in cash and cash equivalents		(25,151)	13,004

Notes to the Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

HKAS 1 (Revised)	Presentation of Financial Statements *(Note a)*
HKAS 23 (Revised)	Borrowing Costs *(Note a)*
HKAS 27 (Revised)	Consolidated and Separate Financial Statements *(Note b)*
HKFRS 3 (Revised)	Business Combinations *(Note b)*
HKFRS 8	Operating Segments *(Note a)*

Notes:

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

3. SEGMENT INFORMATION

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

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

(a) Primary reporting format – business segments

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

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

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

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

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

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

4. FINANCE COSTS

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

5. LOSS BEFORE TAXATION

This is stated after charging (crediting):

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

6. TAXATION

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

The major components of income tax expense are:

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

7. **DISCONTINUED OPERATIONS**

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

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

Note:

(a) Finance costs

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

(b) Profit before taxation

This is stated after charging (crediting):

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

8. DIVIDEND

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

9. (LOSSES) EARNINGS PER SHARE

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

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

Diluted earnings per share for the six months ended 30 September 2008 and 2007 have not been presented as the conversion of potential ordinary shares to ordinary shares would have anti-dilutive effect to the basic earnings per share.

10. PROPERTY, PLANT AND EQUIPMENT

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

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

11. INTERESTS IN ASSOCIATES

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

12. OTHER NON-CURRENT ASSETS

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

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

13. TRADE AND OTHER RECEIVABLES

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

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

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

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

14. TRADE AND OTHER PAYABLES

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

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

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

15. INTEREST-BEARING BORROWINGS

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

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

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

16. OBLIGATIONS UNDER FINANCE LEASES

The minimum lease payments are as follows:

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

The present value of minimum lease payments is as follows:

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

17. ISSUED CAPITAL

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

18. DISPOSAL OF SUBSIDIARIES

	Six months ended 30 September 2008 (Unaudited) *HK$'000*
Net assets disposed of:	
Property, plant and equipment	14,199
Trade and other receivables	53,385
Cash and cash equivalents	12,567
Trade and other payables	(109,452)
Taxation	(286)
Borrowings due within one year	(5,839)
Reserves	227
	(35,199)
Gain on disposal of subsidiaries	215,549
	180,350
Satisfied by:	
Net consideration received	187,945
Deferred consideration receivable	26,000
Less: Estimated adjustment on completion	(19,877)
Costs related to disposal	(13,718)
	180,350
Net cash inflow arising on disposal:	
Net consideration received	187,945
Less: Cash and cash equivalents disposed of	(12,567)
	175,378

19. RELATED PARTY TRANSACTIONS

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

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

20. COMMITMENTS UNDER OPERATING LEASES

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

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

21. CHARGES ON ASSETS

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

4. RECONCILIATION STATEMENT OF THE PROPERTIES

Set out below is the reconciliation of the net book value of the Properties included in the condensed consolidated balance sheet of the Group as at 30 September 2008 and the fair value of the Properties as at 31 March 2009 as stated in the Properties valuation report as set out in Appendix IV to this circular:

	Carrying amount included in the condensed consolidated balance sheet of the Group as at 30 September 2008	Depreciation	Fair value adjustment	Fair value as at 31 March 2009 as shown in the valuation report as set out in Appendix IV to this circular
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Properties				
1. Units 2601 and 2604 to 2608, 26/Floor, Harbour Centre No. 25 Harbour Road Wanchai, Hong Kong	61,353.66	(786.59)	5,432.93	66,000
2. Car Parking Spaces Nos. 85 and 86 on Basement 2, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong	1,191.80	(17.79)	(74.01)	1,100

5. INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2009, being the latest practicable date for the purpose of the indebtedness, the Enlarged Group had obligations under finance leases of HK$419,000.

Contingent liabilities

As at 30 April 2009, the Enlarged Group issued guarantees to third parties for non-performance of contractual obligation granted to its subsidiaries to the extent of HK$10,753,000.

Disclaimer

Save as referred to as above and apart from intra-group liabilities, the Enlarged Group did not have, as at 30 April 2009, any debt securities issued and outstanding or authorized or otherwise created but unissued, term loan, bank overdrafts, loan or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees, convertible bonds or other material contingent liabilities.

6. WORKING CAPITAL

The Directors are satisfied after due and careful enquiry that after taking into account the existing banking facilities available and the existing cash and bank balances, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware, as at the Latest Practicable Date, of any material adverse change in the financial or trading position of the Group since 31 March 2008, the date to which the latest published audited financial statements of the Company were made up.

1. ACCOUNTANTS' REPORT ON THE VICTORY MARKER GROUP

The following is a text of a report prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Winful C.P.A. Limited. Terms defined herein apply to this report only.

宏庫會計師事務所有限公司
Winful C.P.A. Limited
Certified Public Accountants
12/F., Hong Kong Trade Centre
No.161-167 Des Voeux Road Central
Hong Kong

22 June 2009

The Board of Directors
China Motion Telecom International Limited
Room 2604-08, 26th Floor
Harbour Centre
25 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

We set out below our report on the financial information of Victory Marker Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the period from 3 March 2006 (being the date on which the companies now comprising the Group first came under common control of Mr. Yam Tak Cheung and Mr. Ting Pang Wan, Raymond, the shareholders of the Company) to 31 December 2006, and for the two years ended 31 December 2007 and 2008 (the "Relevant Periods"), prepared on the basis as set out at note 2.1 of Section II below, for inclusion in the circular of China Motion Telecom International Limited (the "China Motion") dated 22 June 2009 (the "Circular") in connection with the proposed acquisition of the entire share capital of the Company.

The Company is a private limited company incorporated in Hong Kong on 23 October 2008.

On 6 January 2009, the Company became the holding company of the subsidiaries comprising the Group pursuant to the group reorganisation (the "Reorganisation") as set out in note 1 of Section II below. During the Relevant Periods, the principal activities of the Group consisted of retail of mobile handsets and accessories, and provision of sales and management services to business halls of China Mobile Group Shanghai Company Limited ("China Mobile Shanghai") in the Shanghai region of the People's Republic of China (the "PRC"), provision of agency services and wholesale of mobile cards. The principal activity of the Company is investment holding.

As at the date of this report, the Company has the following subsidiaries:

Name of company	Place and date of establishment	Nominal value of registered capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
上海錦瀚銀通通信產品銷售有限公司 (“錦瀚銀通”)	PRC 18 July 2007	Reminbi (“RMB”) RMB500,000	100%	–	Provision of agency services and investment holding
上海潤迅概念通信產品連鎖銷售有限公司 (“上海概念”)	PRC 14 April 2000	RMB30,000,000	–	100%	Retail of mobile handsets and accessories and provision of sales and management services to business halls of China Mobile Shanghai
上海宏億通信產品銷售有限公司 (“上海宏億”)	PRC 23 April 2003	RMB500,000	–	100%	Wholesale of mobile cards

No audited financial statements of 上海概念 and 上海宏億 for the year ended 31 December 2006, 2007 and 2008 and no audited financial statements of 錦瀚銀通 for the year ended 31 December 2008 were issued up to the date of this report. The audited financial statements of 錦瀚銀通 for the period from 18 July 2007 (date of establishment) to 31 December 2007 were prepared in accordance with the relevant accounting rules and regulations applicable in the PRC and were audited by 上海宏大東亞會計師事務所有限公司 (Shanghai HDDY Certified Public Accountants Co. Ltd.). No audited financial statements have been prepared for the Company since its incorporation.

For the purpose of this report, the directors of the Company have prepared the combined management accounts (the “HKFRS Combined Management Accounts”) of the Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The financial information set out in this report, including the combined income statements, combined statements of changes in equity and combined cash flow statements of the Group for each of the Relevant Periods, and the combined and company balance sheets as at 31 December 2006, 2007 and 2008 together with the notes thereon (collectively the “Financial Information”) has been prepared in accordance with HKFRS Combined Management Accounts.

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs. This responsibility includes selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion solely to you thereon.

Procedures Performed in Respect of the Relevant Periods

For the purpose of this report, we have carried out an independent audit on the Financial Information for the Relevant Periods and the financial statements of 上海概念 and 上海宏億 for the period from 1 January 2006 to 2 March 2006, in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA, and have carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion in Respect of the Relevant Periods

In our opinion, on the basis of presentation set out in note 2.1 of Section II below, the Financial Information, for the purpose of this report, gives a true and fair view of the combined results and combined cash flows of the Group for each of the Relevant Periods, and the state of affairs of the Company and of the Group as at 31 December 2006, 2007 and 2008.

I. FINANCIAL INFORMATION

Combined Income Statements

		Period from 3 March 2006 to 31 December	Year ended 31 December	
		2006	**2007**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	5	33,202	51,817	58,342
Cost of sales		(22,278)	(39,561)	(31,982)
Gross profit		10,924	12,256	26,360
Other income and gains	5	173	924	1,049
Selling and distribution costs		(7,907)	(8,535)	(16,525)
Administrative expenses		(2,766)	(3,214)	(2,662)
Finance costs	6	(481)	–	–
Waiver of other payables		–	–	8,610
Excess over the cost of business combinations	23	2,885	–	–
Impairment of goodwill	13	(8,788)	–	–
Profit/(loss) before tax	7	(5,960)	1,431	16,832
Tax	10	(292)	(705)	(4,349)
Net profit/(loss) for the year/period		(6,252)	726	12,483

Combined Balance Sheets

		As at 31 December		
		2006	**2007**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	12	540	529	730
Goodwill	13	–	–	–
Intangible assets	14	738	198	–
Deferred tax assets	15	610	–	–
		1,888	727	730
CURRENT ASSETS				
Trade and other receivables	16	7,772	9,784	10,550
Inventories	17	3,680	2,291	963
Cash and bank balances	18	2,231	7,408	8,000
		13,683	19,483	19,513
CURRENT LIABILITIES				
Trade and other payables	19	18,523	21,973	4,881
Tax payables		–	96	4,170
		18,523	22,069	9,051
NET CURRENT ASSETS/ (LIABILITIES)		(4,840)	(2,586)	10,462
TOTAL ASSETS LESS CURRENT LIABILITIES		(2,952)	(1,859)	11,192
NON-CURRENT LIABILITIES				
Shareholders' loan	20	3,484	3,738	3,969
		(6,436)	(5,597)	7,223
CAPITAL AND RESERVES				
Paid-in capital/issued share capital	21	–	534	534
Reserves	22	(6,436)	(6,131)	6,689
		(6,436)	(5,597)	7,223

Combined Statements of Changes in Equity

	Paid-in capital/ issued share capital *HK$'000*	**Exchange fluctuation reserve** *HK$'000*	**Other reserves** *HK$'000*	**(Accumulated losses)/ retained profits** *HK$'000*	**Total** *HK$'000*
At 3 March 2006	–	–	–	–	–
Exchange realignment	–	(184)	–	–	(184)
Loss for the period	–	–	–	(6,252)	(6,252)
At 31 December 2006 and at 1 January 2007	–	(184)	–	(6,252)	(6,436)
Issue of shares	534	–	–	–	534
Exchange realignment	–	(421)	–	–	(421)
Profit for the year	–	–	–	726	726
Transfer	–	–	20	(20)	–
At 31 December 2007 and at 1 January 2008	534	(605)	20	(5,546)	(5,597)
Exchange realignment	–	337	–	–	337
Profit for the year	–	–	–	12,483	12,483
Transfer	–	–	262	(262)	–
At 31 December 2008	534	(268)	282	6,675	7,223

Note: Other reserves comprise statutory surplus reserve and development fund reserve of the subsidiaries established in the PRC. The statutory surplus reserve can only be used to offset accumulated losses or to increase the capital of the subsidiaries upon approval of the relevant authorities.

