Annual Report

2010/11

潤迅通信國際有限公司

China Motion Telecom International Limited

(Incorporated in Bermuda with limited liability)

Stock Code：989

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

TING Pang Wan, Raymond *(Chairman)*
WU Chi Chiu *(Vice Chairman and Chief Executive Officer)*
ZHOU Lijuan *(Deputy Chief Executive Officer)*

Independent Non-executive Directors

SIN Ka Man
HUANG An Guo
WONG Fei Tat

BOARD COMMITTEES

Audit Committee

SIN Ka Man *(Chairman)*
HUANG An Guo
WONG Fei Tat

Remuneration Committee

SIN Ka Man *(Chairman)*
HUANG An Guo
WONG Fei Tat
ZHOU Lijuan

Nomination Committee

WU Chi Chiu *(Chairman)*
SIN Ka Man
HUANG An Guo

COMPANY SECRETARY

CHAN Siu Mei

LEGAL ADVISOR

So Keung Yip & Sin, Solicitors & Notaries

AUDITOR

Mazars CPA Limited
Certified Public Accountants

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2604-08, 26th Floor
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong
Tel : (852) 2209 2888
Fax : (852) 2209 1888
Website: http://www.chinamotion.com

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

China Construction Bank Corporation
Hong Kong Branch
The Hongkong and Shanghai Banking
Corporation Limited

STOCK CODE

989

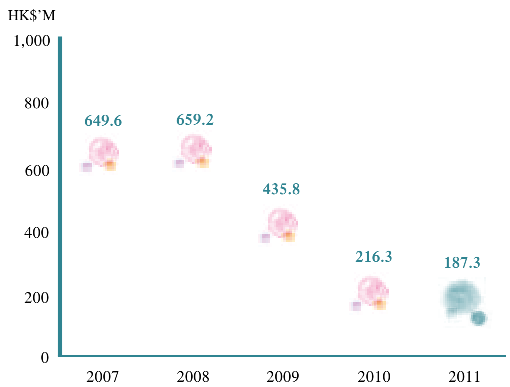
FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 March				
	2011	2010	2009	2008	2007
Turnover[1] (HK$ million)	187.3	216.3	435.8	659.2	649.6
Gross profit[1] (HK$ million)	74.1	83.2	101.8	144.9	144.2
Profit (loss) for the year from continuing operations (HK$ million)	2.2	44.0[2]	(53.9)	26.9	49.6
(Loss) profit for the year from discontinued operations (HK$ million)	(14.8)	(7.8)[2]	207.0	14.6	22.2
(Loss) profit for the year[1] (HK$ million)	(12.6)	36.2	153.1	41.5	71.8
(Loss) earnings per share[1] (HK cents)	(0.46)	1.30	6.19	1.8	5.3
Total assets (HK$ million)	442.4	469.7	462.6	455.6	400.6
Total liabilities (HK$ million)	38.6	55.0	71.7	236.1	228.4
Net assets (HK$ million)	403.8	414.7	390.9	219.5	172.2
Net assets value per share (HK$)	0.14	0.15	0.14	0.09	0.07
Working capital ratio	4.31	3.11	3.25	0.72	0.56
Long-term debt to equity	N/A	N/A	0.01	0.16	0.14
Gearing ratio	0%	0.03%	0.12%	30.50%	41.64%

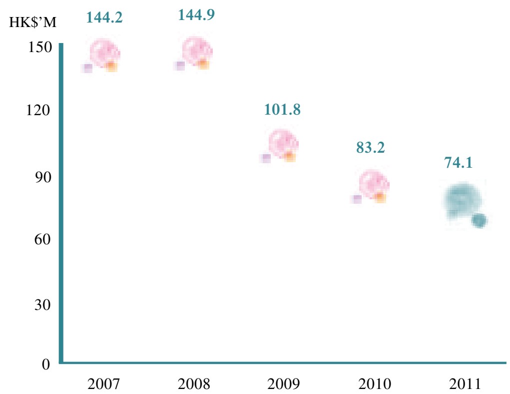
(1) The information represents the continuing and discontinued operations.

(2) The figures for the year ended 31 March 2010 were re-classified to reflect the divestiture of businesses in year 2011.

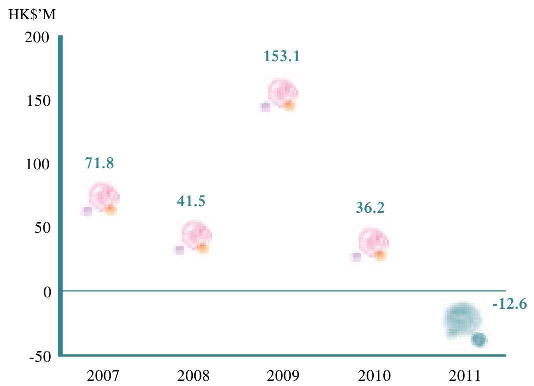
TURNOVER



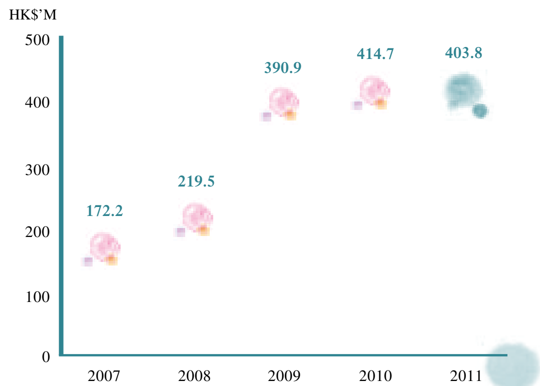
GROSS PROFIT



(LOSS) PROFIT FOR THE YEAR



NET ASSETS



Chairman's Statement

Dear Shareholders,

On behalf of China Motion Telecom International Limited (the "Company") and its subsidiaries (collectively the "Group"), I am pleased to present to shareholders the annual results of the Group for the year ended 31 March 2011.

Over the past year, we put through a comprehensive review with the objective of focusing our resources on the businesses with long-term growth potential. The management has completed the initial phase of restructuring the business portfolio. It streamlined the Group's operating structure by divesting the non-core and non-profitable businesses, including the two-way trunked radio business and the Hong Kong distribution and retail chain business. This has allowed us to improve operation efficiency and to concentrate resources on high margin and profitable businesses. For the year ended 31 March 2011, excluding the impairment of goodwill made during the year, the Group recorded a net profit after tax of HK$41,399,000 from continuing operations, a decrease of 6% when compared to a net profit after tax of HK$44,089,000 in the pervious year which was re-classified for comparison purpose.

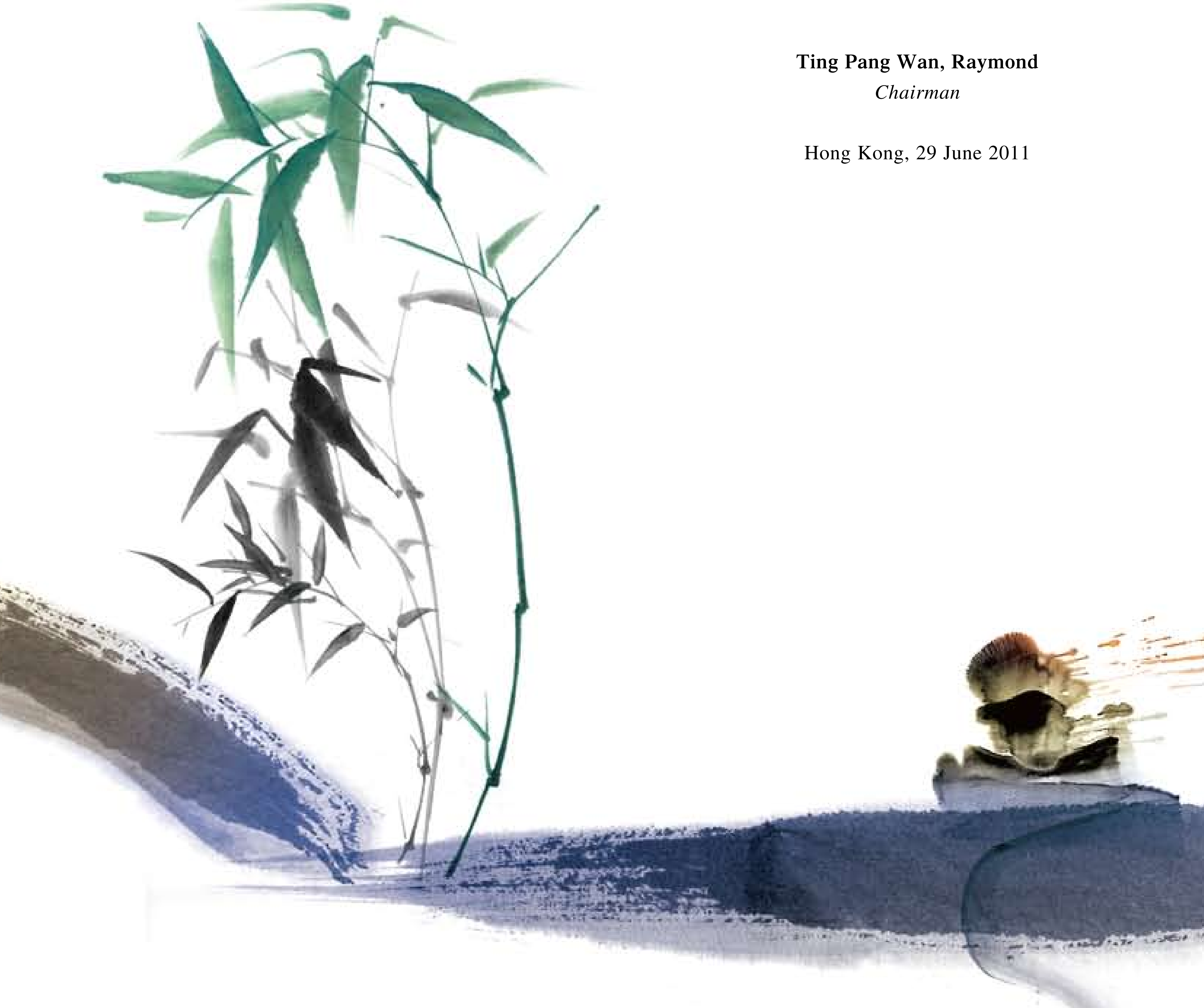
Though the global economy has improved significantly over the year, inflation and appreciation of the Renminbi have adversely impacted the economic growth of the overall market. The escalating operating cost, increasing competition and ever-changing market landscape also pose a significant threat to our business. In order to enhance our competitiveness, the Group upgraded its mobile services to 3G in Hong Kong for all its existing subscribers in the second half of the year. This is an effort to both minimise the competitive pricing pressures and introduce new value-added services for our customers.

Our Shanghai business continues to adapt to the changing competitive landscape – we have evolved from a traditional service-based retail management service to a sales-and-marketing-oriented retail operation to improve our productivity; as a result, we have continued to maintain the leadership and were rated as the best partner for a Shanghai telecommunications operator. The business in the China market outperformed the local Hong Kong businesses. High profit margin, well-established operation and huge market potential make Shanghai the ideal base where we can grow in China. The Group will continue to actively explore investment opportunities and broaden our business portfolio and services beyond Hong Kong.

Lastly, I would like to thank all our staff for their diligence during the year. With the support of all fellow directors, our staff and strategic partners, we are committed to creating value for shareholders by building an efficient operation framework and a sound business portfolio for the future.

Ting Pang Wan, Raymond
Chairman

Hong Kong, 29 June 2011

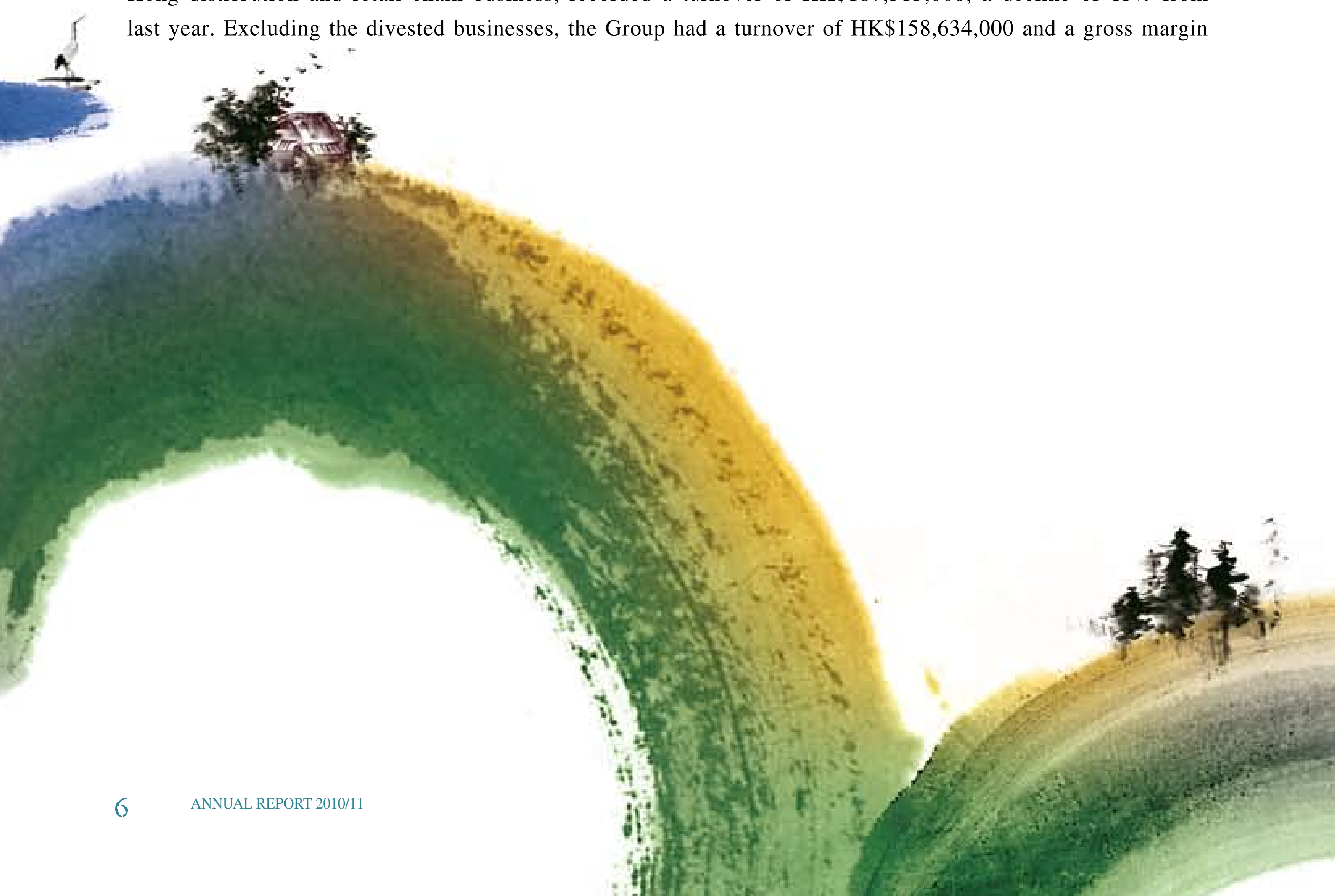


Management Discussion and Analysis

RESULTS AND OPERATIONS REVIEW

Over the past year, the Group continued to restructure its business portfolio and streamline the operating structure. As a result, it had divested certain non-core and non-profitable businesses and focused its resources on building business that would enhance the shareholder value in the longer term. Excluding the impairment of goodwill made during the year, the Group recorded a net profit after tax of HK$41,399,000 from continuing operations, a decrease of 6% when compared to a net profit after tax of HK$44,089,000 a year earlier which had been re-classified for comparison purpose.