Combined Cash Flow Statements

	Period from 3 March 2006 to 31 December 2006	Year ended 31 December 2007	2008
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Profit/(loss) before tax	(5,960)	1,431	16,832
Adjustments for:			
Interest income	(13)	(27)	(36)
Finance costs	481	–	–
Loss/(gain) on disposal of items of property, plant and equipment	50	16	(50)
Waiver of other payables	–	–	(8,610)
Impairment of goodwill	8,788	–	–
Excess over the cost of business combinations	(2,885)	–	–
Amortisation of intangible assets	446	556	199
Depreciation for property, plant and equipment	224	464	341
Exchange differences	(428)	(373)	260
Operating profit before working capital changes	703	2,067	8,936
(Increase)/decrease in trade and other receivables	736	(2,012)	(766)
(Increase)/decrease in inventories	(38)	1,389	1,328
Increase/(decrease) in trade and other payables	(756)	3,450	(8,482)
Cash generated from operations	645	4,894	1,016
Interest received	13	27	36
Income taxes paid	–	(2)	(489)
Net cash inflow from operating activities	658	4,919	563
INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	(279)	(490)	(514)
Net cash paid for acquisition of subsidiaries	(1,246)	–	–
Proceed from disposal of items of property, plant and equipment	23	53	68
Net cash outflow from investing activities	(1,502)	(437)	(446)

	Period from 3 March 2006 to 31 December 2006	Year ended 31 December 2007	2008
	HK$'000	*HK$'000*	*HK$'000*
FINANCING ACTIVITIES			
Increase in shareholders' loan	3,484	–	–
Proceeds from capital injection	–	534	–
Finance costs	(481)	–	–
Net cash inflow from financing activities	3,003	534	–
INCREASE IN CASH AND CASH EQUIVALENTS	2,159	5,016	117
Cash and cash equivalents at beginning of year/period	–	2,231	7,408
Effect of foreign exchange rate changes	72	161	475
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	2,231	7,408	8,000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENT			
Cash and bank balances	2,231	7,408	8,000

Balance Sheet

	Notes	**As at 31 December 2008** *HK$'000*
CURRENT LIABILITIES		
Other payables		9
NET CURRENT LIABILITIES		(9)
		(9)
CAPITAL AND RESERVES		
Issued share capital	21	–
Reserves	22	(9)
		(9)

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATION INFORMATION

The Company is a private limited company incorporated in Hong Kong on 23 October 2008.

Pursuant to the Reorganisation to rationalise the structure of the Group, on 6 January 2009, the Company acquired the entire equity interest of 錦瀚銀通, a company established in the PRC, which is the holding company of the other two PRC subsidiaries comprising the Group.

The address of the registered office and principal place of business of the Company is located at Room 3001-2, 30/F, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

The Group is principally engaged in retail of mobile handsets and accessories, provision of agency services and provision of sales and management services to business halls of China Mobile Shanghai in the Shanghai region and wholesale of mobile cards, in the PRC.

2.1 BASIS OF PRESENTATION

The Financial Information has been prepared in accordance with HKFRSs, (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong. The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 6 January 2009. Since the Company and the companies comprising the Group are ultimately owned and controlled by Mr. Yam Tak Cheung and Mr. Ting Pang Wan Raymond both before and after the completion of the Reorganisation, the Reorganisation is considered as a business combination under common control and is accounted for using the principle of merger accounting.

The combined income statements, combined statements of changes in equity and combined cash flow statements of the Group for each of the Relevant Periods include the results, changes in equity and cash flows of all companies now comprising the Group, as if the current structure had been in existence throughout the Relevant Periods, or since their respective dates of acquisition, incorporation or establishment, where this is a shorter period. The combined balance sheets of the Group as at 31 December 2006, 2007 and 2008 have been prepared to present the state of affairs of the Group as if the current structure had been in existence and in accordance with the respective equity interests and/or the power to exercise control over the individual companies attributable to Mr. Yam Tak Cheung and Mr. Ting Pang Wan, Raymond as at the respective dates.

2.2 ADOPTION OF NEW AND REVISED HKFRSs

For the purpose of preparing this Financial Information, the Company has adopted, at the beginning of the Relevant Periods, all the new and revised HKFRSs applicable to the Relevant Periods, except for any new standards and interpretations that are not yet effective for accounting period beginning on 1 January 2008.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this Financial Information.

HKFRS 1 & HKAS 27 (Amendments)	Amendment of HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
HKFRS 1 (Revised)	*First-time Adoption of HKFRSs* [2]
HKFRS 2 (Amendment)	Amendment of HKFRS 2 *Share-based Payment: Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [2]
HKFRS 7 (Amendments)	Amendments to HKFRS 7 *Financial Instrument: Disclosures – Improving Disclosures about Financial Instruments* [1]
HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
HKAS 32 & HKAS 1 (Amendments)	Amendment to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* [1]
HKAS 39 (Amendment)	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [2]
HK(IFRIC)-Int 9 and HKAS 39 Amendment	*Embedded Derivatives* [5]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate* [1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation* [4]
HK(IFRIC)-Int 17	*Distribution of Non-Cash Assets to Owners* [2]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* [2]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods ending on or after 30 June 2009
* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while adoption of the improvements to HKFRS 7, HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have significant impact on the Company's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of combination

The Financial Information incorporates the financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods. As explained in note 2.1 above, the acquisition of subsidiaries under common control has been accounted for using the merger method of accounting. The acquisition of all other subsidiaries during the Relevant Periods is accounted for using the purchase method of accounting.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs in the Relevant Periods as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interests in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The purchase method of accounting involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

All significant intra-group transactions and balances have been eliminated on combination.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the combined balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test on goodwill as at balance sheet date.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries and associates (previously referred to as negative goodwill), after reassessment, is recognised immediately in the combined income statements.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

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

(b) the party is a member of the key management personnel of the Group or its holding companies;

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

(d) 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 (b) or (c); or

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any 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. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over the following estimated useful life.

Motor vehicles	5 years
Office equipment	5 years
Leasehold improvement	1 to 5 years or over the lease terms, whichever is shorter

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and 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 of completion and the estimated costs necessary to make the sale.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Financial assets

Financial assets in the scope of HKAS 39 are classified as loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables and accruals and shareholders' loan are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Impairment on tangible and intangible assets with finite useful lives

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior period. A reversal of an impairment loss is recognised as income immediately.

Cash and cash equivalents

For the purpose of the combined cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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 for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised 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 and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

A government grant is recognised when it is received and when the Group has complied with all conditions attaching to such government grant. When the grant relates to an expense item, it is recongised as income over the period necessary to match the grant on a systematic basis to costs that it is intended to compensate.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and is measured at the fair value of the consideration received or receivable for goods sold and services provided in the ordinary course of business, net of discounts and sales related taxes, on the following bases:

(i) Income from sales of products is recognised when the products are delivered and title has passed;

(ii) Income from provision of services is recognised when the service is rendered; and

(iii) Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The only obligation of the Group with respect to the central pension scheme is to pay the ongoing contributions under the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs 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. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Foreign currencies

For the purpose of presenting the Financial Information, the Group adopted HK$ as its presentation currency. The functional currencies of the Company are RMB and the functional currencies of the subsidiaries established in the PRC are RMB.

Foreign currency transactions during the year are translated into the functional currency of the entity at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency of the entity using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency of the entity using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into the presentation currency of the Group at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Balance sheet items are translated into the presentation currency of the Group at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

For the purpose of the combined cash flow statement, the cash flows of the overseas subsidiary are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiary which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

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 within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

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. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the combination process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period 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, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations as discussed below, which have the most significant effect on the amounts recognised in the Financial Information:

Future income tax treatment

Significant management judgments on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial period are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The estimation of the expected future cash flows from the cash-generating units could change significantly should the cash-generating units fail to sustain the estimated growth.

Impairment test of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and its competitor actions. Management will increase the depreciation charge where useful lives are less than previously estimates, or it will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and value in use, the calculations of which involve the use of estimates.

Impairment of intangible assets

During the Relevant Periods, the directors of the Company reconsidered the recoverability of the Group's intangible assets "contract rights".

The recoverable amounts of the intangible assets have been determined based on value-in-use calculations. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the intangible assets and a suitable discount rate in order to calculate the present value. The management refers to the valuation performed by independent qualified valuers. In performing the valuation, the valuers have based on method of valuation which involves certain estimates and assumptions.

Provision for impairment of trade and other receivables

Provision for impairment of trade and other receivables is made based on an assessment of the recoverability of these receivables. The identification of doubtful debts requires management's judgement and estimates. Provision is made when there is objective evidence that the Company will not be able to collect the debts. Where the actual outcome or further expectation is different from the original estimate, the differences will impact the carrying value of the receivables, doubtful debt expenses and write-back in the period in which the estimate has been changed.

PRC corporate income tax ("CIT")

The Group is subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

4. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into two operating divisions, namely, retail of mobile handsets and accessories, and provision of sales and management services in the business halls of China Mobile Shanghai. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

Income statement for the year ended 31 December 2008

	Retail of mobile handsets and accessories	**Provision of sales and management services**	**Wholesale of mobile cards**	**Provision of agency services**	**Elimination**	**Combined**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
Turnover	13,749	41,400	2,702	491		58,342
Intersegment sales	–	–	–	9,612	(9,612)	–
	13,749	41,400	2,702	10,103	(9,612)	58,342
RESULTS						
Segment results	434	26,175	256	(505)	–	26,360
Waiver of other payables	8,610	–	–	–	–	8,610
Amortisation of intangible assets	–	(199)	–	–	–	(199)
Corporate and other unallocated income and expenses						(17,939)
Profit before tax						16,832
Tax						(4,349)
Profit for the year						12,483

Balance sheet as at 31 December 2008

	Retail of mobile handsets and accessories	Provision of sales and management services	Wholesale of mobile cards	Provision of agency services	Elimination	Combined
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	4,233	6,853	922	7,907	(7,103)	12,812
Unallocated corporate assets						7,431
Combined total assets						20,243
LIABILITIES						
Segment liabilities	10,423	2,515	861	1,853	(7,103)	8,549
Unallocated corporate liabilities						4,471
Combined total liabilities						13,020

Income statement for the year ended 31 December 2007

	Retail of mobile handsets and accessories	Provision of sales and management services	Wholesale of mobile cards	Provision of agency services	Elimination	Combined
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
Turnover	26,619	22,733	2,465	–	–	51,817
Intersegment sales	–	–	–	298	(298)	–
	26,619	22,733	2,465	298	(298)	51,817
RESULTS						
Segment results	998	10,621	652	(15)	–	12,256
Amortisation of intangible assets	–	(556)	–	–	–	(556)
Corporate and other unallocated income and expenses						(10,269)
Profit before tax						1,431
Tax						(705)
Profit for the year						726

Balance sheet as at 31 December 2007

	Retail of mobile handsets and accessories	Provision of sales and management services	Wholesale of mobile cards	Provision of agency services	Elimination	Combined
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	11,316	1,241	892	4,042	(768)	16,723
Unallocated corporate assets						3,487
Combined total assets						20,210
LIABILITIES						
Segment liabilities	15,371	4,964	838	3,309	(768)	23,714
Unallocated corporate liabilities						2,093
Combined total liabilities						25,807

Income statement for the period from 3 March 2006 to 31 December 2006

	Retail of mobile handsets and accessories	Provision of sales and management services	Wholesale of mobile cards	Elimination	Combined
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
Turnover	16,982	14,186	2,034	–	33,202
RESULTS					
Segment results	587	9,887	450	–	10,924
Excess over the cost of business Combinations		2,885			2,885
Impairment of goodwill	(8,788)	–	–	–	(8,788)
Amortisation of intangible assets	–	(446)	–	–	(446)
Corporate and other unallocated income and expenses					(10,535)
Loss before tax					(5,960)
Tax					(292)
Loss for the period					(6,252)

Balance sheet as at 31 December 2006

	Retail of mobile handsets and accessories	Provision of sales and management services	Wholesale of mobile cards	Elimination	Combined
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Segment assets	10,896	1,343	590	(377)	12,452
Unallocated corporate assets					3,119
Combined total assets					15,571
LIABILITIES					
Segment liabilities	14,649	2,386	391	(377)	17,049
Unallocated corporate liabilities					4,958
Combined total liabilities					22,007

Geographical segments

No geographical segment information is presented as all of the Group's revenue is derived from customers based in the PRC, and all of the Group's assets are located in the PRC.