During the year under review, the Group which included the divested two-way trunked radio business and Hong Kong distribution and retail chain business, recorded a turnover of HK$187,315,000, a decline of 13% from last year. Excluding the divested businesses, the Group had a turnover of HK$158,634,000 and a gross margin



of 42% from continuing operations, a decline of 4% and an improvement of 200 basis points respectively from a year earlier. For the year, the Group recorded a net loss after tax of HK$12,626,000, representing a decline from last year's net profit after tax of HK$36,240,000. The decline was primarily due to the impairment of goodwill arising from the Shanghai retail sales and management services business and the deteriorating financial conditions of the Hong Kong distribution and retail chain business.

During the year, the Group continued to critically review its operation and business potential. Two of the existing businesses, namely the two-way trunked radio business and the Hong Kong distribution and retail chain business, were facing deteriorating market environment and increasing loss of customers resulting in declining gross margin and increasing net losses. As a result, the Group made a strategic decision during the year to exit both of these businesses and concentrate its resources on its mobile communications services and the Shanghai retail sales and management services businesses.

Mobile Communications Services

CMMobile

The mobile communications services segment remained the Group's main source of revenue and profit. During the year under review, the segment (including the Mobile Virtual Network Operators business ("MVNO Business") and the divested two-way trunked radio business) recorded a slight drop in turnover of 2% to HK$97,952,000 and a drop in operating profit of 12% to HK$5,640,000. This turnover amounted for 52% of the Group's turnover with a gross margin of 32%. The results reflected the continuous net loss associated with the two-way trunked radio business, the negative impact arisen from the appreciation of Renminbi and the increase in discount and rebate to retain existing customers and acquire new customers.

RESULTS AND OPERATIONS REVIEW (continued)

Mobile Communications Services (continued)

During the year, MVNO Business had stepped up its aggressive marketing efforts and developed new channels resulting in a significant increase in the overall subscribers. At the end of the fiscal year under review, the number of post-paid subscribers for MVNO Business was 17% more than a year ago which provided a base from which we can grow. Although the number of subscribers grew markedly, the MVNO Business was negatively impacted by a number of key market factors. First, the intense competitive pressure had forced us to lower our price and give a higher discount so as to keep the customers or to attract new ones. Second, the appreciation of Renminbi and the inflation had raised our cost and expenses. Third, because of the continuous losses incurred, the CM Concept retail shops had all been closed during the year, depriving us the opportunity to serve the mass markets and our customers. During the year, despite MVNO Business's turnover went up by 3% to HK$94,895,000, its operating profit lowered 16% to HK$6,945,000 with a decline of 300 basis points in gross margin to 32%.

Facing the challenges, the Group had initiated a number of new measures to upgrade services and expand product portfolio so as to maintain the Group's leading position in the cross-border communications services. The Group began in the second half of the year to provide and upgrade its services to 3G in Hong Kong for all existing subscribers. This was the most significant service enhancement since the launch of the MVNO's "dual number single SIM" mobile services in 2002. These new initiatives enhance the service quality that we need to compete effectively in the market place without solely dependence on price and discount.

The trunked radio business was one of Hong Kong's few licensed operators of Public Radiocommunications Services ("PRS"). As competitors stepped up their pressure in sales and marketing efforts with new digital platforms that offer superior services, the two-way trunked radio business was deteriorating in an accelerated rate with a much higher customer churn over the year. The business had become a drag to the Group's operating performance. As such, the Group had reached an agreement with a third party to exit the business in September 2010. During the year under review, the turnover for five months encompassed by the business was HK$3,057,000 with a gross margin of 38% and an operating loss of HK$1,241,000.

Retail Sales and Management Services

The Shanghai retail sales and management services business (the "Shanghai Business") was a major contributor of turnover and net income for the Group during the year. Turnover for the Shanghai Business declined 8% to HK$60,682,000 with an operating profit of HK$7,288,000 and gross margin of 58%. The decline was mainly due to the adjustments of the Shanghai's business model in response to the changing landscape in the Shanghai's retail and consumer mobile telecommunications market.

We managed 28 retail services stores at end of the fiscal year for one of the major mobile telecommunications operators in Shanghai (the "Shanghai Telecommunications Operator"). Due to renovation of certain shopping malls and the government's redevelopment projects, two retail services stores were temporarily closed as a result. The Shanghai Business had been impacted negatively by the increasing competition in the Shanghai mobile telecommunications market. The high penetration in the Shanghai mobile market coupled with the heavily subsidised program for the 3G handset forced the Shanghai Telecommunications Operator to tightly control marketing costs and expenses and this affected our service income during the year. With the changing of the market and consumer landscape in the mobile segment, the retail business was undergoing some fundamental changes in its structure and purpose, evolving from a traditional service-oriented outlet to a sales-and-marketing-oriented retail store in order to cater the need of the consumer in the growing popularity of the smartphone and mobile applications. In anticipation of the changes, we had invested heavily in a comprehensive and in-depth training program to upgrade the staff's professional skills and productivity. This investment in human resources seems to generate initial success. The Shanghai Business had been recognised as and awarded with the "Best Co-operative Partner" in 2010 by the Shanghai Telecommunications Operator. Although the changing competitive landscape in the Shanghai market continues to pose challenges to our continuous and stable income, it opens up opportunities to create new market and services to enhance our relationships with the Shanghai Telecommunications Operator. We also began exploring market opportunities outside of Shanghai to leverage our experience and expertise in the retail sector as part of plan to expand our business nationwide.

Distribution and Retail Chain

CM Concept was one of Hong Kong's retail chain operators. Although the economy was picking up during the year, the Hong Kong CM Concept retail chain business was still relatively sluggish. With the property prices and rents continued to spiral upward, the business moved towards the opposite direction and there was no end in sight. The Group had made a strategic and decisive move to exit the business during the year with all retail shops closed in early 2011. During the year under review, the turnover dropped significantly by 37% to HK$29,098,000 with a gross margin of 26% and an operating loss of HK$14,854,000, reflecting the continual loss of customers in the dealer sector.

Management Discussion and Analysis

PROSPECTS

The telecommunications industry remains one of the most challenging industries in Hong Kong. While the global economy has improved significantly over the year, competitive pricing pressures and escalating operating costs continue to pose a significant threat to our profit margins. The Group has basically completed the initial phase of restructuring our businesses including divesting and exiting non-profitable and non-core businesses and will continue to review the operation with the goal to improve efficiency and focus resources on higher margin and profitable businesses. With the growing popularity of and the changing market landscape generated by smartphones and data usages, the MVNO Business will have to invest in new platform to improve its service quality and expand its offerings in order to enhance its competitiveness. The Group will continue to review its investment in this segment to develop and expand the range of new value-added services, leveraging its expertise in the cross-border communications business.

Despite the increasing competitive landscape in China, the scale of the market and the new regulatory framework present an immense opportunity. Higher profit margin, established development effort and huge market potential make Shanghai the ideal base of where we can grow in China. The proposed convergence across telecommunications, internet, and television broadcasting networks in China by the country regulatory body will further fuel the growth for years to come. The Group will continue to actively explore investment opportunities and broaden our business portfolio and services beyond Hong Kong.

CESSATION OF TRUNKED RADIO BUSINESS

China Motion United Telecom Limited, a non wholly-owned subsidiary of the Company, had entered into an agreement with an independent third party on 1 September 2010 for exiting the Group's trunked radio business (the "Trunked Radio Business") by the independent third party's assuming the operation of the Trunked Radio Business under Townlink Limited, a subsidiary of the Company, and all its ongoing liabilities and obligations. The consideration was HK$1,700,000, which included the refundable deposits under the operating leases of the Trunked Radio Business. The cessation of the Trunked Radio Business was completed in March 2011.

FINANCIAL POSITION

As at 31 March 2011, the Group's cash and cash equivalents substantially held in Hong Kong dollars amounted to approximately HK$104,760,000 *(2010: HK$103,591,000)*. There were no obligations under finance leases *(2010: HK$122,000)*. The gearing ratio of total borrowings as a percentage of the total capital and reserves attributable to shareholders of the Company was 0% *(2010: 0.03%)*.

As regards the cessation of the Trunked Radio Business, there was net cash inflow of approximately HK$1,648,000 during the year ended 31 March 2011.

It is anticipated that the Group's bank balances and cash as at 31 March 2011, together with the stable rental income will be sufficient to fund its operations. As at 31 March 2011, the Group had no banking facilities.

SHARE CAPITAL

As at 31 March 2011, the Company had 2,820,500,000 shares in issue with total shareholders' fund of the Group amounting to approximately HK$397,536,000 *(2010: HK$408,862,000)*.

FINANCIAL GUARANTEES

As at 31 March 2011, the Group had no contingent liabilities *(2010: HK$9,067,000)* in respect of guarantees given to third parties against non-performance of contractual obligations by any subsidiary.

CHARGE ON ASSETS

As at 31 March 2011, the Group did not have any charge on its assets *(2010: Nil)*.

EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES

The majority of the Group's transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi. The Group is exposed to the fluctuations in Renminbi as certain receipts and payments are settled by Renminbi. However, the management will continue to monitor its foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2011, the Group had 374 full-time staff. Total staff costs (including directors' emoluments) incurred by both continuing and discontinued operations for the year amounted to approximately HK$55,205,000 *(2010: HK$59,802,000)*. The Group's remuneration policy is in line with prevailing market practice and performance of individual staff. In addition to salaries, the Group also offers other benefits to its staff, including discretionary bonus, training allowance and provident fund.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Ting Pang Wan, Raymond, aged 38, was appointed as an executive director of the Company in October 2006 and became the Chairman of the Group in November 2006. Mr. Ting has over 16 years of experience in property development and investments in the People's Republic of China (the "PRC"). He is currently the sole shareholder and director of LT International Holdings Limited which was established by Mr. Ting's father and other business partners and is a holding company with subsidiaries principally engaged in property development and investments in Guangzhou, Shanghai and Beijing, the PRC and investment in securities since 1991. Mr. Ting studied Economics and International Relation in Beloit College in the United States of America from 1992 to 1994. He is responsible for the business development and overall strategic planning of the Group.

Mr. Wu Chi Chiu, aged 48, was appointed as an executive director of the Company in February 2006 and as Vice Chairman and Chief Executive Officer of the Group in March 2006. Mr. Wu is also a member and the Chairman of Nomination Committee and holds directorships in various subsidiaries of the Company. Mr. Wu is an experienced investor in local property and equity investment market. He has over 15 years of experience in the field of property investment and development in Hong Kong and securities investment in local equity market. Mr. Wu is the deputy chairman and the non-executive director of North Asia Resources Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Wu had been an independent non-executive director of Sustainable Forest Holdings Limited (formerly known as Bright Prosperous Holdings Limited), a company listed on the Main Board of the Stock Exchange, from August 2007 to August 2008. Mr. Wu holds a Bachelor of Science degree from the University of Toronto. He is responsible for business management of the Group.

EXECUTIVE DIRECTORS (continued)

Ms. Zhou Lijuan, aged 39, was appointed as an executive director of the Company and the Deputy Chief Executive Officer of the Group in October 2010. Ms. Zhou is also a member of Remuneration Committee and holds directorships in various subsidiaries of the Company. Ms. Zhou has over 14 years of experience in legal practice in the PRC. Prior to joining the Group, she had served as a PRC legal counsel in a leading law firm in Hong Kong from 2008 to 2010 and a lawyer in Zhong Xin Law Firm Shanghai Office, the PRC from 2001 to 2008. She had worked for Shanghai Pudong Development Bank from 1997 to 2001, mainly participating in credit risk management. Ms. Zhou holds a Bachelor of Laws degree in Economic Law and a Master of Laws degree in Economic Law from East China University of Political Science and Law, the PRC and a Master of Laws degree in International Finance Law from University of Essex, the United Kingdom. Ms. Zhou possesses a PRC lawyer qualification.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sin Ka Man, aged 44, was appointed as an independent non-executive director of the Company in September 2009. Mr. Sin is also a member and the Chairman of Audit Committee and Remuneration Committee and a member of Nomination Committee. He has over 19 years of professional experience in auditing, accounting and financial management for both private and listed corporations. Mr. Sin is currently a vice-president of Huayu Expressway Group Limited and is responsible for the accounting and financial management. Mr. Sin is an independent non-executive director of each of Chinese People Holdings Company Limited, PNG Resources Holdings Limited (formerly known as LeRoi Holdings Limited), Xtep International Holdings Limited and Sino Haijing Holdings Limited, companies listed on the Main Board of the Stock Exchange. Mr. Sin holds a Bachelor degree in Social Sciences from the University of Hong Kong, a Master degree in Finance from the University of Strathclyde in the United Kingdom and a Master degree in Accounting from Curtin University of Technology in Australia. He is an associate member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a certified practising accountant of the CPA Australia.