5. **TURNOVER AND OTHER INCOME AND GAINS**

	Period from 3 March 2006 to 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*
Turnover			
Retail of mobile handsets and accessories	16,982	26,619	13,749
Provision of sales and management services	14,186	22,733	41,400
Wholesale of mobile cards	2,034	2,465	2,702
Provision of agency services	–	–	491
	33,202	51,817	58,342
Other income			
Government subsidies	–	265	428
Bank interest income	13	27	36
Sundry income	160	632	535
	173	924	999
Gains			
Gain on disposal of property, plant and equipment	–	–	50
	–	–	50
	173	924	1,049

6. FINANCE COSTS

	Period from 3 March 2006 to 31 December 2006	Year ended 31 December 2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Interest on shareholders' loan	481	–	–

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax has been arrived at after charging/(crediting):

	Period from 3 March 2006 to 31 December 2006	Year ended 31 December 2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Cost of inventories sold	17,979	27,434	15,761
Cost of services provided	4,299	12,127	16,221
Depreciation	224	464	341
Amortisation of intangible assets *(note 14)*	446	556	199
Minimum lease payments under operating leases on land and buildings	1,160	1,731	3,371
Bad debts written off	125	248	109
Employee benefits expenses (excluding directors' remunerations *(note 8))*:			
Salaries and other benefits	3,984	5,003	9,233
Contributions to retirement benefits schemes	499	798	1,117
	4,483	5,801	10,350
Loss/(gain) on disposal of items of property, plant and equipment	50	16	(50)
Bank interest income	(13)	(27)	(36)

8. DIRECTORS' REMUNERATION

No directors of the Company received remuneration during the Relevant Periods for their services rendered to the Group.

9. FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the five highest paid employees, who are non-director, during the Relevant Periods are as follows:

	Period from 3 March 2006 to 31 December 2006	Year ended 31 December 2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other benefits	477	446	461
Contributions to retirement benefits schemes	92	90	114
	569	536	575

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees		
	Period from 3 March 2006 to 31 December 2006	Year ended 31 December 2007	2008
Nil to HK$1,000,000	5	5	5

Save as disclosed above, no emoluments were paid by the Group to the five highest paid individuals during the Relevant Periods as an inducement to join or upon joining the Group or as compensation for loss of office.

10. TAX

	Period from 3 March 2006 to 31 December 2006	Year ended 31 December 2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Current tax – PRC	–	92	4,349
Deferred tax *(note 15)*	292	613	–
	292	705	4,349

No provision for Hong Kong Profits Tax has been made in the Financial Information as the income of the Group neither arise in, nor is derived from, Hong Kong.

Profits tax arising in the PRC is calculated based on the applicable tax rates on assessable profits.

The taxation for the Relevant Periods can be reconciled to the profit/(loss) before tax per the combined income statements as follows:

	Period from 3 March 2006 to 31 December	Year ended 31 December	
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Profit/(loss) before tax	(5,960)	1,431	16,832
Applicable PRC tax rate	33%	33%	25%
Tax at the applicable PRC tax rate	(1,967)	472	4,208
Tax effect of not deductible expenses	2,254	184	141
Tax effect of tax loss not recognised	5	49	–
Tax charge for the year/period	292	705	4,349

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

For the period from 3 March 2006 to 31 December 2006, and for the two years ended 31 December 2007 and 2008, the loss attributable to equity holders of the Company is nil, nil and HK$8,500, respectively, has been dealt with in the financial statements of the Company.

12. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Office equipment	Leasehold improvement	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At 3 March 2006	–	–	–	–
Addition arising from acquisition of subsidiaries	364	1,498	1,974	3,836
Additions	–	82	197	279
Disposals	–	(567)	–	(567)
Exchange realignment	16	49	94	159
At 31 December 2006 and at 1 January 2007	380	1,062	2,265	3,707
Additions	47	139	304	490
Disposals	(237)	(242)	–	(479)
Exchange realignment	15	71	183	269
At 31 December 2007 and at 1 January 2008	205	1,030	2,752	3,987
Additions	236	188	90	514
Disposals	(156)	(104)	–	(260)
Exchange realignment	17	71	175	263
At 31 December 2008	302	1,185	3,017	4,504
ACCUMULATED DEPRECIATION				
At 3 March 2006	–	–	–	–
Addition arising from acquisition of subsidiaries	328	1,253	1,720	3,301
Charged for the period	–	38	186	224
Disposal written back	–	(494)	–	(494)
Exchange realignment	14	40	82	136
At 31 December 2006 and at 1 January 2007	342	837	1,988	3,167
Charged for the year	21	76	367	464
Disposal written back	(225)	(185)	–	(410)
Exchange realignment	12	53	172	237
At 31 December 2007 and at 1 January 2008	150	781	2,527	3,458
Charged for the year	45	58	238	341
Disposal written back	(148)	(94)	–	(242)
Exchange realignment	4	45	168	217
At 31 December 2008	51	790	2,933	3,774
NET CARRYING AMOUNT				
At 31 December 2006	38	225	277	540
At 31 December 2007	55	249	225	529
At 31 December 2008	251	395	84	730

13. GOODWILL

	HK$'000
Cost:	
At 3 March 2006	–
Recognised from business combination occurred during the period *(note 23)*	8,703
Impairment during the period	(8,788)
Exchange realignment	85
At 31 December 2006, 31 December 2007 and 31 December 2008	–

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the following cash-generating units ("CGU"), which are reportable segments, for impairment testing.

- retail of mobile handsets and accessories; and
- wholesale of mobile cards.

The recoverable amount of each CGU is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by the directors of the Company. The discount rates applied to the cash flow projections as at 31 December 2006 is 12%.

For the period ended 31 December 2006, an impairment loss on goodwill of approximately HK$8,788,000 was made. This goodwill was recognised during the acquisition of 上海概念 and 上海宏億 (the "Goodwill"). The directors of the Company performed an impairment test for the Goodwill and found that the recoverable amount of the Goodwill was substantially lower than its carrying amount. Therefore the directors of the Company made a full provision for the impairment of the Goodwill.

14. INTANGIBLE ASSETS

The intangible assets were purchased as part of a business combination on 3 March 2006. The intangible assets include the contract, which arose from the agreement entered into by a subsidiary of the Company with China Mobile Shanghai, pursuant to which the Group provides sales and management services to certain business halls of China Mobile Shanghai in the Shanghai region of the PRC. The fair value of the intangible assets as at the date of the business combination amounts to approximately HK$1,148,000.

	Contract right
	HK$'000
Cost:	
At 3 March 2006	–
Recognised from business combination occurred during the period	1,148
Exchange realignment	51
At 31 December 2006 and 1 January 2007	1,199
Exchange realignment	87
At 31 December 2007 and 1 January 2008	1,286
Exchange realignment	80
At 31 December 2008	1,366
Accumulated amortisation and impairment:	
At 3 March 2006	–
Amortised for the period	446
Exchange realignment	15
At 31 December 2006 and 1 January 2007	461
Amortised for the year	556
Exchange realignment	71
At 31 December 2007 and 1 January 2008	1,088
Amortised for the year	199
Exchange realignment	79
At 31 December 2008	1,366
Carrying amounts:	
At 31 December 2006	738
At 31 December 2007	198
At 31 December 2008	–

15. DEFERRED TAX

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
At the beginning of the period/year	–	610	–
Arising from acquisition of subsidiaries	874	–	–
Charged for the period/year	(292)	(613)	–
Exchange realignment	28	3	
At end of period/year	610	–	–

Deferred tax assets represent the tax effect of recognised tax losses.

There was no significant unprovided deferred tax for the period from 3 March 2006 to 31 December 2006 and for the two years end 31 December 2007 and 2008 or at each of the balance sheet dates.

16. TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
An aged analysis of trade receivables is as follows:			
Within 1 year	6,922	8,674	3,447
Over 1 year	195	14	–
	7,117	8,688	3,447
Other receivables, deposits and prepayments	655	1,096	7,103
	7,772	9,784	10,550

The carrying amounts of trade and other receivables approximated their fair values at each of the balance sheet dates.

17. INVENTORIES

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Merchandises for resale	3,680	2,291	963

18. CASH AND BANK BALANCES

At 31 December 2008, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$8,000,000 (31 December 2006: HK$2,231,000; 31 December 2007: HK$7,408,000). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The Group's cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximated to their fair values at each of the balance sheet dates.

19. TRADE AND OTHER PAYABLES

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
An aged analysis of trade payables is as follows:			
Within 1 year	3,471	4,190	393
Over 1 year	727	180	–
	4,198	4,370	393
Accruals and other payables	14,325	17,603	4,488
	18,523	21,973	4,881

The carrying amounts of trade and other payables approximated their fair values at each of the balance sheet dates.

20. SHAREHOLDERS' LOAN

Shareholders' loan was unsecured, interest-free, and will not be demanded for repayment in the next forthcoming year. The carrying amount of the balances approximated to its fair value at each of the balance sheet dates.

21. PAID-IN CAPITAL/ISSUED SHARE CAPITAL

The paid-in capital/issued share capital as at 31 December 2007 represents the paid-in capital of 錦瀚銀通. The paid-in capital/issued share capital as at 31 December 2008 represents the combined paid-in capital and issued share capital of 錦瀚銀通 and the Company, respectively.

22. RESERVES

	Accumulated loss
	HK$
Company	
Loss for the period from 23 October 2008 (date of incorporation) to 31 December 2008	8,500
At 31 December 2008	8,500

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the combined statements of changes in equity of the Financial Information.

23. ACQUISITION OF SUBSIDIARIES

On 3 March 2006, 錦瀚銀通 successfully completed the acquisition of 100% equity interests in 上海概念 and 上海宏億 for a total consideration of HK$2,858,000 in cash.