Mr. Huang An Guo, aged 57, was appointed as an independent non-executive director of the Company in February 2006 and was the Chairman of the Group from April 2006 to November 2006. Mr. Huang is also a member of Audit Committee, Remuneration Committee and Nomination Committee. Mr. Huang has substantial experience in the advertising industry. He is an experienced project coordinator in the field of public relation for media business. Mr. Huang currently is a director of Shanghai Jin Li Advertising Company Limited and China Digital Broadcasting Company Limited. Mr. Huang graduated from Shanghai Fudan University.

Ms. Wong Fei Tat, aged 36, was appointed as an independent non-executive director of the Company in February 2006. Ms. Wong is also a member of Audit Committee and Remuneration Committee. Ms. Wong has over 15 years of experience in the accounting field. She holds a Bachelor degree in Commerce from the University of Sydney and a postgraduate diploma in Corporate Administration and a Master degree in Corporate Governance from the Hong Kong Polytechnic University. Ms. Wong is an associate member of the Chartered Institute of Management Accountants, the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries and is a certified practising accountant of the CPA Australia.

The board of directors of the Company (the "Board") is pleased to submit its report together with the audited financial statements of the Group for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. During the year, its subsidiaries were principally engaged in provision of mobile communications services and retail sales and management services. The Group was also engaged in the distribution and retail sales business which ceased operation in January 2011. The principal activities and other particulars of its subsidiaries are set out in note 37 to the financial statements.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2011 are set out in the consolidated income statement on pages 39 and 40.

The Board does not recommend the payment of any dividend for the year ended 31 March 2011 *(2010: Nil)*.

RESERVES

Movement in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 44 and note 31 to the financial statements respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2011 calculated under the Companies Act 1981 of Bermuda (as amended) amounted to approximately HK$325,522,000 *(2010: HK$326,605,000)* subject to restrictions as set out in note 31 to the financial statements.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of the movement in investment properties and property, plant and equipment of the Group during the year are set out in notes 16 and 17 to the financial statements respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movement in share capital and share options of the Company during the year are set out in notes 29 and 30 to the financial statements respectively.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and there is no restriction against such rights under the laws of Bermuda.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 March 2011.

DIRECTORS

The directors of the Company who held office during the year and up to the date of this report were:

Executive Directors
Mr. TING Pang Wan, Raymond, *Chairman*
Mr. WU Chi Chiu, *Vice Chairman and Chief Executive Officer*
Ms. ZHOU Lijuan, *Deputy Chief Executive Officer* *(appointed on 15 October 2010)*
Ms. FAN Wei, *Deputy Chief Executive Officer* *(resigned on 15 October 2010)*

Independent Non-executive Directors
Mr. SIN Ka Man
Mr. HUANG An Guo
Ms. WONG Fei Tat

In accordance with bye-law 86(1) of the Bye-laws of the Company, Mr. Sin Ka Man and Mr. Huang An Guo shall retire from office as directors by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with bye-law 85(2) of the Bye-laws of the Company, Ms. Zhou Lijuan, being a director appointed by the Board subsequent to the previous annual general meeting, shall hold office only until the forthcoming annual general meeting and, being eligible, offer herself for re-election.

The Company has received from each of the independent non-executive directors a written annual confirmation as regards their independence to the Company pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all the independent non-executive directors are independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of directors are set out on pages 12 and 14.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed under the section of "Continuing Connected Transactions" described hereunder, no other contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries or any of its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2011, the directors and chief executive of the Company or their respective associates had the following interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which such director or chief executive was taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules, to be notified to the Company and the Stock Exchange:

(a) Interests in shares of the Company

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

Note: The corporate interest of Mr. Ting Pang Wan, Raymond is beneficially owned by Marvel Bonus Holdings Limited ("Marvel Bonus"), the entire issued share capital of which is owned as to 50% by Integrated Asset Management (Asia) Limited ("Integrated Asset") and as to the remaining 50% by Shanghai Assets (BVI) Limited ("Shanghai Assets"). Shanghai Assets is wholly and beneficially owned by Mr. Ting. Mr. Ting is therefore deemed to be interested in the 1,555,000,000 shares held by Marvel Bonus. Mr. Ting is also a director of Marvel Bonus and a director of Shanghai Assets.

(b) Interests in share options of the Company

Name of director	Nature of interest	Position	No. of share options held	Approximate percentage of issued shares
Mr. WU Chi Chiu	Personal *(Note)*	Long	20,000,000	0.71%

Note: The share options were granted under the share option scheme adopted by the Company on 6 September 2002 with scheme limit refreshed on 23 September 2009 to subscribe for shares of the Company, details of which are set out in the section of "Share Option Scheme" below.

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

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

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

All interests disclosed above represent long positions.

Save as disclosed above, as at 31 March 2011, none of the directors, chief executive of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which such director or chief executive was taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2011, so far as being known to the directors and chief executive of the Company, the following parties (other than the directors and chief executive of the Company) had or were deemed to have the following interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company:

Name of shareholder	Nature of interest	Position	No. of ordinary shares held	Approximate percentage of shareholding
Mr. YAM Tak Cheung	Corporate *(Notes)*	Long	1,555,000,000	55.13%
Integrated Asset	Corporate *(Notes)*	Long	1,555,000,000	55.13%
Shanghai Assets	Corporate *(Notes)*	Long	1,555,000,000	55.13%
Marvel Bonus	Beneficial owner	Long	1,555,000,000	55.13%

Notes:

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

(2) The interests disclosed represent the same interests as the corporate interest of Mr. Ting Pang Wan, Raymond as disclosed under the section of "Directors' interests in securities" above.

Save as disclosed above, the Company has not been notified of any persons who, as at 31 March 2011, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company.

SHARE OPTION SCHEME

Pursuant to the share option scheme of the Company adopted on 6 September 2002 with scheme limit refreshed on 23 September 2009 (the "Share Option Scheme"), the directors of the Company may at its discretion grant share options to any employee; any director (including executive and non-executive) or chief executive of any member of the Group or of any affiliate; or any supplier, sales agent, customer, joint venture partner, accountant or legal adviser of, or business development and technological consultant to, any member of the Group; or any substantial shareholder of the Company or of its subsidiaries who, in the opinion of the Board, has made or will make contributions which are or may be beneficial to the Group.

During the year, the movement in the share options under the Share Option Scheme is as follows:

	Number of share options									
Grantee	Outstanding and exercisable as at 1 April 2010	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Outstanding and exercisable as at 31 March 2011	Date of grant	Exercise period	Exercise price per share option HK$	Closing price immediately before the date of grant HK$	Approximate percentage of issued shares
Directors:										
Mr. Wu Chi Chiu	12,000,000	–	–	–	12,000,000	10/08/2009	10/08/2009 – 09/08/2019	0.182	0.176	0.43%
	8,000,000	–	–	–	8,000,000	29/09/2009	29/09/2009 – 28/09/2019	0.160	0.155	0.28%
	20,000,000	–	–	–	20,000,000					0.71%
Ms. Fan Wei	12,000,000	–	–	(12,000,000)	–	10/08/2009	10/08/2009 – 09/08/2019	0.182	0.176	–
(Note)	8,000,000	–	–	(8,000,000)	–	29/09/2009	29/09/2009 – 28/09/2019	0.160	0.155	–
	20,000,000	–	–	(20,000,000)	–					–
Sub-total	40,000,000	–	–	(20,000,000)	20,000,000					0.71%
Employees:	26,000,000	–	–	(1,200,000)	24,800,000	10/08/2009	10/08/2009 – 09/08/2019	0.182	0.176	0.88%
	17,000,000	–	–	(800,000)	16,200,000	29/09/2009	29/09/2009 – 28/09/2019	0.160	0.155	0.57%
Sub-total	43,000,000	–	–	(2,000,000)	41,000,000					1.45%
Total	83,000,000	–	–	(22,000,000)	61,000,000					2.16%

Note: Ms. Fan Wei resigned as a director on 15 October 2010 and accordingly, 20,000,000 share options granted to her lapsed on that date.

SHARE OPTION SCHEME (continued)

There was no vesting period for the share options granted.

22,000,000 share options lapsed and no share options were granted, exercised or cancelled during the year.

Summary of the Share Option Scheme is as follows:

1) **Purpose**

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

2) **Participants**

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

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

(b) any director (including executive and non-executive) or chief executive of any member of the Group or of any affiliate (as defined under the scheme); or

(c) any supplier, sales agent, customer, joint venture partner, accountant or legal adviser of, or business development and technological consultant to, any member of the Group; or

(d) any substantial shareholder of the Company or of the subsidiaries

who, in the opinion of the Board, has made or will make contributions which are or may be beneficial to the Group as a whole.

3) **Total number of shares available for issue**

Following the refreshment of scheme limit approved by shareholders at the annual general meeting held on 23 September 2009, the maximum number of shares in respect of which options may be granted under the scheme and any other schemes of the Company (excluding options lapsed under the schemes) shall not in aggregate exceed 10% of total number of shares in issue as at the date of refreshment of scheme limit on 23 September 2009, i.e. 282,050,000 shares.

As at 31 March 2011, the total number of shares available for issue under the scheme and any other schemes of the Company was 257,850,000 shares, representing 9.14% of the existing issued share capital of the Company.

4) **Maximum entitlement of each participant**

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

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

5) **Option period**

The period during which an option may be exercised in accordance with the terms of the scheme shall be the period set out in the relevant offer letter provided that such period must expire no later than the tenth anniversary of the date on which an option is offered.

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

Subject to the terms of offer letter, there shall be no general performance target or minimum holding period to the vesting or exercise of options.

7) **Payment on acceptance of option**

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

8) **Subscription price**

The subscription price in relation to each option shall be a price notified by the Board to the respective qualified person as set out in offer letter. Such price shall be the highest of

(a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an option is offered; or

(b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date on which an option is offered; or

(c) the nominal value of the shares.

9) **Life**

The scheme shall be valid and effective for a period of 10 years commencing from the adoption date of the scheme, i.e. 6 September 2002, and expiring on the tenth anniversary of the adoption date.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

CONTINUING CONNECTED TRANSACTIONS

Pursuant to a tenancy agreement dated 17 July 2009 (the "Tenancy Agreement") entered into between Plan Marvel Limited (the "Landlord"), a company beneficially and equally owned by Mr. Ting Pang Wan, Raymond, a director and the Chairman of the Company, and Mr. Yam Tak Cheung, as landlord, and China Motion Holdings Limited, a wholly-owned subsidiary of the Company, as tenant, the Group rented the properties of Room 2601 and 2604-08 on 26th Floor and car parking spaces nos. 85 and 86 on Basement 2 of Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong (the "Properties") as its head office and principal place of business in Hong Kong for a term of three years at HK$315,000 per month, exclusive of government rent and rates, management fees and other outgoings.

The Tenancy Agreement constituted a continuing connected transaction during the year pursuant to the Listing Rules as the Landlord is beneficially and equally owned by Mr. Ting Pang Wan, Raymond, a director and the Chairman of the Company, and Mr. Yam Tak Cheung (both being connected persons of the Group). The said transaction was subject to the reporting and announcement requirements but was exempt from independent shareholders' approval pursuant to the Listing Rules. Details of the transaction were disclosed in the announcements dated 1 June 2009 and 14 July 2009 and the circular dated 22 June 2009. During the year ended 31 March 2011, the aggregate rental under the Tenancy Agreement were HK$3,780,000, which did not exceed the annual caps disclosed in the said announcement.

On 30 May 2011, the Properties were disposed by the Landlord to an independent third party subject to the Tenancy Agreement and therefore, the Tenancy Agreement has no longer constituted a continuing connected transaction of the Company since 30 May 2011.

Certain related party transactions as disclosed in note 34 to the financial statements also constituted exempt continuing connected transactions of the Company which were not subject to announcement and reporting requirements pursuant to the Listing Rules. However, the directors, including independent non-executive directors, of the Company have reviewed all continuing connected transactions incurred during the year and confirmed that the transactions have been entered into by the Group:

(i) in the ordinary and usual course of business of the Group;
(ii) on normal commercial terms or on terms no less favourable to the Group than the terms available to or from (as appropriate) independent third parties; and
(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in interests of the shareholders of the Company as a whole.

The auditor of the Company was engaged to report on the continuing connected transactions of the Group incurred during the year in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and reported its conclusion to the Board that:

(i) nothing has come to the auditor's attention that causes it to believe that the transactions have not been approved by the Board;

(ii) for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes it to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) nothing has come to the auditor's attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) with respect to the aggregate amount of the transactions, nothing has come to the auditor's attention that causes it to believe that the transactions have exceeded the maximum aggregate annual value disclosed in the previous announcement dated 1 June 2009 made by the Company in respect of the transactions.

The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 March 2011 attributable to the Group's major customers and suppliers are as follows:

Sales	
The largest customer	21%
Five largest customers combined	36%
Purchases	
The largest supplier	24%
Five largest suppliers combined	67%

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

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the auditor of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters. The Group's final results for the year ended 31 March 2011 have been reviewed by the Audit Committee and agreed by the Group's external auditor.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained sufficient public float of not less than 25% of the Company's total issued share capital as required under the Listing Rules as at the date of this report.

SUBSEQUENT EVENT

On 25 February 2011, a wholly-owned subsidiary of the Company, as vendor, entered into an agreement for sale and purchase with an independent third party, as purchaser, in relation to the sale of a premise with a net book value of HK$1,321,000 as at 31 March 2011 at a price of HK$3,950,000. Such disposal was completed on 13 May 2011.

CHANGE OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of directors during the year are as follows:

(a) Ms. Fan Wei resigned as an executive director of the Company and a member of Remuneration Committee on 15 October 2010.

(b) Ms. Zhou Lijuan ("Ms. Zhou") was appointed as an executive director of the Company and the Deputy Chief Executive Officer of the Group on 15 October 2010. Ms. Zhou was also appointed as a member of Remuneration Committee and a director of various subsidiaries of the Company on 15 October 2010.

Ms. Zhou has over 14 years of experience in legal practice in the PRC. Prior to joining the Group, she had served as a PRC legal counsel in a leading law firm in Hong Kong from 2008 to 2010 and a lawyer in Zhong Xin Law Firm Shanghai Office, the PRC from 2001 to 2008. She had worked for Shanghai Pudong Development Bank from 1997 to 2001, mainly participating in credit risk management. Ms. Zhou holds a Bachelor of Laws degree in Economic Law and a Master of Laws degree in Economic Law from East China University of Political Science and Law, the PRC and a Master of Laws degree in International Finance Law from University of Essex, the United Kingdom. Ms. Zhou possesses a PRC lawyer qualification. As at the date of this report, Ms. Zhou did not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company for the purpose of the Listing Rules. She is entitled to receive a monthly income of HK$90,000 including rental reimbursement (if any), subject to annual review.

(c) Ms. Wong Fei Tat, an independent non-executive director of the Company, was admitted as an associate member of the Chartered Institute of Management Accountants in January 2011.

(d) Mr. Wu Chi Chiu, an executive director of the Company, was appointed as the non-executive director and the deputy chairman of North Asia Resources Holdings Limited, a company listed on the Main Board of the Stock Exchange, on 22 October 2010 and 15 March 2011 respectively.

(e) Changes in directors' emoluments during the year are set out in note 11 to the financial statements.

AUDITOR

The financial statements for the year ended 31 March 2011 were audited by Mazars CPA Limited who would retire at the conclusion of the forthcoming annual general meeting and being eligible, offer itself for re-appointment. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Mazars CPA Limited as auditor of the Company.

On behalf of the Board
Wu Chi Chiu
Director

Hong Kong, 29 June 2011

Corporate Governance Report

The Board is committed to maintaining a good corporate governance practices and has therefore reviewed the corporate governance practices of the Company with the adoption of various procedures and documentation which are detailed in this report.

STATEMENT OF COMPLIANCE

In the opinion of the Board, the Company has applied the principles in and has complied with all the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the year ended 31 March 2011.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules on 21 July 2009 as the Company's code of conduct for dealings in securities of the Company by directors. All directors have confirmed, following specific enquiries by the Company, that they have complied with the required standard as set out in the Model Code during the year.

THE BOARD

During the year and as at the date of this report, the Board comprised the following directors:

Executive Directors

Mr. TING Pang Wan, Raymond, *Chairman*	
Mr. WU Chi Chiu, *Vice Chairman and Chief Executive Officer*	
Ms. ZHOU Lijuan, *Deputy Chief Executive Officer*	*(appointed on 15 October 2010)*
Ms. FAN Wei, *Deputy Chief Executive Officer*	*(resigned on 15 October 2010)*

Independent Non-executive Directors

Mr. SIN Ka Man
Mr. HUANG An Guo
Ms. WONG Fei Tat

During the year, the Board at all times complied with the requirements of Rules 3.10(1) and (2) of the Listing Rules for sufficient number and appropriate professional qualifications of independent non-executive directors. The Board maintained a balanced composition of the executive directors and the independent non-executive directors. As at the date of this report, the Board comprised six directors, three of whom were independent non-executive directors, representing half of the Board. Two of the independent non-executive directors possessed appropriate professional accounting qualifications and expertise. All directors shall be subject to retirement by rotation and re-election at the annual general meeting of the Company following their appointment (in case of filling a casual vacancy) or at least once every three years in accordance with the Company's Bye-laws. The biographical details of the directors are set out on pages 12 and 14.

The Board has received from each of the independent non-executive directors a written annual confirmation as regards their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors were independent.

To the best knowledge of the directors, there was no relationship (including financial, business, family or other material relationship) among members of the Board and in particular, between the chairman and the chief executive officer.

The Company has arranged for appropriate liability insurance coverage in respect of legal actions against its directors. Such insurance coverage was reviewed on an annual basis.

The Board is responsible for setting the strategic goals of the Company, providing high-level guidance and for oversight of the management of the Company and direction of its business strategy, with the ultimate aim to maximise the shareholder value and long-term success of the Company while the management is responsible for management and administrative functions on running day-to-day operations of the Company within the authority delegated by the Board. Matters reserved for the Board to consider are mainly the overall strategy of the Group, annual and interim results, major acquisitions and disposals, major capital investments, material contracts and transactions, appointment of directors as well as other significant operational and financial matters. In addition, the Board has also established Board committees and has delegated to these committees various responsibilities set out in their respective terms of reference.

THE BOARD (continued)

The Board held five full Board meetings, four of which were the regular ones held at approximately quarterly intervals, during the year ended 31 March 2011. The attendance of each director is as follows:

	Number of meetings attended/ Eligible to attend
Mr. TING Pang Wan, Raymond	4/5
Mr. WU Chi Chiu	5/5
Ms. ZHOU Lijuan *(appointed on 15 October 2010)*	3/3
Mr. SIN Ka Man	5/5
Mr. HUANG An Guo	3/5
Ms. WONG Fei Tat	5/5
Ms. FAN Wei *(resigned on 15 October 2010)*	1/2

There were seven additional Board meetings held and attended by certain executive directors for normal course of business and for matters under the authorisation by the full Board during the year. Apart from the said meetings, matters requiring Board approval were arranged by means of circulation of written resolutions of all Board members.

All businesses transacted at the Board meetings and by written resolutions were well-documented. Minutes of the Board meetings and written resolutions are taken by the company secretary and are available to all directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman and the chief executive officer of the Company are Mr. Ting Pang Wan, Raymond and Mr. Wu Chi Chiu respectively. The roles of the chairman and the chief executive officer are segregated and performed by the two separate individuals.

The chairman is responsible for the leadership of the Board to ensure the Board to function effectively and to successfully discharge its overall responsibilities for the activities of the Group while the chief executive officer is responsible for running the business and implementation of the strategies of the Group in achieving the overall objectives within the authority delegated by the Board. Their respective roles and responsibilities have been defined and set out in writing.

NON-EXECUTIVE DIRECTORS

As at the date of this report, there were three non-executive directors, all of whom were independent. During the year, all the independent non-executive directors were appointed for a fixed term of one year and shall be subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Company's Bye-laws.

BOARD COMMITTEES

The Board has established three Board committees, including Remuneration Committee, Nomination Committee and Audit Committee to help with the discharge of its responsibilities.

Remuneration Committee

The Board has established a Remuneration Committee since June 2000. Subsequent to the resignation of Ms. Fan Wei as a member of Remuneration Committee on 15 October 2010, Ms. Zhou Lijuan was appointed as a member of the Remuneration Committee. As at the date of this report, the Remuneration Committee comprised all the independent non-executive directors, namely Mr. Sin Ka Man, Mr. Huang An Guo and Ms. Wong Fei Tat, and an executive director, namely Ms. Zhou Lijuan, as members. Mr. Sin Ka Man was the chairman of the Remuneration Committee.

The main duties of the Remuneration Committee are to formulate and review the Group's remuneration policy, to structure for the remuneration of the directors and senior management and to administer and oversee share option scheme of the Company. No director or any of his/her associates is involved in deciding his/her own remuneration. The terms of reference of the Remuneration Committee setting out its role and responsibilities are available on the Company's website.

The Board has adopted a remuneration policy to provide guidelines for structuring all remuneration of directors and senior management. The remuneration policy was reviewed annually by the Board and the Remuneration Committee. The directors' remuneration packages are determined with reference to their experience, responsibilities, workload and time devoted to the Group and the prevailing market conditions. The main components include director's fee, basic salary, discretionary bonus, benefits in kind, retirement benefits and participation in the share option scheme of the Company. Details of directors' and senior management's emoluments for the year ended 31 March 2011 are disclosed in note 11 to the financial statements.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

The Remuneration Committee held three meetings during the year ended 31 March 2011. The attendance of each member is set out as follows:

	Number of meetings attended/ Eligible to attend
Mr. SIN Ka Man *(Chairman)*	3/3
Mr. HUANG An Guo	2/3
Ms. WONG Fei Tat	3/3
Ms. ZHOU Lijuan *(appointed on 15 October 2010)*	2/2
Ms. FAN Wei *(resigned on 15 October 2010)*	0/1

The work performed by the Remuneration Committee during the year is summarised as follows:
(a) To review the remuneration policy and structure of all directors and senior management;
(b) To review the terms of reference;
(c) To review or consider the remuneration packages of all directors and senior management;
(d) To review the renewal of term of appointment of all independent non-executive directors; and
(e) To administer and oversee the share option scheme of the Company.

Nomination Committee

The Board has established a Nomination Committee since 20 July 2005. As at the date of this report, the Nomination Committee comprised an executive director, namely Mr. Wu Chi Chiu, and two independent non-executive directors, namely Mr. Sin Ka Man and Mr. Huang An Guo, as members. Mr. Wu Chi Chiu was the chairman of the Nomination Committee.

The main duties of the Nomination Committee are to formulate and implement nomination policy, to review the structure, size and composition of the Board, to identify individuals suitably qualified to become Board members and to assess the independence of the independent non-executive directors. The terms of reference of the Nomination Committee setting out its role and responsibilities are available on the Company's website.

The Board has adopted a nomination policy to provide guidelines for effective functioning in the course of director's nomination process. The policy sets out the selection procedures and evaluation criteria for selecting and recommending the candidates for directorship. The Committee will first assess the needs of the Board in respect of its structure, size and composition, identify potential candidates by considering their personal ethics, integrity, skills, professional knowledge and experience and time commitment and then develop a short list of potential appointees for recommendation to the Board.

The Nomination Committee held two meetings during the year ended 31 March 2011. The attendance of each member is set out as follows:

	Number of meetings attended/ Eligible to attend
Mr. WU Chi Chiu *(Chairman)*	2/2
Mr. SIN Ka Man	2/2
Mr. HUANG An Guo	2/2

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

(a) To nominate the incumbent directors for re-election;

(b) To nominate the replacement for the resigning director;

(c) To review the nomination policy;

(d) To review the terms of reference;

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

(f) To assess the independence of the independent non-executive directors; and

(g) To evaluate the performance of the Board.

Audit Committee

The Board has established an Audit Committee since 26 September 1996. The Board at all times complied with the requirement of Rule 3.21 of the Listing Rules for minimum number and appropriate professional qualifications of committee members. As at the date of this report, the Audit Committee comprised all the independent non-executive directors, namely Mr. Sin Ka Man, Mr. Huang An Guo and Ms. Wong Fei Tat, as members. Two of the three Committee members possessed appropriate professional accounting qualifications and expertise. Mr. Sin Ka Man was the chairman of the Audit Committee.

The main duties of Audit Committee are to review and monitor the financial reporting, to review the Company's financial and internal control, risk management, accounting policies and practices with the management and the auditor and to consider the appointment and resignation of the auditor and the auditor's remuneration. The terms of reference of the Audit Committee setting out its role and responsibilities are available on the Company's website.

BOARD COMMITTEES (continued)

Audit Committee (continued)

The Audit Committee held two meetings during the year ended 31 March 2011. The attendance of each member is set out as follows:

	Number of meetings attended/ Eligible to attend
Mr. SIN Ka Man *(Chairman)*	2/2
Mr. HUANG An Guo	2/2
Ms. WONG Fei Tat	2/2

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

(a) To review the annual results for year ended 31 March 2010 and the interim results for six months ended 30 September 2010 and the reports from external auditor, management representation letters and management's response in relation thereto;

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

(c) To review the terms of reference;

(d) To review the connected transactions and the continuing connected transactions incurred during the year ended 31 March 2010 and six months ended 30 September 2010;

(e) To recommend and/or approve re-appointment of the external auditor and its remuneration; and

(f) To review the effectiveness of internal control system of the Group.

AUDITOR'S REMUNERATION

For the year ended 31 March 2011, the auditor's remuneration paid and payable in respect of the audit services and other non-audit services, including tax and consultancy services, provided by the auditor to the Group amounted to HK$1,460,000 and HK$334,000 respectively.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The directors of the Company are responsible for monitoring the preparation of consolidated financial statements of the Group which give a true and fair view, and are prepared in accordance with the relevant statutory requirements and applicable accounting standards in force, and are published in a timely manner. The directors of the Company are also responsible for selecting appropriate accounting policies and have applied them consistently, ensuring timely adoption of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company acknowledge their responsibility for preparing the financial statements of the Company and report that the Company has announced its annual and interim results in a timely manner after the end of the relevant period as laid down in the Listing Rules.

The statement of the auditor of the Company about its reporting responsibilities is set out in the "Independent Auditor's Report" on pages 37 and 38 to this annual report.

INTERNAL CONTROL

The Board is responsible for overseeing the Group's internal control system and ensuring that a sound and effective internal control system is maintained. The Board is also responsible for approving and reviewing internal control policy while the responsibility of day-to-day management of operational risks and implementation of mitigation measures lies with the management.

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

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the internal control manual when there are changes to business environment or regulatory guidelines.

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

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

INTERNAL CONTROL (continued)

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

General meeting of the Company provides a communication channel between the shareholders and the Board that the shareholders of the Company are encouraged to participate in the Company's annual general meeting and any other meetings for any enquiries about the Company's performance.