(a) The carrying amounts and fair value of the assets and liabilities acquired in the transaction and the goodwill arising are as follow:

	Acquiree's carrying amounts before combination *HK$'000*	**Fair value adjustments** *HK$'000*	**Fair value** *HK$'000*
Property, plant and equipment	535	–	535
Intangible assets	–	1,148	1,148
Deferred tax assets	874	–	874
Trade and other receivables	8,508	–	8,508
Inventories	3,642	–	3,642
Cash and bank balances	1,612	–	1,612
Trade and other payables	(19,279)	–	(19,279)
Net assets acquired			(2,960)
Excess over the cost of business combinations			(2,885)
Goodwill			8,703
Total consideration (RMB3,000,000)			2,858
Satisfied by cash			2,858
Net cash outflow arising from acquisition:			
– Cash consideration paid			2,858
– Cash and cash equivalents acquired			(1,612)
Total consideration			1,246

(b) If the acquisitions had been completed on 1 January 2006, total Group's turnover for the year would have been HK$40,391,000, and loss for the year would have been HK$6,195,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of the Group that actually would have been achieved had the acquisitions been completed on 1 January 2006, nor is it intended to be a projection of future results.

(c) The subsidiaries acquired during the year contributed approximately HK$7,189,000 to the Group's turnover and profit after tax of approximately HK$57,000.

24. RETIREMENT BENEFITS SCHEME

The employees of the Group are members of a state-managed retirement benefit scheme operated by the PRC provincial government. The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total contributions payable to the retirement benefit scheme by the Group at rates specified in the rules of the scheme and charged to income statement are included in employee benefits expenses – salaries and other benefits stated in note 7.

25. OPERATING LEASE ARRANGEMENTS

(a) The Group as lessor

At each of the balance sheet dates, the Group had subsidies for any outgoings related to equipment and leasehold improvement in business halls under provision of services agreements ("Services Agreements") with China Mobile Shanghai, which fall due as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	108	372	502
In the second to fifth year inclusive	206	460	413
	314	832	915

At each of the balance sheet dates, the Company had no operating lease arrangement as lessor.

(b) The Group as lessee

At each of the balance sheet dates, the Group had commitments for future minimum lease payments under non-cancellable operating leases with landlords in respect of office premises and business halls and under Services Agreements with China Mobile Shanghai in respect of business halls, which fall due as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	2,409	3,189	5,189
In the second to fifth year inclusive	1,329	3,014	3,945
	3,738	6,203	9,134

Leases and Services Agreements are negotiated for terms ranging from 2 to 5 years.

At each of the balance sheet dates, the Company had no operating lease arrangement as lessee.

26. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each category of financial instruments as at the balance sheet dates are as follows:

Group

Financial assets

	Loans and receivables		
	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets included in trade and other receivables	7,772	9,784	10,533
Cash and bank balances	2,231	7,408	8,000
	10,003	17,192	18,533

Financial liabilities

	Financial liabilities at amortised cost		
	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Financial liabilities included in trade and other payables	17,213	19,577	3,520
Shareholders' loan	3,484	3,738	3,969
	20,697	23,315	7,489

Company

Financial liabilities

	Financial liabilities at amortised cost As at 31 December 2008
	HK$'000
Financial liabilities included in other payables	9
	9

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from its operating activities. The director and management meet periodically to analyse and formulate strategies to manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives or other instruments for hedging purposes.

The Group's major financial instruments include amounts receivable/payable from/to customers. Details of these financial instruments are disclosed in respective notes. The main risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise credit risk, management monitors the collection of receivables and reviews the recoverable amount of each individual debt regularly. In this regard, management considers that the Group's exposure to credit risk is significantly reduced.

At 31 December 2008, the Group had concentration of credit risk as approximately 53% of the total trade and other receivables were due from 2 major customers.

(b) Currency risk

The Group did not expose to significant foreign currency risk as the Group's operations are transacted in RMB only.

(c) Liquidity risk

The Group will consistently implement a prudent liquidity risk management and ensure that it maintains sufficient funds to meet its liquidity needs. Arrangement has been made with a major shareholder to obtain additional financial assistance, if required, to fund the Group's operations.

(d) Fair value and cash flow interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to fair value and cash flow interest risks is minimal as the Group has no long-term financial assets and liabilities; therefore its income and operating cash flows are substantially independent of changes in market interest rates.

(e) Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the period ended 31 December 2006, and two years ended 31 December 2007 and 2008.

The Group monitors capital using a gearing ratio, which is net debt divided by the equity attributable to equity holders of the Company plus net debt. Net debt includes trade and other payables and shareholders' loan, less cash and bank balances. The gearing ratios as at the balance sheet dates were as follows:

Group

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Trade and other payables	18,523	21,973	4,881
Shareholders' loan	3,484	3,738	3,969
Less: Cash and bank balances	(2,231)	(7,408)	(8,000)
Net debt	19,776	18,303	850
Equity attributable to equity holders of the Company	(6,436)	(5,597)	7,223
Equity and net debt	13,340	12,706	8,073
Gearing ratio	148%	144%	11%

28. FINANCIAL INFORMATION OF 上海概念 AND 上海宏億

A. The financial information of 上海概念 for the period from 1 January 2006 to 2 March 2006 is set out as follows:

(a) Income statement of 上海概念

		Period from 1 January 2006 to 2 March 2006
	Notes	*HK$'000*
Turnover	(i)	6,885
Cost of sales		(5,326)
		1,559
Selling and distribution costs		(1,024)
Administrative expenses		(392)
Profit before tax	(ii)	143
Tax	(iii)	(47)
Profit for the period		96

(b) Balance sheet of 上海概念

	Notes	As at 2 March 2006 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	(iv)	535
Deferred tax assets	(v)	874
		1,409
CURRENT ASSETS		
Trade and other receivables	(vi)	8,460
Inventories	(vii)	3,642
Due from a fellow subsidiary	(viii)	87
Cash and bank balances		1,279
		13,468
CURRENT LIABILITIES		
Trade and other payables	(ix)	19,190
NET CURRENT LIABILITIES		(5,722)
TOTAL ASSETS LESS CURRENT LIABILITIES		(4,313)
CAPITAL AND RESERVES		
Paid-in capital		28,203
Reserves		(32,516)
		(4,313)

(c) Statement of changes in equity of 上海概念

	Paid-in capital HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2006	28,203	(101)	(32,550)	(4,448)
Profit for the period	–	–	96	96
Exchange realignment	–	39	–	39
At 2 March 2006	28,203	(62)	(32,454)	(4,313)

(d) Cash flow statement of 上海概念

	Period from 1 January 2006 to 2 March 2006 *HK$'000*
OPERATING ACTIVITIES	
Profit before tax	143
Adjustments for:	
Depreciation for property, plant and equipment	43
Exchange differences	63
Operating profit before working capital changes	249
Increase in trade and other receivables	(831)
Decrease in inventories	790
Increase in due from a fellow subsidiary	(36)
Decrease in trade and other payables	(408)
Net cash outflow from operating activities	(236)
INVESTING ACTIVITIES	
Net cash flow from investing activities	–
FINANCING ACTIVITIES	
Net cash flow from financing activities	–
DECREASE IN CASH AND CASH EQUIVALENTS	(236)
Cash and cash equivalents at beginning of period	1,528
Effect of foreign exchange rate changes	(13)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,279
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENT	
Cash and bank balances	1,279

(e) Notes to the financial information of 上海概念

(i) TURNOVER

	Period from 1 January 2006 to 2 March 2006 *HK$'000*
Retail of mobile handsets and accessories	5,418
Provision of sales and management services	1,467
	6,885

(ii) PROFIT BEFORE TAX

Profit before tax of 上海概念 has been arrived at after charging:

	Period from 1 January 2006 to 2 March 2006
	HK$'000
Cost of inventories sold	5,192
Cost of services provided	134
Depreciation	43
Minimum lease payments under operating leases on land and buildings	226
Employee benefits expenses:	
Salaries and other benefits	584
Contributions to retirement benefits schemes	100
	684

(iii) TAX

	Period from 1 January 2006 to 2 March 2006
	HK$'000
Current tax – PRC	–
Deferred tax *(note v)*	47
	47

Profits tax arising in the PRC is calculated based on the applicable tax rates on assessable profits.

The taxation for the period from 1 January 2006 to 2 March 2006 can be reconciled to the profit before tax per the income statement as follows:

	Period from 1 January 2006 to 2 March 2006
	HK$'000
Profit before tax	143
Applicable PRC tax rate	33%
Tax at the applicable PRC tax rate	47
Tax charge for the period	47

(iv) PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Office equipment	Leasehold improvement	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At 1 January 2006	367	1,510	1,993	3,870
Exchange realignment	(3)	(12)	(19)	(34)
At 2 March 2006	364	1,498	1,974	3,836
ACCUMULATED DEPRECIATION				
At 1 January 2006	330	1,254	1,705	3,289
Charged for the period	–	9	34	43
Exchange realignment	(2)	(10)	(19)	(31)
At 2 March 2006	328	1,253	1,720	3,301
NET CARRYING AMOUNT				
At 2 March 2006	36	245	254	535

(v) DEFERRED TAX

	As at 2 March 2006
	HK$'000
At the beginning of the period	929
Charged for the period	(47)
Exchange realignment	(8)
At end of period	874

Deferred tax assets represent the tax effect of recognised tax losses.

There was no significant unprovided deferred tax for the period or at 2 March 2006.

(vi) TRADE AND OTHER RECEIVABLES

	As at 2 March 2006
	HK$'000
An aged analysis of trade receivables is as follows:	
Within 1 year	7,787
Over 1 year	39
	7,826
Other receivables, deposits and prepayments	634
	8,460

The carrying amounts of trade and other receivables approximated their fair values at 2 March 2006.

(vii) INVENTORIES

	As at 2 March 2006
	HK$'000
Merchandises for resale	3,642

(viii) DUE FROM A FELLOW SUBSIDIARY

The amount due from a fellow subsidiary was unsecured, interest-free, and had no fixed terms of repayment. The carrying amount of the balance approximated to its fair value at 2 March 2006.

(ix) TRADE AND OTHER PAYABLES

	As at 2 March 2006
	HK$'000
An aged analysis of trade payables is as follows:	
Within 1 year	5,102
Over 1 year	393
	5,495
Other receivables, deposits and prepayments	13,695
	19,190

The carrying amounts of trade and other receivables approximated their fair values at 2 March 2006.