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

By order of the Board
Wu Chi Chiu
Director

Hong Kong, 29 June 2011

MAZARS CPA LIMITED
瑪澤 會計師事務所有限公司
42nd Floor, Central Plaza,
18 Harbour Road, Wan Chai, Hong Kong
香港灣仔港灣道18號中環廣場42樓

To the shareholders of
China Motion Telecom International Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Motion Telecom International Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 39 to 111, which comprise the consolidated and the Company's statements of financial position as at 31 March 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Mazars CPA Limited
Certified Public Accountants
Hong Kong
29 June 2011

Chan Wai Man
Practising Certificate number: P02487

Consolidated Income Statement

Year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Continuing operations			
Turnover	6	158,634	166,164
Cost of sales and services		(92,152)	(98,967)
Gross profit		66,482	67,197
Other revenue	6	14,115	12,681
Other net income	7	32	9,521
Gain on disposal of a subsidiary	33	32	8,393
Distribution costs		(4,056)	(2,762)
Administrative expenses		(64,839)	(68,599)
Impairment of goodwill		(39,171)	–
Change in fair value of investment properties		32,400	22,400
Finance costs	9	(5)	(20)
Profit before taxation	10	4,990	48,811
Taxation	12	(2,762)	(4,722)
Profit for the year from continuing operations		2,228	44,089
Discontinued operations			
Loss for the year from discontinued operations	13	(14,854)	(7,849)
(Loss) profit for the year		(12,626)	36,240

Consolidated Income Statement

Year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
(Loss) profit attributable to:			
Shareholders of the Company			
– continuing operations		1,887	44,719
– discontinued operations		(14,854)	(7,849)
	14	(12,967)	36,870
Non-controlling interests			
– continuing operations		341	(630)
		(12,626)	36,240
(Loss) earnings per share	15		
From continuing and discontinued operations			
– Basic and diluted		(0.4597) HK cents	1.3072 HK cents
From continuing operations			
– Basic		0.0669 HK cents	1.5855 HK cents
– Diluted		0.0668 HK cents	1.5855 HK cents
From discontinued operations			
– Basic and diluted		(0.5266) HK cents	(0.2783) HK cents

Consolidated Statement of Comprehensive Income

Year ended 31 March 2011

	2011 HK$'000	2010 HK$'000
(Loss) profit for the year	(12,626)	36,240
Other comprehensive income (loss) for the year		
Exchange difference on translation of foreign operations	1,092	(14)
Surplus on property revaluation	551	–
Total comprehensive (loss) income for the year	(10,983)	36,226
Total comprehensive (loss) income attributable to:		
Shareholders of the Company		
– continuing operations	3,528	44,704
– discontinued operations	(14,854)	(7,849)
	(11,326)	36,855
Non-controlling interests		
– continuing operations	343	(629)
	(10,983)	36,226

Statements of Financial Position

As at 31 March 2011

		Group		Company	
	Note	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES					
Non-current assets					
Investment properties	16	212,500	178,000	–	–
Property, plant and equipment	17	4,352	6,707	–	140
Goodwill	18	80,585	119,756	–	–
Interests in subsidiaries	19	–	–	389,361	389,964
Interests in associates	20	–	–	–	–
Prepaid premium for land lease	21	1,136	2,371	–	–
Other non-current assets	22	3,130	3,130	–	–
Deferred tax assets	28	1,233	1,233	–	–
		302,936	311,197	389,361	390,104
Current assets					
Inventories	23	2,403	8,051	–	–
Trade and other receivables	24	32,252	46,865	124	143
Bank balances and cash	25	104,760	103,591	210	491
		139,415	158,507	334	634
Current liabilities					
Trade and other payables	26	31,832	46,756	135	95
Obligations under finance leases	27	–	122	–	–
Taxation		526	4,050	–	–
		32,358	50,928	135	95
Net current assets		107,057	107,579	199	539
Total assets less current liabilities		409,993	418,776	389,560	390,643
Non-current liabilities					
Deferred tax liabilities	28	6,236	4,036	–	–
NET ASSETS		403,757	414,740	389,560	390,643

	Note	Group 2011 HK$'000	Group 2010 HK$'000	Company 2011 HK$'000	Company 2010 HK$'000
CAPITAL AND RESERVES					
Share capital	29	28,205	28,205	28,205	28,205
Reserves	31	369,331	380,657	361,355	362,438
Total capital and reserves attributable to shareholders of the Company		397,536	408,862	389,560	390,643
Non-controlling interests		6,221	5,878	–	–
TOTAL EQUITY		403,757	414,740	389,560	390,643

Approved and authorised for issue by the Board of Directors on 29 June 2011

TING Pang Wan, Raymond
Director

WU Chi Chiu
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2011

		Reserves attributable to shareholders 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	Share option reserve HK$'000	Capital reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total capital and reserves HK$'000
At 1 April 2009	28,205	35,383	4,900	9,294	5,676	450	77,623	216,587	–	1,000	5,328	356,241	6,507	390,953
Exchange differences	–	–	–	–	(15)	–	–	–	–	–	–	(15)	1	(14)
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	–	36,870	36,870	(630)	36,240
Total comprehensive income	–	–	–	–	(15)	–	–	–	–	–	36,870	36,855	(629)	36,226
Reserves realised upon disposal of subsidiaries	–	–	–	–	691	–	(12,189)	–	–	–	12,189	691	–	691
Dividend paid	–	–	–	–	–	–	–	(6,000)	–	–	(14,026)	(20,026)	–	(20,026)
Grant of share options	–	–	–	–	–	–	–	–	6,896	–	–	6,896	–	6,896
Release upon expiry of warrants	–	–	–	–	–	–	–	–	–	(1,000)	1,000	–	–	–
At 31 March 2010	28,205	35,383	4,900	9,294	6,352	450	65,434	210,587	6,896	–	41,361	380,657	5,878	414,740
At 1 April 2010	28,205	35,383	4,900	9,294	6,352	450	65,434	210,587	6,896	–	41,361	380,657	5,878	414,740
Exchange differences	–	–	–	–	1,090	–	–	–	–	–	–	1,090	2	1,092
Surplus on property revaluation	–	–	–	551	–	–	–	–	–	–	–	551	–	551
(Loss) profit for the year	–	–	–	–	–	–	–	–	–	–	(12,967)	(12,967)	341	(12,626)
Total comprehensive income	–	–	–	551	1,090	–	–	–	–	–	(12,967)	(11,326)	343	(10,983)
Release upon lapse of share options	–	–	–	–	–	–	–	–	(1,910)	–	1,910	–	–	–
At 31 March 2011	28,205	35,383	4,900	9,845	7,442	450	65,434	210,587	4,986	–	30,304	369,331	6,221	403,757

Consolidated Statement of Cash Flows

Year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Cash generated from operations	32	4,545	4,011
Interest received		473	773
Finance charges on obligations under finance leases		(5)	(24)
Income tax paid		(4,766)	(2,996)
Net cash from operating activities		247	1,764
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		6	118
Purchase of property, plant and equipment		(610)	(3,857)
Net proceeds on acquisition of subsidiaries		–	(53,794)
Net proceeds from disposal of a subsidiary	33	1,648	9,698
Net proceeds from deemed disposal of shares in a subsidiary		–	3,000
Net cash from (used in) investing activities		1,044	(44,835)
FINANCING ACTIVITIES			
Repayment of obligations under finance leases		(122)	(329)
Dividend paid to shareholders		–	(20,026)
Net cash used in financing activities		(122)	(20,355)
Net increase (decrease) in cash and cash equivalents		1,169	(63,426)
Cash and cash equivalents at beginning of year		103,591	167,017
Cash and cash equivalents at end of year, represented by bank balances and cash		104,760	103,591

1. GENERAL INFORMATION

China Motion Telecom International Limited (the "Company") is a limited liability company incorporated in Bermuda and the shares of which are listed on Main Board of The Stock Exchange of Hong Kong Limited. The Company is an investment holding company. The Company and its subsidiaries (together the "Group") are principally engaged in the provision of mobile communications services and retail sales and management services. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. In the opinion of directors, the ultimate holding company of the Company is Marvel Bonus Holdings Limited which is incorporated in the British Virgin Islands.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Adoption of new and revised HKFRSs

In the current year, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's accounting period beginning on 1 April 2010.

HKFRSs (Amendments)	Improvements to HKFRSs (2008)
HKFRSs (Amendments)	Improvements to HKFRSs (2009)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations

As part of the Improvements to HKFRSs (2009) issued in May 2009, HKAS 17 Leases has been amended in relation to the classification of leases of land. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Prepaid premium for land lease", and amortised over the lease term.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group has reassessed the classification of land elements of unexpired leases at the date it adopts the amendment on the basis of information existing at the inception of the leases and concluded that the adoption of this amendment has had no significant financial effect on the consolidated financial statements.

HKFRS 3 (Revised) affects the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group for transactions on or after 1 April 2010. The Group did not have business combination on or after 1 April 2010. The adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) had no material effect on the reported results or financial position of the Group.

Impact of new and revised HKFRSs not yet effective

The Group has not early adopted the following new standards, amendments to standards and interpretations, which have been issued but are not effective for the financial year beginning on 1 April 2010.

HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Asset *(Note a)*
HKAS 24 (Revised)	Related Party Disclosures *(Note b)*
HKFRSs (Amendments)	Improvements to HKFRSs (2010) *(Note c)*
HKFRS 1 (Amendment)	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First time Adopters *(Note d)*
HKFRS 7 (Amendment)	Disclosures – Transfer of Financial Assets *(Note e)*
HKFRS 9	Financial Instruments *(Note f)*
HKFRS 10	Consolidated Financial Statements *(Note f)*
HKFRS 12	Disclosure of Interests in Other Entities *(Note f)*
HKFRS 13	Fair Value Measurement *(Note f)*
HKAS 27 (2011)	Separate Financial Statements *(Note f)*
HKAS 28 (2011)	Investments in Associates and Joint Ventures *(Note f)*

Notes:

a. Effective for annual periods beginning on or after 1 January 2012.
b. Effective for annual periods beginning on or after 1 January 2011.
c. Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
d. Effective for annual periods beginning on or after 1 July 2010.
e. Effective for annual periods beginning on or after 1 July 2011.
f. Effective for annual periods beginning on or after 1 January 2013.

The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

Basic of preparation

These consolidated financial statements have been prepared in accordance with HKFRSs, which collective term includes all individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated 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 (the "Listing Rules").

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2010 consolidated financial statements. The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year had no significant effects on the results and financial position of the Group and the Company for the current and prior years. A summary of the principal accounting policies adopted by the Group is 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 that of 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.

Non-controlling interests are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from shareholders of the Company. For each business combination occurs on or after 1 April 2010, the non-controlling interest in the acquiree is measured initially either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. For each business combination occurred prior to 1 April 2010, the non-controlling interest in the acquiree was measured at the non-controlling interest's proportionate share of the acquiree's net assets.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests. From 1 April 2010, total comprehensive income is attributed to the shareholders of the Company and the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Prior to 1 April 2010, losses applicable to the non-controlling interest in excess of the non-controlling interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

Changes in ownership interest

From 1 April 2010, changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the shareholders of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are recognised on the same basis as would be required if the Company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary is accounted for as a financial asset, associate, jointly controlled entity or others as appropriate from the date when control is lost.

Prior to 1 April 2010, the Group applied a policy of treating transactions with non-controlling interest as transactions with equity owners of the Group and thus any adjustments arising from an acquisition of or disposal to non-controlling interest were made through equity. Any increase in the Group's ownership interest in a subsidiary was treated in the same manner as an acquisition. For decreases in the Group's ownership interest in a subsidiary, regardless of whether the disposals would result in a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

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 profit or loss 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 profit or loss.

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 end of the reporting period. Any gain or loss arising from a change in fair value is recognised in profit or loss. 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 profit or loss 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 profit or loss.

Prepaid premium for land lease

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lumpsum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid premium for land lease" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating polices of an entity so as to obtain benefits from its activities.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Subsidiaries (continued)

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less 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, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An interest in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in an associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest 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 investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

Goodwill

From 1 April 2010, goodwill arising on an acquisition of a subsidiary is measured at the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary. Goodwill arising on an acquisition of an associate or a jointly controlled entity is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate or jointly controlled entity. Prior to 1 April 2010, goodwill represented the excess of the cost of acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary, associate and jointly controlled entity.

From 1 April 2010, in respect of a subsidiary, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired subsidiary over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as a bargain purchase. In respect of an associate or a jointly controlled entity, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately as income. Prior to 1 April 2010, any excess of the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary, associate and jointly controlled entity over the related cost of acquisition, after reassessment, was recognised immediately in profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Goodwill (continued)

Goodwill on acquisition of subsidiary is recognised as a separate asset. Goodwill on acquisitions of associates or jointly controlled entities is included in interests in associates or jointly controlled entities. 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 testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") that is expected to benefit from the synergies of the combination.

If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. 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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

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 profit or loss.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets or group of financial assets have been impacted by that loss event or events.

Objective evidence of impairment could include:

- significant financial difficulty of the debtors; or

- default or delinquency in interest or principal payments; or

- it becoming probable that the debtors will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debts directly and any amounts held in the allowance account relating to that debts are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reserved against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

Financial liabilities including trade and other payables. All financial liabilities are recognised initially at fair value and are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial assets or liabilities

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, when the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a financial liability for the consideration received.

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 profit or loss.

Financial guarantee contracts

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

(iii) Mobile communications services income are recognised upon the rendering of services.

(iv) Management services income is recognised when the services are rendered.

(v) Trunked radio services income is recognised when the services are rendered.

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

(vii) Rental income is recognised on a straight-line basis over the period of the respective leases.

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and 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's 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 profit or loss.

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 statement of financial position presented are translated at the closing rate at the date of that end of the reporting period;

(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. On disposal of a foreign operation, the cumulative amount of the exchange differences deferred in the separate component of equity related to that foreign operation is recognised in profit or loss when the gain or loss on disposal is recognised.

Inventories

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

At the end of each reporting period, the Group reviews internal and external sources of information to determine whether its non-financial assets 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 statement of financial position 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 profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rental receivable under operating leases are credited to profit or loss on a straight-line basis over the term of the relevant lease.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Lease incentives are recognised in profit or loss as an integral part of the net consideration agreed for the use of the leased asset.

Other non-current assets

Club debentures represent intangible assets with indefinite useful lives and are stated at cost less accumulated impairment losses.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Employee benefits

Defined contribution plans

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance.

For members of the MPF Scheme, the Group contributes the lower of HK$1,000 or 5% of relevant monthly payroll costs to the MPF Scheme, which contribution is matched by the employees.

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss 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.

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits schemes operated by the government. The subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

Long service payment

The Group's net obligation in respect of long service payment under the Hong Kong 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 deducing the fair value of any related assets, including those retirement scheme benefit.

Share-based payments

The fair value of the share options granted to employees is recognised as an employee cost with a corresponding increase in a share option reserve within equity. The fair value is measured at grant date using the Binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

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 end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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 end of the reporting period. 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.

Deferred tax is provided on temporary differences arising on investment in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

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

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Allowance for bad and doubtful debts

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

Useful lives and impairment of property, plant and equipment

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Deferred tax assets

As at the end of the reporting period, a deferred tax asset of HK$1,233,000 *(2010: HK$1,233,000)* in relation to unused tax losses has been recognised in the consolidated statement of financial position. The recognition of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss in the period in which such a reversal takes place.

Impairment of investments and receivables

The Group assesses annually if investment in subsidiaries and associates has suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

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 cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of the estimates used to calculate the recoverable amount are given in note 18 to the financial statements.

5. RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial Risk Management

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

Market risk

(i) Foreign exchange risk

The Group operates mainly in Hong Kong and the People's Republic of China (the "PRC") and majority of transactions are denominated in HK$ and Renminbi ("RMB"). Therefore, the Group is exposed to foreign exchange risk arising from these currency exposures. 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 2011, if RMB had weakened/strengthened by 5% against HK$, the impact on the Group's results is not significant. The Group currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(ii) Cash flow and fair value interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its bank deposits. The Group's income and operating cash flow are substantially independent of changes in market interest rates. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

5. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Financial Risk Management (continued)

Credit risk

As at 31 March 2011, 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 statement of financial position.

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

The Group's credit risk is primarily attributable to trade and other receivables. At the end of the reporting period, the Group has concentration of credit risk as the trade receivables from the five largest customers represented 64% *(2010: 66%)* of the total trade receivables, while 43% *(2010: 43%)* of the total trade receivables were due from the largest single customer. The exposures to these credit risks are monitored on an ongoing basis.

The Company's credit risk is primarily attributable to amounts due from subsidiaries.

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. Management will raise or refinance bank borrowings whenever necessary.

The Group's financial liabilities at the end of the reporting period are all payable within one year or on demand.

Fair value of financial instruments

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

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

(b) **Capital Management**

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

The capital structure of the Group consists of debts which include obligations under finance leases, cash and cash equivalents, and equity attributable to shareholders of the Company, comprising issued capital and reserves as disclosed in the consolidated financial statements. As at 31 March 2011 and 2010, the Group did not have long term external borrowings.

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. Adjustments will be made to the capital structure as necessary in response to changes in economic conditions.

The debt to equity ratios as at 31 March 2011 and 2010 are as follows:

	2011 HK$'000	2010 HK$'000
Total debt *(Note a)*	–	122
Less: bank balances and cash	(104,760)	(103,591)
Net debt	N/A	N/A
Equity *(Note b)*	397,536	408,862
Net debt to equity ratio	N/A	N/A
Total debt to equity ratio	N/A	0.03%

Notes:

a) Debt represents obligations under financial leases as detailed in note 27 to the financial statements.

b) Equity represents all capital and reserves attributable to shareholders of the Company.

6. TURNOVER AND REVENUE

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 37 to the financial statements.

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

	Note	2011 HK$'000	2010 HK$'000
Continuing operations			
Sale of telecommunications equipment and products		19,159	9,108
Commission income		2,659	2,151
Mobile communications services income		92,165	90,350
Retail sales and management services income		42,000	57,538
Trunked radio services income		2,651	6,447
Repair and maintenance services income		–	570
Turnover		158,634	166,164
Rental income		7,552	7,341
Interest income		473	773
Others		6,090	4,567
Other revenue		14,115	12,681
Total revenue from continuing operations		172,749	178,845
Discontinued operations			
Total revenue from discontinued operations	13(a)	28,697	50,665
Total revenue		201,446	229,510

7. OTHER NET INCOME

	2011 HK$'000	2010 HK$'000
Allowance for doubtful debts written back	–	561
Gain on disposal of investment properties/ prepaid premium for land lease and buildings	–	5,895
Gain on deemed disposal of shares in a subsidiary	–	3,000
Reversal of impairment loss on other non-current assets	–	30
Sundry income	32	35
	32	9,521

8. SEGMENT INFORMATION

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

	Operating segments	Nature of business activities	Place of operation
1	Mobile communications services	Provision of mobile communications services, provision of maintenance and accounts management services to telecommunications operators	PRC and Hong Kong
2	(a) Retail sales and management services	Retail sales of telecommunications related equipment and products, provision of maintenance and repair services and provision of retail sales and management services	PRC
	(b) Distribution and retail sales	Retail sales of telecommunications related equipment and products and provision for mobile service subscription service to mobile operators	Hong Kong
3	Others	Other businesses	Hong Kong

For the purpose of monitoring segment performances and allocating resources between segments:

Segment assets include all tangible, intangible assets and other current and non-current assets with the exception of interest in associates, bank balances and cash and other corporate assets. Segment liabilities include trade and other payables attributable to the operating activities of the segment, with the exception of provision for taxation, deferred tax liabilities and other corporate liabilities. Those assets and liabilities not allocated to reportable segments are grouped in unallocated assets and unallocated liabilities respectively.

Revenue and expenses allocated to the reportable segments include the sales generated by the segment and the expenses incurred by the segment or which arise from the depreciation of assets attributable to those segments.

Inter-segment sales were conducted at price generally no less than cost and with terms mutually agreed amongst those business segments.

8. SEGMENT INFORMATION (continued)

For the year ended 31 March 2011

	Continuing operations				Discontinued operations				
	Mobile communications services HK$'000	Retail sales and management services HK$'000	Others HK$'000	Sub-total HK$'000	International telecommunications services HK$'000	Distribution and retail sales HK$'000	Sub-total HK$'000	Inter-segment elimination HK$'000	Group HK$'000
Turnover									
Revenue from external customers	97,952	60,682	–	158,634	–	28,681	28,681	–	187,315
Inter-segment revenue	–	–	–	–	–	417	417	(417)	–
Segment turnover	97,952	60,682	–	158,634	–	29,098	29,098	(417)	187,315
Segment results	6,040	7,252	30,369	43,661	–	(14,854)	(14,854)	–	28,807
Interest income				473	–	–	–	–	473
Finance costs				(5)	–	–	–	–	(5)
Gain on disposal of a subsidiary				32	–	–	–	–	32
Impairment of goodwill				(39,171)	–	–	–	–	(39,171)
Profit (loss) before taxation				4,990	–	(14,854)	(14,854)	–	(9,864)
Taxation				(2,762)	–	–	–	–	(2,762)
Profit (loss) for the year				2,228	–	(14,854)	(14,854)	–	(12,626)
Assets									
Segment assets	19,240	93,047	223,671	335,958	–	1,633	1,633	–	337,591
Unallocated assets				104,760	–	–	–	–	104,760
Total assets				440,718	–	1,633	1,633	–	442,351
Liabilities									
Segment liabilities	20,484	6,523	4,403	31,410	–	131	131	–	31,541
Unallocated liabilities				7,053	–	–	–	–	7,053
Total liabilities				38,463	–	131	131	–	38,594
Other information									
Capital expenditure	267	317	26	610	–	–	–	–	610
Change in fair value of investment properties	–	–	(32,400)	(32,400)	–	–	–	–	(32,400)
Depreciation	643	735	576	1,954	–	314	314	–	2,268
Amortisation									
– Prepaid premium for land lease	–	–	53	53	–	–	–	–	53
Impairment of goodwill	–	39,171	–	39,171	–	–	–	–	39,171
Significant non-cash expenses (other than depreciation and amortisation)	879	3	–	882	–	35	35	–	917

For the year ended 31 March 2010

	Continuing operations				Discontinued operations				
	Mobile communications services HK$'000	Retail sales and management services HK$'000	Others HK$'000	Sub-total HK$'000	International telecommunications services HK$'000	Distribution and retail sales HK$'000	Sub-total HK$'000	Inter-segment elimination HK$'000	Group HK$'000
Turnover									
Revenue from external customers	99,799	66,365	–	166,164	4,594	45,518	50,112	–	216,276
Inter-segment revenue	–	–	–	–	–	1,001	1,001	(1,001)	–
Segment turnover	99,799	66,365	–	166,164	4,594	46,519	51,113	(1,001)	216,276
Segment results	6,408	13,737	19,520	39,665	(1,102)	(15,845)	(16,947)	–	22,718
Interest income				773	–	–	–	–	773
Finance costs				(20)	–	(4)	(4)	–	(24)
Gain on disposal of subsidiaries				8,393	9,102	–	9,102	–	17,495
Profit (loss) before taxation				48,811	8,000	(15,849)	(7,849)	–	40,962
Taxation				(4,722)	–	–	–	–	(4,722)
Profit (loss) for the year				44,089	8,000	(15,849)	(7,849)	–	36,240
Assets									
Segment assets	16,536	142,588	192,438	351,562	–	14,405	14,405	–	365,967
Unallocated assets				103,737	–	–	–	–	103,737
Total assets				455,299	–	14,405	14,405	–	469,704
Liabilities									
Segment liabilities	21,948	12,202	6,722	40,872	–	5,884	5,884	–	46,756
Unallocated liabilities				8,208	–	–	–	–	8,208
Total liabilities				49,080	–	5,884	5,884	–	54,964
Other information									
Capital expenditure	285	2,602	2,223	5,110	–	456	456	–	5,566
Change in fair value of investment properties	–	–	(22,400)	(22,400)	–	–	–	–	(22,400)
Depreciation	1,053	606	899	2,558	272	563	835	–	3,393
Amortisation – Prepaid premium for land lease	–	–	574	574	–	–	–	–	574
Significant non-cash expenses (other than depreciation and amortisation)	1,034	4	595	1,633	94	(38)	56	–	1,689

8. SEGMENT INFORMATION (continued)

Geographical information

Since the Group's revenue from external customers is mainly generated in the PRC, including Hong Kong, and all its non-current assets other than deferred tax assets are located in the PRC, including Hong Kong, no geographical information is presented.

Information about major customers

For the year ended 31 March 2011, approximately HK$40,195,000 or 21% *(2010: approximately HK$57,517,000 or 27%)* of the Group's external revenue was derived from a single customer *(2010: single customer)* in the retail sales and management services segment.

9. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Finance charges on obligations under finance leases	5	20

10. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	2011 HK$'000	2010 HK$'000
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	43,081	39,953
Contributions to defined contribution plans	4,334	2,808
Share-based payment	–	6,896
	47,415	49,657
Auditor's remuneration	1,370	1,090
Cost of inventories	19,822	8,874
Depreciation	1,954	2,558
Amortisation		
Prepaid premium for land lease	53	574
Operating lease charges		
Telecommunications equipment	1,581	2,142
Premises	12,683	10,811
Allowance for doubtful trade and other receivables	284	1,553
Write-down of inventories	596	–
Rental income from investment properties less direct outgoings of HK$Nil *(2010: HK$Nil)*	(7,552)	(7,341)
Loss on disposal of property, plant and equipment	22	651
Reversal of write-down of inventories	–	(60)

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

2011	Directors' fees HK$'000	Salaries, allowances and benefits in kinds HK$'000	Discretionary bonus HK$'000	Share-based payment HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors:						
Ting Pang Wan, Raymond	–	2,052	–	–	12	2,064
Wu Chi Chiu	–	1,118	130	–	12	1,260
Fan Wei *(Note a)*	–	634	100	–	7	741
Zhou Lijuan *(Note b)*	–	499	17	–	6	522
Independent non-executive directors:						
Huang An Guo	100	–	–	–	–	100
Sin Ka Man	100	–	–	–	–	100
Wong Fei Tat	100	–	–	–	–	100
	300	4,303	247	–	37	4,887
2010						
Executive directors:						
Ting Pang Wan, Raymond	–	2,052	–	–	12	2,064
Wu Chi Chiu	–	1,148	720	1,752	12	3,632
Fan Wei	–	1,123	360	1,752	12	3,247
Independent non-executive directors:						
Lo Chi Ho, William *(Note c)*	48	–	–	–	–	48
Huang An Guo	100	–	–	–	–	100
Sin Ka Man *(Note d)*	52	–	–	–	–	52
Wong Fei Tat	100	–	–	–	–	100
	300	4,323	1,080	3,504	36	9,243

Notes:

(a) Resigned on 15 October 2010.
(b) Appointed on 15 October 2010.
(c) Retired on 23 September 2009.
(d) Appointed on 23 September 2009.

No directors have waived emoluments in respect of the years ended 31 March 2011 and 2010.

The five individuals whose emoluments were the highest in the Group for the year include two directors (*2010: three*) whose emoluments are reflected in the analysis presented above. Details of the emoluments of the remaining three individuals *(2010: two)* are as follows:

	2011 HK$'000	2010 HK$'000
Salaries, allowances and benefits in kinds	2,699	1,113
Discretionary bonus	258	60
Share-based payment	–	2,126
Retirement scheme contributions	36	24
	2,993	3,323

The emoluments were paid to individuals as follows:

Emoluments band	**Number of individuals** 2011	 2010
Nil to HK$1,000,000	2	–
HK$1,000,001 to HK$1,500,000	1	–
HK$1,500,001 to HK$2,000,000	–	2
	3	2

12. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% *(2010: 16.5%)* on the Group's estimated assessable profits arising in or derived from Hong Kong for the year.