(x) SEGMENT INFORMATION

Income statement for the period from 1 January 2006 to 2 March 2006

	Retail of mobile handsets and accessories	Provision of sales and management services	Total
	HK$'000	*HK$'000*	*HK$'000*
REVENUE			
Turnover	5,418	1,467	6,885
RESULTS			
Segment profit	226	1,333	1,559
Unallocated income and expenses			(1,416)
Profit before tax			143
Tax			(47)
Profit for the period			96

Balance sheet as at 2 March 2006

	Retail of mobile handsets and accessories	Provision of sales and management services	Total
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	11,468	634	12,102
Unallocated corporate assets			2,775
Total assets			14,877
LIABILITIES			
Segment liabilities	5,134	13,460	18,594
Unallocated corporate liabilities			596
Total liabilities			19,190

B. The financial information of 上海宏億 for the period from 1 January 2006 to 2 March 2006 is set out as follows:

(a) *Income statement of 上海宏億*

	Notes	Period from 1 January 2006 to 2 March 2006
		HK$'000
Turnover	(i)	304
Cost of sales		(288)
		16
Selling and distribution costs		(51)
Administrative expenses		(4)
Loss before tax	(ii)	(39)
Tax	(iii)	–
Loss for the period		(39)

(b) Balance sheet of 上海宏億

	Note	As at 2 March 2006 HK$'000
CURRENT ASSETS		
Deposit and other receivables		48
Cash and bank balances		333
		381
CURRENT LIABILITIES		
Other payables		89
Due to a fellow subsidiary	(iv)	87
		176
NET CURRENT ASSETS		205
CAPITAL AND RESERVES		
Paid-in capital		470
Reserves		(265)
		205

(c) Statement of changes in equity of 上海宏億

	Paid-in capital HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2006	470	10	(234)	246
Loss for the period	–	–	(39)	(39)
Exchange realignment	–	(2)	–	(2)
At 2 March 2006	470	8	(273)	205

(d) *Cash flow statement of 上海宏億*

	Period from 1 January 2006 to 2 March 2006 HK$'000
OPERATING ACTIVITIES	
Loss before tax	(39)
Adjustments for:	
Exchange differences	1
Operating loss before working capital changes	(38)
Decrease in deposit and other receivables	14
Decrease in other payables	(55)
Increase in due to a fellow subsidiary	36
Net cash outflow from operating activities	(43)
INVESTING ACTIVITIES	
Net cash flow from investing activities	–
FINANCING ACTIVITIES	
Net cash flow from financing activities	–
DECREASE IN CASH AND CASH EQUIVALENTS	(43)
Cash and cash equivalents at beginning of period	379
Effect of foreign exchange rate changes	(3)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	333
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENT	
Cash and bank balances	333

(e) *Notes to the financial information of 上海宏億*

(i) TURNOVER

	Period from 1 January 2006 to 2 March 2006 HK$'000
Wholesale of mobile cards	304

(ii) LOSS BEFORE TAX

Loss before tax of 上海宏億 has been arrived at after charging:

	Period from 1 January 2006 to 2 March 2006
	HK$'000
Cost of inventories sold	288
Employee benefits expenses:	
Salaries and other benefits	39
Contributions to retirement benefits schemes	–
	39

(iii) TAX

No income tax had been made for 上海宏億 as there was no assessable profit generated during the period.

The taxation for the period from 1 January 2006 to 2 March 2006 can be reconciled to the loss before tax per the income statement as follows:

	Period from 1 January 2006 to 2 March 2006
	HK$'000
Loss before tax	(39)
Applicable PRC tax rate	33%
Tax at the applicable PRC tax rate	(13)
Tax effect of tax loss not recognised	13
Tax charge for the period	–

(iv) DUE TO A FELLOW SUBSIDIARY

The amount due to a fellow subsidiary was unsecured, interest-free, and had no fixed terms of repayment. The carrying amount of the balance approximated to its fair value at 2 March 2006.

29. SUBSEQUENT EVENTS

On 6 January 2009, the Company entered into an agreement to acquire the entire equity interest in 錦瀚銀通 at a consideration of approximately HK$7,800,000. Accordingly, the Company became the holding company of 錦瀚銀通.

On 24 April 2009, the Company issued 9,998 new shares of HK$1 each for cash at a subscription price of approximately HK$780 each to finance the above acquisition. Part of the proceeds of HK$9,998 representing the par value of the share issued, were credited to the Company's share capital. The remaining proceeds of HK$7,790,002 were credited to the share premium account.

30. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to 31 December 2008.

Yours faithfully,

WINFUL C.P.A. LIMITED
Certified Public Accountants
Hong Kong

Poon On Yuet, Anthony
Practicing Certificate Number: P04807

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE VICTORY MARKER GROUP

1. For the period commencing from 3 March 2006 to 31 December 2006

(a) Business review

Overall

Runxun Concept and Hongyi were acquired by the Sale Shares Vendors in early 2006. For the 10-month period ended 31 December 2006 under review, the Victory Marker Group was under significant pressure in the retail business of the mobile handsets due to increasing competition and deteriorating profit margin. With the increasing popularity of the mega electronic stores that drew away traffic from the specialty outlets and the shortage of upfront capital required for handsets inventory investment, the traditional retail business of handsets and accessories were deteriorating quickly. Following the acquisition by the new investors, the Victory Marker Group had taken a critical review and mapped out a new direction for the business. It began to fine-tune its investment and corporate strategy to focus on the service-based business model as opposed to the traditional mobile handsets and accessories retail business.

Retail of Mobile Handsets and Accessories

Turnover for the segment was approximately HK$16.9 million for the period under review, accounting for approximately 51% of the group's total turnover. Gross profit and gross profit margin were approximately HK$587,000 and 3.4% respectively.

The retail of mobile handsets and accessories was the traditional business of Runxun Concept since its establishment in 2000. With the increasing popularity and drawing power of mega electronic stores providing wider selection of branded handsets and more pleasurable shopping experience, it had gradually drawn traffic away from Runxun Concept stores. As such, turnover began to shrink over the period and the gross margin continued to erode. Without the necessary cash flow generated from the operation, the Victory Marker Group found it difficult to continue investing in upfront inventory to support this business.

The strategic review conducted by the Victory Marker Group had concluded that the low-margin mobile handsets and accessories retail business would need to be scaled down and would eventually phased out at an appropriate time. During the period under review, there were a total of 17 Runxun Concept stores and by the end of 2006, decision was made to gradually downsize this business in subsequent years by phases so as to minimize the disruption of the operation and to ensure a reasonable level of turnover until the service-based business becoming more mature.

Provision of Sales and Management Services and Wholesale of Mobile Cards

During the period under review, turnover for this segment was approximately HK$16.2 million, accounting for approximately 49% of the Victory Marker Group's total turnover. Gross profit was approximately HK$10.3 million or 64% gross margin. Such turnover included the wholesale of mobile prepaid cards of approximately HK$2.0 million.

The acquisition by the Sale Shares Vendors and the strategic review of the business of Runxun Concept had led to the decision to move the group's direction towards a service-based business model focusing on the provision of sales and management services for Shanghai Mobile, one of the key subsidiaries of China Mobile. The Victory Marker Group had allocated more resources on enhancing its service quality by training and upgrading sales representatives and adding valued-added services in its existing co-operative business halls under the brand of China Mobile with the intention to pave the way for further expansion and co-operation with Shanghai Mobile in the future. During the period under review, there were four co-operative stores that were branded under China Mobile but managed and run by the Victory Marker Group. The Victory Marker Group received commission income and service fee based on the number and types of transactions made or services provided by its sales and customer service representatives in these business halls.

The wholesale of Shanghai Mobile prepaid cards albeit small continued to perform well. For the period under review, the Victory Marker Group had sold more than 100,000 prepaid cards. These were sold primarily through Hongyi and 20 authorized resellers which Runxun Concept had appointed to ensure that the target assigned by Shanghai Mobile was achieved.

(b) Financial result, financial position and capital structure

For the 10-month period ended 31 December 2006, despite a deteriorating market condition for the retail of handsets business, the Victory Marker Group managed to record a turnover of approximately HK$33.2 million with gross profit of approximately HK$10.9 million and overall gross margin of 33%. Net loss after tax was approximately $6.2 million taking into account an one-off impairment of goodwill of approximately HK$8.8 million and the excess of cost of business combination for acquisition of approximately HK$2.8 million.

During the period under review, the Victory Marker Group funded its operation by its internal resources. There was no change in capital structure during the period. No financial instrument was used for hedging purposes during the period.

There were no material acquisitions and disposals of subsidiaries and associated companies during the period.

There were no contingent liabilities and capital commitment as at 31 December 2006.

(c) Employment and remuneration policy

At 31 December 2006, the number of employees was 149. Total staff cost for the current period were approximately HK$4.5 million. The remuneration policy was reviewed in line with the market conditions, current legislation and the performance of the individual.

(d) Future plan and prospects

The mobile telecommunications market was going through a structural change as it continued to mature. The traditional retail specialty store concept would not be an attractive business providing satisfactory return to the shareholders. The decision by the Sale Shares Vendors to acquire Runxun Concept and Hongyi and the strategic change in the corporate direction to focus and strengthen the service side of the business was a clear demonstration of their commitment and confidence to turnaround and further develop the business. As mobile operators continued to focus its resources in the core service delivery and customer relationship management, it would create more business opportunities for the Victory Marker Group, leveraging its retail expertise and experience in the telecommunications market.

(e) Details of charges on assets

The Victory Marker Group had no charge on its assets as at 31 December 2006.

(f) Borrowings and gearing ratio

The total outstanding loan as at 31 December 2006 was the shareholders' loan in the amount of approximately HK$3.5 million which was unsecured and interest-free. The gearing ratio expressed by all loan balances over total assets was approximately 0.22 as at 31 December 2006.

(g) Foreign exchange exposure

Since the operations of the company are in the PRC and most of the transactions, monetary assets and liabilities are denominated in RMB, the Victory Marker Group's exposure to foreign currency risk is minimal.

2. For the year ended 31 December 2007

(a) Business review

Overall

2007 was a remarkable year for the Victory Marker Group in terms of the development of its new business. With the continuous implementation of its new strategy established in 2006 moving towards a service-based business model, the Victory Marker Group had successfully established a tighter and closer relationship with Shanghai Mobile and increased the co-operative stores from 4 in 2006 to a total of 10 in 2007. By the year end of 2007, the Victory Marker Group had further finalised an additional 12 co-operative agreements with Shanghai Mobile, making it one of the leading business process outsourcing partners of Shanghai Mobile.

Retail of Mobile Handsets and Accessories

During the year under review, turnover for the segment was approximately HK$26.6 million or 51% of the total group's turnover. Gross profit was approximately HK$1.0 million or 3.7% gross profit margin. The Victory Marker Group had downsized the operation of its own retail stores from 17 to 9 during the year. A number of incentive programs were put in place to clean up the mobile handsets inventory to help maintain a sufficient cashflow while the group transitioned itself to a new business model.

Provision of Sales and Management Services and Wholesale of Mobile Cards

For the year under review, turnover for the segments was approximately HK$25.2 million, representing an increase of approximately 55% compared to the prior year. The turnover included the wholesale of mobile pre-paid cards of approximately HK$2.5 million. Gross profit was approximately HK$11.3 million and gross margin was 45%.

The strategy to focus on the service-based business began to pay off. In 2007, the Victory Marker Group had gained approval from Shanghai Mobile to establish a total of 6 business halls under the brand name of "China Mobile". To cope with the increasing demand for quality staff, the group quickly established policies to speed up the recruiting and training progress and set up a sales incentive scheme to improve productivity and performance. With the support from Shanghai Mobile, turnover for the segment grew significantly during the year as a result.

During the year under review, Shanghai Mobile began a formal tender process to outsource part of its non-core operation to outside partners. In November 2007, a total of 16 bidders participated in the process for more than 50 China Mobile business halls outsourced by Shanghai Mobile. Due to the recognised quality of services provided in the past, the Victory Marker Group obtained the right for operating additional 12 China Mobile business halls in both Feng Xian and Bao San Districts. This established the position of the Victory Marker Group as one of the leading partners of Shanghai Mobile in the outsourced business hall operation.

(b) Financial result, financial position and capital structure

For the fiscal year ended 31 December 2007, the group's turnover was approximately HK$51.8 million, an increase of 56% when compared to approximately HK$33.2 million in 2006. The increase, due partly to the full year effect for 2007, was largely attributable to the implementation of a new management process and sales incentive scheme that improved the efficiency of the sales and service operations of the Victory Marker Group. Overall gross profit for the year was approximately HK$12.3 million or 24% gross margin. Net profit for the year was approximately HK$0.7 million.