PRC Enterprise Income Tax ("EIT") has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the subsidiaries in the PRC. The statutory EIT tax rate in the PRC is 25% *(2010: 25%)*.

Pursuant to the PRC EIT Law, a 10% withholding tax is levied on dividends distributed to foreign investors by the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings accumulated after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and jurisdiction of the foreign investors. A lower 5% withholding tax rate may be applied when the immediate holding company of the PRC subsidiaries is a resident company in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

The part of post 2007 earnings that are not expected to be distributable in the foreseeable future would be subject to additional taxation if they are distributed. The estimated withholding tax effects on the distribution of these unremitted retained earnings of these PRC subsidiaries were approximately of HK$399,000 *(2010: HK$358,000)*. In the opinion of the directors, these retained earnings, at the present time, are required for financing the continuing operations of the PRC subsidiaries and no distribution would be made in the foreseeable future. Accordingly, no provisions for additional deferred taxation have been made.

The major components of income tax charges are:

	Note	2011 HK$'000	2010 HK$'000
Continuing operations			
Current tax			
Hong Kong Profits Tax			
Current year		–	95
PRC Enterprise Income Tax			
Current year		2,365	3,506
Over provision in prior years		(1,803)	(2,335)
		562	1,266
Deferred taxation			
Origination and reversal of temporary difference		2,108	2,774
Utilisation of tax losses previously recognised		92	682
	28	2,200	3,456
Tax charge from continuing operations		2,762	4,722
Discontinued operations			
Current tax			
Hong Kong Profits Tax		–	–
Tax charge from discontinued operations	13	–	–
Total tax charge for the year		2,762	4,722

12. TAXATION (continued)

Reconciliation of tax expense

	2011 HK$'000	2010 HK$'000
(Loss) profit before taxation		
Continuing operations	4,990	48,811
Discontinued operations	(14,854)	(7,849)
	(9,864)	40,962
Income tax at applicable tax rate	(1,628)	6,759
Non-deductible expenses	7,566	3,619
Tax exempt revenue	(4,004)	(6,459)
Utilisation of previously unrecognised tax losses	(984)	(3,009)
Tax effect of unused tax losses not recognised	3,609	3,258
Over provision in prior years	(1,803)	(2,335)
Unrecognised temporary differences	61	535
Utilisation of previously unrecognised temporary differences	(1,067)	(2,282)
Effect on overseas tax rates differences	784	1,180
Recognition of previously unrecognised deferred tax assets	(100)	–
Recognition of previously unrecognised temporary differences	57	2,774
Utilisation of previously recognised deferred tax assets	–	682
Others	271	–
Tax charge for the year	2,762	4,722

The relevant applicable tax rate was 16.5% *(2010: 16.5%)*.

13. DISCONTINUED OPERATIONS

During the year, the Group ceased its distribution and retail sales business in Hong Kong and classified it as discontinued operations. The comparative information of discontinued operations was re-classified to include the results of the business.

On 20 July 2009, ChinaMotion NetCom Holdings Limited, a wholly-owned subsidiary of the Company, as vendor, and the Company, as guarantor, entered into a sale and purchase agreement with CITIC 1616 Holdings Limited, as purchaser, to dispose of the entire issued share capital of CM Tel (HK) Limited ("CM Tel"), a wholly-owned subsidiary of the Company, at a cash consideration of HK$10,000,000 (subject to adjustments). The disposal was completed on 31 July 2009. Accordingly, the results of CM Tel were classified as discontinued operations in 2010.

The results of the discontinued operations for the current year and the prior year are summarised as follows:

	Note	2011 HK$'000	2010 HK$'000
Loss for the year from discontinued operations			
Turnover	(a)	28,681	50,112
Cost of sales and services		(21,022)	(34,094)
Other revenue	(a)	16	553
Distribution costs		(7)	(97)
Administrative expenses		(22,522)	(33,421)
Finance costs	(b)	–	(4)
Loss before taxation	(c)	(14,854)	(16,951)
Taxation	12	–	–
Loss after taxation		(14,854)	(16,951)
Gain on disposal of discontinued operations		–	9,102
Loss for the year from discontinued operations		(14,854)	(7,849)

13. DISCONTINUED OPERATIONS (continued)

Notes:

	Note	2011 HK$'000	2010 HK$'000
(a) Turnover			
International telecommunications services income		–	4,594
Sale of telecommunications equipment and products		24,230	34,191
Commission income		4,371	11,263
Retail sales and management services income		80	64
Turnover		28,681	50,112
Others		16	553
Other revenue		16	553
Total revenue	6	28,697	50,665
(b) Finance costs			
Finance charges on obligations under finance leases		–	4
(c) Loss before taxation			
This is stated after charging (crediting):			
Staff costs (including directors' emoluments)			
Salaries, wages and other benefits		7,472	9,715
Contributions to defined contribution plans		318	430
		7,790	10,145
Auditor's remuneration		90	110
Cost of inventories		20,386	28,677
Depreciation		314	835
Operating lease charges			
Telecommunications equipment		–	1,293
Premises		5,902	11,244
Allowance for doubtful trade and other receivables		–	77
Write-down of inventories		4	–
Loss on disposal of property, plant and equipment		187	17
Reversal of write-down of inventories		–	(91)

	2011 HK$'000	2010 HK$'000
(d) An analysis of the cash flows of the discontinued operations is as follows:		
Net cash (used in) generated from operating activities	(656)	142
Net cash used in investing activities	–	(456)
Net cash generated from financing activities	–	(40)
Net decrease in cash and cash equivalents	(656)	(354)

14. (LOSS) PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The loss attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of loss of HK$1,083,000 *(2010: profit of HK$53,360,000).*

15. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share is based on the following data:

	2011	2010
A. Number of shares:		
Weighted average number of shares for the purpose of basic (loss) earnings per share	2,820,500,000	2,820,500,000
Effect of dilutive potential ordinary shares: Share options issued by the Company	1,673,272	–
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	2,822,173,272	2,820,500,000
B. (Loss) earnings for operations:		
(i) For continuing and discontinued operations		
(Loss) profit attributable to shareholders of the Company (HK$'000)	(12,967)	36,870

Diluted (loss) earnings per share for the year ended 31 March 2011 and 2010 are the same as the basic (loss) earnings per share because the conversion of potential ordinary shares would have anti-dilutive effect.

	2011	2010
(ii) For continuing operations		
Profit from continuing operations attributable to shareholders of the Company (HK$'000)	1,887	44,719

Diluted earnings per share from continuing operations for the year ended 31 March 2010 was the same as the basic earnings per share because the conversion of potential ordinary shares would have anti-dilutive effect.

	2011	2010
(iii) For discontinued operations		
Loss from discontinued operations attributable to shareholders of the Company (HK$'000)	(14,854)	(7,849)

Diluted loss per share from discontinued operations for the year ended 31 March 2011 and 2010 are the same as the basic loss per share because the conversion of potential ordinary shares would have anti-dilutive effect.

16. INVESTMENT PROPERTIES

	Group	
	2011	2010
	HK$'000	HK$'000
At fair value		
At beginning of year	178,000	155,600
Transfer from property, plant and equipment and prepaid premium for land lease	2,100	–
Change in fair value	32,400	22,400
At end of the reporting period	212,500	178,000

Investment properties of the Group are situated in Hong Kong and are held under the following lease terms:

	2011	2010
	HK$'000	HK$'000
Land in Hong Kong		
Long-term lease	2,500	–
Medium-term lease	210,000	178,000
	212,500	178,000

As at 31 March 2011, the investment properties were revalued by Jones Lang LaSalle Limited, independent professional qualified valuers, on the open market value basis using direct comparison approach and/or income capitalisation approach.

As at 31 March 2010, the investment properties were revalued by Prudential Surveyors International Limited, independent professional qualified valuers, on the open market value basis using direct comparison approach.

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Telecom-munications equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Reconciliation of carrying amount – year ended 31 March 2010						
At beginning of year	4,895	2,893	2,760	828	1,399	12,775
Additions	–	1,616	96	911	1,234	3,857
Acquisition of subsidiaries	–	429	–	244	1,036	1,709
Disposals	(4,275)	(124)	(204)	(431)	(28)	(5,062)
Depreciation	(56)	(885)	(985)	(565)	(902)	(3,393)
Exchange differences	–	9	–	–	(82)	(73)
Disposal of subsidiaries	–	(1,592)	(704)	–	(810)	(3,106)
At end of the reporting period	564	2,346	963	987	1,847	6,707
Reconciliation of carrying amount – year ended 31 March 2011						
At beginning of year	564	2,346	963	987	1,847	6,707
Additions	–	288	132	190	–	610
Revaluation	138	–	–	–	–	138
Disposals	–	(90)	(3)	(122)	–	(215)
Transfer to investment properties	(505)	–	–	–	–	(505)
Depreciation	(12)	(644)	(355)	(616)	(641)	(2,268)
Exchange differences	–	19	–	16	53	88
Disposal of a subsidiary	–	(60)	(143)	–	–	(203)
At end of the reporting period	185	1,859	594	455	1,259	4,352
At 1 April 2010						
Cost	841	14,347	47,727	14,797	4,383	82,095
Accumulated depreciation and impairment losses	(277)	(12,001)	(46,764)	(13,810)	(2,536)	(75,388)
	564	2,346	963	987	1,847	6,707
At 31 March 2011						
Cost	275	6,608	17,198	7,207	3,894	35,182
Accumulated depreciation and impairment losses	(90)	(4,749)	(16,604)	(6,752)	(2,635)	(30,830)
	185	1,859	594	455	1,259	4,352

Company	**Motor vehicle** HK$'000
Reconciliation of carrying amount – year ended 31 March 2010	
At beginning of year	292
Depreciation	(152)
At the end of the reporting period	140
Reconciliation of carrying amount – year ended 31 March 2011	
At beginning of year	**140**
Depreciation	**(140)**
At the end of the reporting period	**–**
At 1 April 2010	
Cost	509
Accumulated depreciation	(369)
	140
At 31 March 2011	
Cost	**509**
Accumulated depreciation	**(509)**
	–

18. GOODWILL

	Group	
	2011	2010
	HK$'000	HK$'000
Reconciliation of carrying amount		
At beginning of year	119,756	–
Additions	–	119,756
Impairment loss	(39,171)	–
At the end of the reporting period	80,585	119,756
Cost	119,756	119,756
Accumulated impairment losses	(39,171)	–
	80,585	119,756

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's CGU identified according to the operating segment as follows:

	2011	2010
	HK$'000	HK$'000
Provision of retail sales and management services in Shanghai	80,585	119,756

As at 31 March 2011, the directors of the Company assessed the recoverable amount of the CGU of the retail sales and management services in Shanghai with reference to the valuation performed by Grant Sherman Appraisal Limited, independent qualified professional valuers and its declining operating results and determined that goodwill associated with the CGU was impaired by HK$39,171,000 *(2010: Nil)*.

The recoverable amounts of the CGU are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGU operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow projections derived from the most recent financial budgets, which covered for a period of 3 years, approved by management and discount rate of approximately 19.06% *(2010: 8%)* per annum was used for the cash flow projections at the end of the reporting period. Cash flows beyond 3 years period have been extrapolated using 3% *(2010: 0%)* growth rate per annum. Management believes that any reasonably foreseeable changes in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

19. INTERESTS IN SUBSIDIARIES

	Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**113,115**	113,115
Impairment loss	**(113,115)**	(113,115)
	–	–
Due from subsidiaries	**1,288,649**	1,290,580
Allowance for doubtful debts	**(892,141)**	(706,127)
	396,508	584,453
Due to subsidiaries	**(7,147)**	(194,489)
	389,361	389,964

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 end of the reporting period. The carrying amounts of the amounts due approximate their fair values.

Particulars of the Company's principal subsidiaries at the end of the reporting period, 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 37 to the financial statements.

20. INTERESTS IN ASSOCIATES

	Group	
	2011	2010
	HK$'000	HK$'000
Share of net assets	**5,554**	5,662
Goodwill on acquisition	**107,045**	107,045
	112,599	112,707
Impairment loss	**(112,599)**	(112,707)
	–	–

Particulars of the Group's principal associate at the end of the reporting period are as follows:

Name	Place of incorporation/ operation	Particulars of registered capital	Proportion of ownership interests *Indirectly held*	Group's investment in the associate unlisted equity, at cost	Principal activity
China Motion Netcom Services Co. Ltd.*	PRC	RMB30,000,000	22.5%	HK$128,973,000	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 which is prepared by using accounting policies consistent with the Group is as follows:

	2011	2010
	HK$'000	HK$'000
Non-current assets	**6,580**	7,897
Current assets	**192,830**	173,883
Non-current liabilities	**(9,150)**	–
Current liabilities	**(167,696)**	(156,614)
Revenue	**24,571**	6,332
Loss for the year	**(1,561)**	(550)

The unrecognised share of losses of associates for the current year and cumulatively up to the end of the reporting period amounted to HK$334,000 *(2010: HK$124,000)* and HK$1,770,000 *(2010: HK$1,436,000)* respectively.

21. PREPAID PREMIUM FOR LAND LEASE

	Group	
	2011	2010
	HK$'000	HK$'000
At beginning of year	**2,371**	59,875
Disposals	**–**	(56,930)
Amortisation	**(53)**	(574)
Revaluation	**413**	–
Transfer to investment properties	**(1,595)**	–
At the end of the reporting period	**1,136**	2,371

The Group's leasehold land is situated in Hong Kong and is held under long term lease.

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 end of the reporting period amounting to HK$44,000 *(2010: HK$75,000)*.