During the year under review, the Victory Marker Group funded its operation by its internal resources. There was no change in capital structure during the year. No financial instrument was used for hedging purposes during the year.

There were no material acquisitions and disposals of subsidiaries and associated companies during the year.

There were no contingent liabilities and capital commitment as at 31 December 2007.

(c) Employment and remuneration policy

At 31 December 2007, the number of employees was 153. Total staff cost for the current period were approximately HK$5.8 million. The remuneration policy was reviewed in line with the market conditions, current legislation and the performance of the individual.

(d) Future plan and prospects

For the year under review, the Victory Marker Group had finalised an additional of 12 co-operative agreements with Shanghai Mobile which would be in operation in the first half of 2008, they would make a significant contribution to the group's turnover and profit contribution thereafter. The challenge in the near term was to build a quality sales professional and customer service team to cope with the rapid expansion of the operation. The Victory Marker Group would continue to invest in management resources and put in place an incentive scheme to ensure that the plan would be implemented flawlessly and expediently.

(e) Details of charges on assets

The Victory Marker Group had no charge on its assets as at 31 December 2007.

(f) Borrowings and gearing ratio

The total outstanding loan as at 31 December 2007 was the shareholders' loan in the amount of approximately HK$3.7 million which was unsecured and interest-free. The gearing ratio expressed by all loan balances over total assets was approximately 0.18 as at 31 December 2007.

(g) Foreign exchange exposure

Since the operations of the company are in the PRC and most of the transactions, monetary assets and liabilities are denominated in RMB, the Victory Marker Group's exposure to foreign currency risk is minimal.

3. For the year ended 31 December 2008

(a) Business review

Overall

The Victory Marker Group performed satisfactorily for the year of 2008. The strategy of focusing on the service-based business model had improved the financial performance of the group. Turnover relating to the service-based business during the year was more than double when compared to 2007. With the success in the service-based business, the Victory Marker Group continued to downscale the low-margin handsets retail business.

During the year, the total employees had grown to 266 from 153 a year earlier thus demanding a lot of management resources and efforts in recruitment and training in order to support the growth of the business. The Victory Marker Group's strategy executed successfully in 2007 and led to an additional 3 co-operative agreements signed with Shanghai Mobile in 2008. For the year under review, the Victory Marker Group strived to improve its operation efficiency by implementing a number of changes in the operation level including structured training and incentive programs to support the increasing demand for the quality of service required by Shanghai Mobile as it focused on quality instead of quantity in the upcoming 3G era to keep customers. In fact, the gross profit contribution per employee improved by 24% during the year as compared to the year before. This effort was recognized by Shanghai Mobile as the Victory Marker Group was awarded with performance incentives payment for a number of China Mobile business halls operated by the group. These co-operative stores ranked high score in a survey conducted by an independent company appointed by Shanghai Mobile.

Retail of Mobile Handsets and Accessories

During the year under review, turnover for the segment was approximately HK$13.7 million or 24% of the total turnover. Gross profit was approximately HK$0.4 million or 3.1% of gross profit margin. Turnover for the segment dropped 48% from 2007 as the Victory Marker Group further downscaled this business segment to minimal operation.

Provision of Sales and Management Services and Wholesale of Mobile Cards

For the year under review, turnover for the segments was approximately HK$44.1 million, representing an increase of approximately 75% compared to the year earlier. The turnover included the wholesale of mobile cards of approximately HK$2.7 million. Gross profit was approximately HK$26.4 million with a gross margin of 60%. The gross margin improved by 15% from a year earlier reflecting higher fee structure and operating efficiency in operating the China Mobile business halls.

With the 18 co-operative arrangements agreed with Shanghai Mobile in 2007 and an additional 3 in August 2008, the total number of China Mobile business halls had grown to 25 by end of the year and expected an additional 2 in early 2009. From the operation perspective, the Victory Marker Group had implemented new operating procedures for recruitment, training and formulating incentive plans to meet the expansion need and the quality of service required by Shanghai Mobile. In the area of sales and marketing, as China Mobile was one of the official sponsors of the Beijing 2008 Summer Olympic Games, the Victory Marker Group worked closely with Shanghai Mobile in delivering Olympic related marketing programs throughout the year focusing on new data, value-added services and thus able to generate a higher revenue and income for the Victory Marker Group.

The wholesale of mobile prepaid cards business continued to meet the target set by Shanghai Mobile. The Victory Marker Group sold out more than 150,000 cards during the year with a total of 30 authorized resellers by end of the year. These authorized resellers are located in proximity to the Victory Marker Group's business halls and because all purchasers of calling cards would need to be registered, the more cards the Victory Marker Group sold, the more business opportunities that would be created for business halls.

(b) Financial result, financial position and capital structure

For the fiscal year ended 31 December 2008, the Victory Marker Group's turnover was approximately HK$58.3 million, a modest increase of 13% when compared to approximately HK$51.8 million in 2007 but the gross profit for the year was increased substantially to approximately HK$26.4 million from approximately HK$12.2 million due primarily to the increasing contribution of service-based business that had higher profit margin. Overall gross margin improved substantially to 45.2%. Net profit after tax for the year was approximately HK$12.5 million which included an one-off waiver of payables from the former owner of Runxun Concept of approximately HK$8.6 million.

During the year, the Victory Marker Group funded its operation by its internal resources. There was no change in capital structure during the year. No financial instrument was used for hedging purposes during the year.

Saved for the establishment of Jinhan Yintong, there were no material acquisitions and disposals of subsidiaries and associated companies during the year.

There were no contingent liabilities and capital commitment as at 31 December 2008.

(c) Employment and remuneration policy

At 31 December 2008, the number of employees was 266. Total staff cost for the current period were approximately HK$10.4 million. The remuneration policy was reviewed in line with the market conditions, current legislation and the performance of the individual.

(d) Future plan and prospects

With the approval and issuance of 3G licenses to three national telecommunications operators in late 2008, the competition among them would begin to heat up. The challenges faced by the telecommunications operators had created opportunities for their business partners. It was expected that telecommunications operators would focus their attention to build up their 3G network and outsource those non-core activities to outside partners to streamline their operations. As such, the Victory Marker Group believes that Shanghai Mobile would continue to outsource its business halls to qualified partners in the foreseeable future. In addition, with the introduction of two additional 3G mobile services in 2009 from two other formidable telecommunications operators and to keep the churn as low as possible, Shanghai Mobile would continue to rely on its business halls and its partners to deliver value-added promotion and offers to their subscribers and thus would generate more revenue opportunities for the Victory Marker Group.

(e) Details of charges on assets

The Victory Marker Group had no charge on its assets as at 31 December 2008.

(f) Borrowings and gearing ratio

The total outstanding loan as at 31 December 2008 was the shareholders' loan in the amount of approximately HK$4.0 million which was unsecured and interest-free. The gearing ratio expressed by all loan balances over total assets was approximately 0.20 as at 31 December 2008.

(g) Foreign exchange exposure

Since the operations of the company are in the PRC and most of the transactions, monetary assets and liabilities are denominated in RMB, the Victory Marker Group's exposure to foreign currency risk is minimal.

The following unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Sale Shares Acquisition and Properties Disposal on the assets and liabilities of the Group as if the Sale Shares Acquisition and Properties Disposal had taken place on 30 September 2008.

1. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is prepared based on (i) the unaudited condensed consolidated balance sheet extracted from the published interim report of the Group as at 30 September 2008; and (ii) the audited combined balance sheet of the Victory Marker Group as at 31 December 2008 as extracted from the accountants' report thereon set out in Appendix II to this circular, after making pro forma adjustments relating to the Sale Shares Acquisition and Properties Disposal that are (i) directly attributable to the transaction; and (ii) factually supportable, as if the Sales Shares Acquisition and Properties Disposal was completed on 30 September 2008.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared to provide the unaudited pro forma financial information of the Enlarged Group as if the Sale Shares Acquisition and Properties Disposal was completed on 30 September 2008. As it is prepared for illustrative purpose only and because of its hypothetical nature, it may not purport to give a true picture of the financial position of the Enlarged Group as at 30 September 2008 or at any future date.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in Appendix I to this circular, the financial information of Victory Marker Group as set out in Appendix II to this circular and other financial information included elsewhere of this circular.

	Unaudited statement of assets and liabilities of the Group as at 30 September 2008	Audited statement of assets and liabilities of Victory Marker Group as at 31 December 2008	Proforma Adjustments		Unaudited pro forma statement of assets and liabilities of the Enlarged Group
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current Assets					
Property, plant and equipment	287,240	730	(61,741)		226,229
Intangible assets (including goodwill)	1,108	–		115,808	116,916
Non-current assets	3,915	–	127,000	(127,000)	3,915
	292,263	730			347,060
Current Assets					
Inventories	7,704	963			8,667
Trade and other receivables	85,944	10,550			96,494
Cash and cash equivalents	215,011	8,000	(59,900)		163,111
	308,659	19,513			268,272
Current Liabilities					
Trade and other payables	(108,707)	(4,881)			(113,588)
Current portion of interest-bearing borrowings	(30,145)	–			(30,145)
Current tax payable	(1,708)	(4,170)			(5,878)
	(140,560)	(9,051)			(149,611)
Net current assets	168,099	10,462			118,661
Total assets less current liabilities	460,362	11,192			465,721
Non-current Liabilities					
Interest-bearing borrowings	(32,990)	–			(32,990)
Shareholders' loan	–	(3,969)		3,969	–
	(32,990)	(3,969)			(32,990)
NET ASSETS	427,372	7,223			432,731

Notes to the unaudited pro forma statement of assets and liabilities:

1. The balances of assets and liabilities of the Group are extracted from the unaudited consolidated balance sheet of the Group as at 30 September 2008 as included in the published interim report of the Group for the six months ended 30 September 2008.

2. The balances of assets and liabilities of the Victory Marker Group are extracted from the audited combined balance sheet of the Victory Marker Group as at 31 December 2008.

3. The adjustments represent the acquisition by the Group of the entire equity interest and shareholders' loan in the Victory Marker Group for a total consideration of HK$127,000,000. The total consideration will be settled by (i) cash consideration of HK$59,900,000 and (ii) properties of HK$67,100,000 respectively. Such properties had a carrying value of HK$61,741,000 as at 31 March 2009.

4. According to the audited combined balance sheet of the Victory Marker Group as at 31 December 2008, the net asset value is HK$7,223,000. Intangible assets (including goodwill) of approximately HK$115,808,000 arising from the acquisition represent the difference between the consideration and the Victory Marker Group's net assets and shareholders' loan as at 31 December 2008. Since the fair value of the net identifiable assets of the Victory Marker Group at the date of completion of the acquisition may be substantially different from the fair value used in the preparation of this unaudited pro forma statement of assets and liabilities of the Enlarged Group and the adjustment to the consideration at the date of completion of the acquisition may be substantially different from the adjusted consideration used in the preparation of this unaudited pro forma statement of assets and liabilities of the Enlarged Group, the final amount of intangible assets (including goodwill) to be recognised in connection with the acquisition may be different from the estimated intangible assets (including goodwill) stated herein.

5. No adjustment has been made to reflect any trading results or other transactions of the Group and the Victory Marker Group entered into subsequent to 30 September 2008 and 31 December 2008 respectively.

2. COMFORT LETTER ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a comfort letter, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Mazars CPA Limited, Certified Public Accountants, Hong Kong.

MAZARS

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

22 June 2009

The Directors
China Motion Telecom International Limited
Room 2604-08,
26/F., Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

Dear Sirs

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") set out in Appendix III to the circular of China Motion Telecom International Limited (the "Company", together with its subsidiaries are referred to as the "Group") dated 22 June 2009 (the "Circular"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the proposed acquisition of all issued shares of Victory Marker Limited ("Victory Marker", together with its subsidiaries are referred to as the "Victory Marker Group"), might have affected the financial information presented therein. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the introduction and notes to the Unaudited Pro Forma Financial Information as set out on pages 152 and 154 of this Circular.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by Paragraph 4.29 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issues.

Basis of opinion

We conducted our work in accordance with Hong Kong Standards on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group and Victory Marker Group had the acquisition of the entire issued shares in Victory Marker actually completed on 30 September 2008 or any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated therein;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully

Mazars CPA Limited
Certified Public Accountants
Hong Kong

The following is the text of a property valuation report, prepared for the purpose of inclusion in this circular, received from Prudential Surveyors International Ltd, in connection with the Properties' valuation as at 31 March 2009.

PRUDENTIAL SURVEYORS INTERNATIONAL Ltd
An international land development and design consultant group

測建行有限公司
國際地產發展顧問集團

22 June 2009

Our Ref: 2009FV02537

Board of Directors
China Motion Telecom International Limited
Units 2604-2608, 26/Floor
Harbour Centre
25 Harbour Road
Hong Kong

Dear Sir/Madam,

Re: Market Values of Properties for Sale Purpose

We refer to your instructions to value some properties held by China Motion Telecom International Limited and/or its subsidiaries (hereinafter referred to as "the Group") in Hong Kong. We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing our opinion of the market values of the properties as at 31 March 2009 (the "date of valuation") for sale purposes.

1. Basis of Valuation

Our valuation of each of the properties is made on the basis of market value as defined by the Hong Kong Institute of Surveyors ("HKIS"). Market value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Our valuation have been made on the assumption that owner sells the properties on the open market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to affect the values of the properties.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor any expenses or taxation which may be incurred in effecting a sale or disposal. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could adversely affect their values.

2. Method of Valuation

Properties Nos.1 and 2 are owned and occupied by the Group. They have been valued on an open market basis by using the direct comparison method assuming they are sold with the benefit of immediate vacant possession. References have been made to the comparable market transactions.

3. Compliance with the HKIS Valuation Standards on Properties

This report has been prepared in accordance with the HKIS Valuation Standards on Properties effective from 1 January 2005.

4. Source or Information

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us on such matters as statutory notices, easements, town planning provisions, tenure, identification of properties, development proposals, lettings, rentals, site and floor plans, site and floor area, interest attributable to the Group and all other relevant matters. All dimensions, measurements and areas are based on information provided to us by the Group without further verifications. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which are material to the valuation. We have also been advised by the Group that no material facts had been omitted from the information supplied.

5. Title Investigation

We have not been provided with copies of the title documents relating to the properties but we have caused land searches in the appropriate Land Registries for the properties in Hong Kong. All documents and leases have been used for reference and we assume the copies of documents in our hands are same as the original copies.

6. Surveys and Conditions

We have only inspected the exterior of the properties, and no structural survey has been made. But in the course of our inspections, we did not note any apparent defects. We are not, however, able to report whether the properties are free from any rods or latent defects. No test has been carried out on any of the services.

7. Non-Publication

Neither the whole nor any part of this letter, valuation certificate and a schedule of market values breakdown or any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which they will appear.

This letter and valuation certificate are for the use only for the party to whom they are addressed and no responsibility is accepted to any third party for the whole or any part of their contents.

8. Experience of Valuer

Mr. Brian Law has 17 years post qualification experience in property valuation in Hong Kong. He joined Prudential Surveyors International Ltd. in 1992 as an Associate Director and became an Executive Director in 1994.

Yours faithfully,
For and on behalf of
PRUDENTIAL SURVEYORS INT'L LTD.
Brian K P Law
BSc MHKIS MRICS RPS
Executive Director

12/Floor, Asian House
1 Hennessy Road
Wanchai
Hong Kong

MARKET VALUE OF PROPERTIES OF CHINA MOTION TELECOM INTERNATIONAL LIMITED FOR SALE PURPOSES

VALUATION CERTIFICATE

Properties	Description and Tenure	Particulars of Occupancy	Market Value as at 31 March 2009
1. Units 2601 and 2604 to 2608, 26/Floor, Harbour Centre No. 25 Harbour Road Wanchai, Hong Kong **Unit 2601:** 235/611th parts or shares of and in 611/100,000th parts or shares of and in one moiety of Inland Lot No. 8392. **Other Units:** A total of 1,804/100,000th parts or shares of and in one moiety of Inland Lot No. 8392.	The properties comprise six office units on a 26-storey office building erected upon a 10-level (including two basement levels) commercial/car-parking podium. The building was completed in 1983. The properties have a total gross floor area of approximately 10,137 sq. ft. and a total saleable area of approximately 7,097 sq. ft. The properties are held under Conditions of Sale No. 11242 for a term of 75 years from 13 September 1978 renewable for a further term of 75 years. The Ground Rent for Inland Lot No. 8392 is HK$1,000 per annum and no apportionments have been allotted for the properties.	The properties were occupied by the Group as at 31 March 2009 as office. No tenancy agreement is signed for the occupation.	HK$66,000,000

Notes:

(a) Registered owners of the properties are as follows:

Unit 2601	:	Jackie Industries Limited by an Assignment dated 19 August 1996.
Units 2604-2606	:	Queen Light Company Limited by an Assignment dated 30 June 1994. China Motion Properties Limited by a Certificate of Incorporation on Change of Name dated 30 January 1995.
Unit 2607	:	Best Class International Limited by an Assignment dated 29 March 2007.
Unit 2608	:	World Sheen Properties Limited by an Assignment dated 30 June 1994.

(b) Incumbrances, among others, includes:

Unit 2601	:	A Mortgage in favour of DBS Bank (Hong Kong) Limited dated 30 May 2006.
Units 2604-2606	:	A Mortgage in favour of DBS Bank (Hong Kong) Limited dated 30 May 2006.
Unit 2607	:	A Mortgage in favour of DBS Bank (Hong Kong) Limited dated 29 March 2007.
Unit 2608	:	A Mortgage in favour of DBS Bank (Hong Kong) Limited dated 8 June 2007.

(c) The properties fall with a 'Commercial' zone in the Wan Chai North Outline Zoning Plan No. S/H25/2 dated 22 May 2009.

MARKET VALUE OF PROPERTIES OF CHINA MOTION TELECOM INTERNATIONAL LIMITED FOR SALE PURPOSES

VALUATION CERTIFICATE *(cont'd)*

Properties	Description and Tenure	Particulars of Occupancy	Market Value as at 31 March 2009
2. Car Parking Spaces Nos. 85 and 86 on Basement 2, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong A total of 30/100,000th parts or shares of and in one moiety of Inland Lot No. 8392.	The properties comprise two car parking spaces on Basement 2 of a 10-level (including two basement levels) commercial/car parking podium upon which two office blocks are erected. The blocks were completed in 1983. The properties are held under Conditions of Sale No. 11242 for a term of 75 years from 13 September 1978 renewable for a further term of 75 years. The Ground Rent for Inland Lot No. 8392 is HK$1,000 per annum and no apportionments have been allotted for the properties.	The properties were occupied by the Group as at 31 March 2009 as car park. No tenancy agreement is signed for the occupation.	HK$1,100,000

Notes:

(a) Registered owner of the properties are World Sheen Properties Limited by an Assignment dated 30 November 1996.

(b) Incumbrance, among others, include a Mortgage in favour of DBS Bank (Hong Kong) Limited dated 30 May 2006.

(c) The properties fall with a 'Commercial' zone in the Wan Chai North Outline Zoning Plan No. S/H25/2 dated 22 May 2009.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

DISCLOSURE OF INTERESTS

(a) Directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporation(s) (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 and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Interests in Shares, underlying Shares and debentures of the Company

Name of Director	Nature of interest	Position	No. of Shares held	Approximate shareholding percentage
Mr. Ting	Corporate *(Note)*	Long	1,555,000,000	55.1%

Note: The corporate interest of Mr. Ting is beneficially owned by Marvel Bonus, the entire issued share capital of which is owned as to 50% by Integrated Asset Management (Asia) Limited and as to the remaining 50% by Shanghai Assets (BVI) Limited. Shanghai Assets (BVI) Limited 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 (BVI) Limited.

(ii) Interests in shares, underlying shares and debentures 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	Shareholding percentage
Mr. Ting	Marvel Bonus	Holding company of the Company	Corporate *(Note)*	Long	1	50.0%

Note: The corporate interest of Mr. Ting in Marvel Bonus is beneficially owned by Shanghai Assets (BVI) Limited. Shanghai Assets (BVI) Limited is wholly and beneficially owned by Mr. Ting. Mr. Ting is therefore deemed to be interested in the 1 share held by Shanghai Assets (BVI) Limited in Marvel Bonus.

Save as disclosed above, as at the Latest Practicable Date:

(i) none of the Directors or chief executive of the Company held any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporation(s) (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 and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange; and

(ii) none of the Directors or chief executive of the Company was a director or employee of a company which had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Substantial Shareholders

As at the Latest Practicable Date, according to the register of interests kept by the Company under Section 336 of the SFO and so far as was known to the Directors and chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had the following interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any option in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group:

(i) Interests in Shares

Name of Shareholder	Nature of interest	Position	No. of Shares held	Approximate shareholding percentage
Mr. Yam	Corporate *(Note)*	Long	1,555,000,000	55.1%
Integrated Asset Management (Asia) Limited	Corporate *(Note)*	Long	1,555,000,000	55.1%
Shanghai Assets (BVI) Limited	Corporate *(Note)*	Long	1,555,000,000	55.1%
Marvel Bonus	Beneficial owner	Long	1,555,000,000	55.1%

Note: Marvel Bonus is owned as to 50% by Integrated Asset Management (Asia) Limited and as to the remaining 50% by Shanghai Assets (BVI) Limited. Integrated Asset Management (Asia) Limited and Shanghai Assets (BVI) Limited are therefore deemed to be interested in the 1,555,000,000 Shares held by Marvel Bonus. Integrated Asset Management (Asia) Limited is in turn wholly and beneficially owned by Mr. Yam. Mr. Yam is therefore also deemed to be interested in the 1,555,000,000 Shares held by Marvel Bonus.

(ii) Interests in unlisted warrants of the Company

Name of warrantholder	Units of unlisted warrants	Nature of interest	Position
Oncentury Limited	460,000,000 *(Note)*	Beneficial owner	Long
Mr. Ding Lu	460,000,000 *(Note)*	Corporate	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 (which represents approximately 19.6% of the issued Shares as at the Latest Practicable Date) at a subscription price of HK$0.337 (adjusted) per new Share 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.

(iii) Interests in other members of the Enlarged Group

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following persons (other than a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any option in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group:

Name of shareholder	Name of non wholly-owned subsidiaries of the Company	Approximate shareholding percentage
China Motion Telecom Holdings Limited (潤迅通信集團有限公司)	Guangzhou Motion Telecom Service Co., Ltd. (廣州潤迅科技服務有限公司)	30.0%
	Shenzhen Motion Mobile Telecom Services Co., Ltd. (深圳潤迅移動技術服務有限公司)	10.0%
	Shenzhen Motion Telecom Service Co., Ltd. (深圳潤迅科技服務有限公司)	30.0%
China Mobile Group Guangdong Co., Ltd. (中國移動通信集團廣東有限公司)	China Motion United Telecom Limited (香港潤迅通信聯合有限公司)	30.0%
Shenzhen China Motion Telecom United Company Limited (深圳市潤迅通信聯合有限公司)	Shenzhen Motion Trunked Radio Co., Ltd. (深圳潤迅集群通信技術有限公司)	30.0%
上海商凱通信產品連鎖銷售有限公司	Zhengzhou Shang Kai Telecom Services Co., Ltd. (鄭州商凱通訊科技服務有限公司)	33.3%

According to the register of interests kept by the Company under Section 336 of the SFO and so far as was known to the Directors and chief executive of the Company, save as disclosed above, there were no other persons (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group or in any option in respect of such capital.

MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, were entered into by the members of the Enlarged Group within two years preceding the Latest Practicable Date and are or may be material:

(i) On 14 August 2007, the Company entered into a sale and purchase agreement with Marvel Bonus for a proposed disposal of certain dormant subsidiaries of the Company for a total consideration of HK$9,600,000 in cash;

(ii) On 14 August 2007, the Company entered into a share purchase agreement (as amended by the supplemental agreement dated 19 September 2007) with Asia Castle Development Limited ("Asia Castle") for the acquisition of the entire issued share capital of Larkhall Holdings Limited at a consideration of HK$2,589,600,000 to be satisfied (i) as to HK$1,898,689,100 by the issue of the convertible bond; (ii) as to HK$249,210,000 by the allotment and issue of 702,000,000 Shares at the issue price of HK$0.355 per Share, credited as fully paid; and (iii) as to HK$441,700,900 by the issue of the promissory note by the Company;

(iii) On 19 September 2007, the Company entered into a deed of termination and release with Marvel Bonus for termination and release of obligations and liabilities of the sale and purchase agreement as referred to in paragraph (i) above;

(iv) On 4 December 2007, the Company entered into deed of termination with Asia Castle for termination of the share purchase agreement (as amended by the supplemental agreement) as referred to in paragraph (ii) above and release and discharge of the other absolutely from all covenants, undertakings, warranties and other obligations and liabilities under the said agreements;

(v) On 10 January 2008, the Company entered into a conditional subscription agreement with Oncentury Limited, as subscriber, for subscription of 460,000,000 units of non-listed warrants of the Company, entitling the holder hereof the rights to subscribe for up to 460,000,000 new shares of the Company at an initial subscription price of HK$0.345 (adjusted to HK$0.337 on 19 December 2008) per new Share at any time during a period of 24 months commencing from the date of the issue of the warrants for a cash consideration of HK$1,000,000;

(vi) On 27 March 2008, Jackies Industries Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with 李忠勇, an independent third party, for the disposal of Units 1401, 1413 and 1414 on Level 14, Office Tower I, Henderson Centre, 18 Jianguomennei Avenue, Dongcheng District, Beijing, PRC at an aggregate consideration of RMB4,765,600;

(vii) On 29 August 2008, the Company and ChinaMotion NetCom Holdings Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with CITIC 1616 Holdings Limited for the disposal of the entire issued share capital of ChinaMotion NetCom Limited and its subsidiaries and the net payables at a cash consideration of HK$260,000,000 subject to the adjustments as set out in the said agreement;

(viii) On 30 September 2008, ChinaMotion NetCom Holdings Limited, a wholly-owned subsidiary of the Company, ChinaMotion NetCom Limited, and CITIC 1616 Holdings Limited entered into a deed of assignment for assignment and transfer of the net payables by ChinaMotion NetCom Holdings Limited (for and on behalf of itself and the Group (other than ChinaMotion NetCom Limited and its subsidiaries)) to CITIC 1616 Holdings Limited pursuant to the sale and purchase agreement as referred to in paragraph (vii) above;

(ix) On 30 September 2008, ChinaMotion NetCom Holdings Limited, a wholly-owned subsidiary of the Company, and the Company, as guarantor, entered into a deed of indemnity in favour of CITIC 1616 Holdings Limited for giving indemnity in respect of tax liability of ChinaMotion NetCom Limited and its subsidiaries for a period of 36 months with a maximum liability of not exceeding 10% of the net consideration pursuant to the sale and purchase agreement as referred to in paragraph (vii) above;

(x) On 27 October 2008, Express Lane Investment Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Poppy & Michael Company Limited, an independent third party, for the disposal of Units A, B, C and D on 18th Floor and car parking spaces nos. 15 and 16 on 2nd Floor, Chinabest International Centre, No. 8 Kwai On Road, Kwai Chung, New Territories, Hong Kong at a consideration of HK$11,800,000;

(xi) On 1 December 2008, the Company entered into a conditional placing agreement with Kingston Securities Limited for placing of 470,024,427 new Shares on a fully underwritten basis to not fewer than six independent placees at the placing price of HK$0.042 per Share; and

(xii) the Agreements, the particulars of which are set out in this circular.

LITIGATION AND CLAIMS

As at the Latest Practicable Date, to the best of the knowledge of the Directors, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

CONTRACTS OR ARRANGEMENTS AND COMPETING BUSINESSES

As at the Latest Practicable Date, there was no contract or arrangement entered into by any member of the Enlarged Group subsisting in which any Director was materially interested and which was significant in relation to the business of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which had been acquired by, disposed of by or leased to, or which are proposed to be acquired by, disposed of by or leased to, any member of the Enlarged Group since 31 March 2008 (the date to which the latest published audited financial statements of the Company were made up).

As at the Latest Practicable Date, none of the Directors and/or his/her associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice contained in this circular:

Name	Qualification
Winful C.P.A. Limited ("Winful")	certified public accountants
Mazars CPA Limited ("Mazars")	certified public accountants
Prudential Surveyors International Ltd ("Prudential")	independent professional valuer

Each of Winful, Mazars and Prudential has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Winful, Mazars and Prudential had no shareholding, directly or indirectly, in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, Winful, Mazars and Prudential had no direct or indirect interests in any assets which had been, since 31 March 2008 (being the date to which the latest published audited accounts of the Company were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Enlarged Group.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office and principal place of business of the Company at Room 2604-08, 26th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong during normal business hours on any weekdays other than public holidays for a period of 14 days from the date hereof:

(i) the bye-laws of the Company;

(ii) the annual reports of the Company for the two years ended 31 March 2007 and 2008;

(iii) the Agreements;

(iv) the letter of advice from China Everbright, the text of which is set out on pages 21 to 33 of this circular;

(v) the accountants' report on the Victory Marker Group, the text of which is set out in Appendix II to this circular;

(vi) the letter from Mazars in relation to the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(vii) the valuation report of the Properties, the text of which is set out in Appendix IV to this circular;

(viii) the material contracts as referred to in the paragraph headed "Material Contracts" in this appendix;

(ix) the written consents as referred to in the paragraph headed "Experts and Consents" in this appendix; and

(x) a copy of each circular issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued since 31 March 2008 (being the date of the latest published audited accounts).

GENERAL

(i) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company in Hong Kong is situated at Room 2604-08, 26th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

(ii) The principal share registrar of the Company is Butterfield Fulcrum Group (Bermuda) Limited at Rosebank Centre, 11 Bermudiana Road, Pembroke HM08, Bermuda.

(iii) The Hong Kong branch share registrar of the Company is Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

(iv) The secretary of the Company is Ms. Chan Siu Mei. Ms. Chan is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries & Administrators.

(v) The English text of this circular shall prevail over its Chinese text in case of inconsistency.

潤迅通信國際有限公司*
China Motion Telecom International Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 989)

NOTICE IS HEREBY GIVEN that a special general meeting of China Motion Telecom International Limited (the "Company") will be held at Boardroom V, Ground Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 14 July 2009 at 11:00 a.m. (the "SGM") for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) (i) the conditional acquisition agreement dated 1 June 2009 entered into between China Motion Holdings Limited ("CMHL"), Mr. Ting Pang Wan, Raymond ("Mr. Ting"); Mr. Yam Tak Cheung ("Mr. Yam" together with Mr. Ting, the "Sale Shares Vendors"); Jackie Industries Limited ("Jackie Industries"); China Motion Properties Limited ("CM Properties"); Best Class International Limited ("Best Class") and World Sheen Properties Limited ("World Sheen" together with Jackie Industries, CM Properties and Best Class, "CM Properties Group") (the "Acquisition Agreement") in relation to the sale and purchase of the entire issued share capital of Victory Marker Limited and the assignment of the shareholders' loans due by Victory Marker Limited and its subsidiaries for an aggregate consideration of HK$127,000,000, a copy of the Acquisition Agreement marked "A" is tabled before the meeting and signed for identification purpose by the Chairman of the meeting, as more particularly described in the circular to the shareholders of the Company dated 22 June 2009 (the "Circular") of which this notice forms part; and (ii) the conditional agreement dated 1 June 2009 entered into between CM Properties Group and the Sale Shares Vendors in relation to the sale and purchase of the properties owned by CM Properties Group, namely Units 2601, 2604, 2605, 2606, 2607 and 2608 on 26th Floor and Car Parking Spaces Nos. 85 and 86 on Basement 2 of Harbour Centre, No. 25 Harbour Road, Hong Kong for an aggregate consideration of HK$67,100,000 (the "Properties Agreement" together with the Acquisition Agreement, the "Agreements"), a copy of the Properties Agreement marked "B" is tabled before the meeting and signed for identification purpose by the Chairman of the meeting, as more particularly described in the Circular of which this notice forms part, and all the transactions respectively contemplated, and the implementation thereof, under the Agreements be and are hereby approved, ratified and confirmed; and

* *For identification purpose only*

(b) the directors of the Company be and are hereby authorized to exercise all the powers of the Company and take all steps as might in their absolute discretion consider necessary, desirable or expedient to give effect to or in connection with the Agreements including, but without limitation:

(i) the execution, amendment, supplement, delivery, submission and implementation of any further documents or agreements with any parties in connection with or incidental to the Agreements; and

(ii) the taking of all necessary actions to implement the transactions respectively contemplated under the Agreements."

By Order of the Board
China Motion Telecom International Limited
Ting Pang Wan, Raymond
Chairman

Hong Kong, 22 June 2009

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

Notes:

(1) With the exception of Hong Kong Securities Clearing Company Limited (who may appoint more than two proxies), any member of the Company entitled to attend and vote at the SGM is entitled to appoint not more than two proxies who shall be natural persons to attend and, on a poll, vote instead of him/her/it. A proxy need not be a member of the Company.

(2) In order to be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited 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,

as soon as possible but in any event and in both cases, not less than 48 hours before the time appointed for holding the SGM or at any adjournment thereof.

(3) In the case of joint holders of any Share, any one of such holders may vote at the SGM either in person or by proxy in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the SGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

(4) Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or at any adjournments thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

(5) A circular dated 22 June 2009 containing further information concerning the above resolution is sent to members and/or other persons who are entitled thereto.

(6) As at the date hereof, the executive directors of the Company are Mr. Ting Pang Wan, Raymond, Mr. Wu Chi Chiu and Ms Fan Wei and the independent non-executive directors are Mr. Lo Chi Ho, William, Mr. Huang An Guo and Ms. Wong Fei Tat.