22. OTHER NON-CURRENT ASSETS

	Group	
	2011	2010
	HK$'000	HK$'000
Club debentures	**3,130**	3,130

As there is no expiry date, it is considered that the club debentures do not have a finite useful life.

23. INVENTORIES

	Group	
	2011	2010
	HK$'000	HK$'000
Finished goods	**2,403**	8,051

24. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2011	2010	2011	2010
	Note	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables	(a)				
Trade receivables from third parties		14,248	48,977	–	–
Allowance for doubtful debts	(b)	(809)	(17,394)	–	–
		13,439	31,583	–	–
Other receivables					
Deposits, prepayments and other receivables		18,813	15,282	124	143
		32,252	46,865	124	143

Notes:

(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 allowance for doubtful debts) from date of invoices as at the end of the reporting period is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
0 – 30 days	7,849	17,722
31 – 60 days	3,232	4,115
61 – 90 days	422	2,711
Over 90 days	1,936	7,035
	13,439	31,583

(b) **Allowance for doubtful debts**

	Group	
	2011 HK$'000	2010 HK$'000
Balance at beginning of year	17,394	18,296
Increase in allowance	244	371
Amount recovered	–	(104)
Amount written off	(16,829)	(932)
Disposal of subsidiaries	–	(237)
	809	17,394

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$2,514,000 *(2010: HK$23,839,000)*, which are past due at the end of the reporting period for which the Group has not impaired as there has not been a significant change in credit quality and the directors consider that the amounts are recoverable.

The aging of trade receivables which are past due but not impaired are as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Past due for		
0-30 days	10	13,818
31-60 days	770	3,782
61-90 days	322	2,143
over 90 days	1,412	4,096
	2,514	23,839

25. BANK BALANCES AND CASH

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods between one day and three months, depending on the immediate cash requirement of the Group, and earn interest at the respective short-term deposit rates.

Bank balances and cash in terms of currencies (expressed in Hong Kong dollars) are as follows:

	Group	
	2011 HK$'000	2010 HK$'000
HK$	81,303	90,006
RMB	22,510	12,455
Others	947	1,130
	104,760	103,591

26. TRADE AND OTHER PAYABLES

		Group		Company	
		2011	2010	2011	2010
	Note	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	(a)	6,928	13,602	–	–
Other payables					
Accrued charges and other creditors		17,549	28,428	135	95
Advance subscription fees received		3,828	1,307	–	–
Deposits received		2,826	2,718	–	–
Due to an associate	(b)	701	701	–	–
		24,904	33,154	135	95
		31,832	46,756	135	95

Notes:

(a) Trade payables

The ageing analysis of trade payables from date of invoices as at the end of the reporting period is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
0 – 30 days	5,235	7,294
31 – 60 days	1,458	2,320
61 – 90 days	107	2,174
Over 90 days	128	1,814
	6,928	13,602

(b) Due to an associate

The amount due is unsecured, interest-free and has no fixed term of repayment. The carrying amount of the amount due approximates its fair value.

27. OBLIGATIONS UNDER FINANCE LEASES

Group	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable:				
Within one year	**–**	126	**–**	122
Future finance charges	**–**	(4)	**–**	–
Present value of lease obligations	**–**	122	**–**	122

The effective interest rate of the finance lease obligations is 7.89% *(2010: 8.24%)*.

28. DEFERRED TAXATION

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

	Note	**2011**	2010
		HK$'000	HK$'000
At beginning of year		**(2,803)**	653
Charged to income statement	12	**(2,200)**	(3,456)
At the end of the reporting period		**(5,003)**	(2,803)

28. DEFERRED TAXATION (continued)

Recognised deferred tax assets (liabilities)

	2011		2010	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
Depreciation allowance	–	(7,717)	–	(5,609)
Tax losses	2,714	–	2,806	–
Deferred tax assets (liabilities)	2,714	(7,717)	2,806	(5,609)
Offset deferred tax (liabilities) assets	(1,481)	1,481	(1,573)	1,573
Net tax assets (liabilities)	1,233	(6,236)	1,233	(4,036)

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	
	2011 HK$'000	2010 HK$'000
Deductible temporary differences	9,051	14,444
Tax losses	690,842	676,207
At the end of the reporting period	699,893	690,651

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

29. SHARE CAPITAL

	2011		2010	
	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				
As at 31 March 2011 and 2010	2,820,500,000	28,205	2,820,500,000	28,205

30. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company adopted a share option scheme on 6 September 2002 as incentive to grant options to eligible employees including executive directors to subscribe for the shares of the Company under the terms and conditions stipulated therein.

The terms and conditions of the share options granted were as follows:

			Number of share options		
	Date of grant	Exercise price per share option HK$	Outstanding and exercisable as at 31 March 2011	Outstanding and exercisable as at 31 March 2010	Exercise period
Options granted to	10/08/2009	0.182	12,000,000	24,000,000	10/08/2009 – 09/08/2019
directors	29/09/2009	0.160	8,000,000	16,000,000	29/09/2009 – 28/09/2019
Sub-total			20,000,000	40,000,000	
Options granted to	10/08/2009	0.182	24,800,000	26,000,000	10/08/2009 – 09/08/2019
employees	29/09/2009	0.160	16,200,000	17,000,000	29/09/2009 – 28/09/2019
Sub-total			41,000,000	43,000,000	
Total			61,000,000	83,000,000	

30. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

The weighted average exercise prices of share options outstanding as at 31 March 2011 and 2010 are as follows:

	Year ended 31 March			
	2011		2010	
	Weighted average exercise price in HK$ per share	Number of share options ('000)	Weighted average exercise price in HK$ per share	Number of share options ('000)
Beginning of the year	0.1733	83,000	–	–
Granted	–	–	0.1733	83,000
Lapsed	0.1732	(22,000)	–	–
End of the year	0.1733	61,000	0.1733	83,000

Pursuant to the share option scheme of the Company adopted on 6 September 2002 with scheme limit refreshed on 23 September 2009 (the "Share Option Scheme"), the directors of the Company may at its discretion grant share options to any employee; any director (including executive and non-executive) or chief executive of any member of the Group or of any affiliate; or any supplier, sales agent, customer, joint venture partner, accountant or legal adviser of, or business development and technological consultant to, any member of the Group; or any substantial shareholder of the Company or of its subsidiaries who, in the opinion of the Board, has made or will make contributions which are or may be beneficial to the Group.

Summary of the Share Option Scheme is as follows:

1) **Purpose**

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

2) **Participants**

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

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

(b) any director (including executive and non-executive) or chief executive of any member of the Group or of any affiliate (as defined under the scheme); or

(c) any supplier, sales agent, customer, joint venture partner, accountant or legal adviser of, or business development and technological consultant to, any member of the Group; or

(d) any substantial shareholder of the Company or of the subsidiaries

who, in the opinion of the Board, has made or will make contributions which are or may be beneficial to the Group as a whole.

3) **Total number of shares available for issue**

Following the refreshment of scheme limit approved by shareholders at the annual general meeting held on 23 September 2009, the maximum number of shares in respect of which options may be granted under the scheme and any other schemes of the Company (excluding options lapsed under the schemes) shall not in aggregate exceed 10% of total number of shares in issue as at the date of refreshment of scheme limit on 23 September 2009, i.e. 282,050,000 shares.

As at 31 March 2011, the total number of shares available for issue under the scheme and any other schemes of the Company was 257,850,000 *(2010: 249,050,000)* shares, representing 9.14% *(2010: 8.83%)* of the existing issued share capital of the Company.

30. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

4) **Maximum entitlement of each participant**

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

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

5) **Option period**

The period during which an option may be exercised in accordance with the terms of the scheme shall be the period set out in the relevant offer letter provided that such period must expire no later than the tenth anniversary of the date on which an option is offered.

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

Subject to the terms of offer letter, there shall be no general performance target or minimum holding period to the vesting or exercise of options.

7) **Payment on acceptance of option**

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

8) **Subscription price**

The subscription price in relation to each option shall be a price notified by the Board to the respective qualified person as set out in offer letter. Such price shall be the highest of

(a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an option is offered; or

(b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date on which an option is offered; or

(c) the nominal value of the shares.

9) **Life**

The scheme shall be valid and effective for a period of 10 years commencing from the adoption date of the scheme, i.e. 6 September 2002, and expiring on the tenth anniversary of the adoption date.

Equity-settled share-based payment transactions

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share option reserve within equity. The fair value is determined using the Binomial option pricing model (the "Model"), taking into account the terms and conditions of the transactions, other than conditions linked to the price of the shares of the Company ("market conditions").

The cost of equity-settled transactions is recognised, together with a corresponding increase in share option reserve within equity, over the year(s) in which the vesting conditions are to be fulfilled, ending on the date on which the relevant employees become fully entitled to the award. During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, with a corresponding adjustment to the share option reserve within equity.

The estimated fair values of share options granted by the Company were measured on the dates of grant by using the Model. The Model is one of the commonly used models to estimate the fair value of a share option. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of a share option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of a share option.

31. CAPITAL AND RESERVES

Company

	Issued capital HK$'000	Reserves: Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Total capital and reserves HK$'000
At 1 April 2009	28,205	35,383	450	269,441	–	1,000	15,934	322,208	350,413
Dividend paid	–	–	–	(6,000)	–	–	(14,026)	(20,026)	(20,026)
Grant of share options	–	–	–	–	6,896	–	–	6,896	6,896
Release upon expiry of warrants	–	–	–	–	–	(1,000)	1,000	–	–
Profit for the year	–	–	–	–	–	–	53,360	53,360	53,360
At 31 March 2010	28,205	35,383	450	263,441	6,896	–	56,268	362,438	390,643
At 1 April 2010	28,205	35,383	450	263,441	6,896	–	56,268	362,438	390,643
Release upon lapse of share options	–	–	–	–	(1,910)	–	1,910	–	–
Loss for the year	–	–	–	–	–	–	(1,083)	(1,083)	(1,083)
At 31 March 2011	28,205	35,383	450	263,441	4,986	–	57,095	361,355	389,560

Dividend

The directors do not recommend the payment of any dividend for the year ended 31 March 2011 *(2010: Nil)*.

Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve is governed by the Companies Act 1981 of Bermuda.

Properties revaluation reserve

When an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

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.

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.

Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in the note 3 to the financial statements.

Capital reserve

Capital reserve represents the consideration received in relation to an issue of unlisted warrants which are exercisable during a period of 24 months commencing from 23 January 2008.

32. CASH GENERATED FROM OPERATIONS

	2011 HK$'000	2010 HK$'000
Profit (loss) before taxation		
Continuing operations	4,990	48,811
Discontinued operations	(14,854)	(7,849)
	(9,864)	40,962
Finance charges on obligations under finance leases	5	24
Interest income	(473)	(773)
Depreciation	2,268	3,393
Amortisation on prepaid premium for land lease	53	574
Change in fair value of investment properties	(32,400)	(22,400)
Impairment of goodwill	39,171	–
Allowance for doubtful trade and other receivables	284	1,630
Allowance for doubtful debts written back	–	(561)
Reversal of impairment loss on other non-current assets	–	(30)
Loss on disposal of property, plant and equipment	209	669
Gain on disposal of investment properties, premium for land lease and buildings	–	(5,895)
Gain on disposal of a subsidiary	(32)	(17,495)
Gain on deemed disposal of shares in a subsidiary	–	(3,000)
Write-down (reversal of write-down) of inventories	600	(151)
Equity settled share-based payment	–	6,896
Exchange difference arising on translation	1,005	58
Decrease (increase) in inventories	4,973	(1,054)
Decrease in trade and other receivables	13,487	22,278
Decrease in trade and other payables	(14,741)	(21,114)
Cash generated from operations	4,545	4,011

33. DISPOSAL OF A SUBSIDIARY

	2011 HK$'000
Net assets disposed of:	
Property, plant and equipment	203
Inventories	75
Trade and other receivables	1,522
Trade and other payables	(184)
	1,616
Gain on disposal of a subsidiary	32
	1,648
Satisfied by:	
Consideration received	1,700
Less: Costs related to disposal	(52)
	1,648
Net cash inflow arising on disposal:	
Net consideration received, net of related costs	1,648

34. RELATED PARTY TRANSACTIONS

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

		2011 HK$'000	2010 HK$'000
(i)	**Key management personnel**		
	Compensation for key management personnel, including amount paid to the Company's directors and certain of the highest paid employees, as disclosed in note 11, is as follows:		
	– Salaries, allowance and benefit in kinds	8,081	8,462
	– Discretionary bonus	557	1,219
	– Share-based payment	–	6,580
	– Retirement scheme contribution	95	108
		8,733	16,369
(ii)	**Associate of controlling shareholders of the Company**		
	Rental expenses paid	3,780	2,677
(iii)	**Non-controlling shareholders of subsidiaries**		
	Service fees paid	147	2,011
(iv)	**Non-controlling shareholders of subsidiaries**		
	Service fees income received	(23)	(325)

35. COMMITMENTS

(a) Commitments under operating leases – the Group as lessee

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	2011 HK$'000	2010 HK$'000
In respect of leased properties, including transmission sites:		
Within one year	5,059	16,098
In the second to fifth years inclusive	1,420	14,962
After five years	–	4,226
	6,479	35,286
In respect of leased lines:		
Within one year	226	370
In the second to fifth years inclusive	–	59
	226	429

Operating lease payments represented rental payable by the Group for certain of its office premises and retail shops. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

35. COMMITMENTS (continued)

(b) Operating lease arrangements – the Group as lessor

The Group leases out all its investment properties under operating leases with average lease term of three years and with options to renew the leases upon expiry at new terms. At the end of the reporting period, the Group had future aggregate minimum lease income under non-cancellable operating leases, which are receivable as follows:

	2011 HK$'000	2010 HK$'000
Within one year	7,694	7,788
In the second to fifth years inclusive	4,137	11,793
	11,831	19,581

36. FINANCIAL GUARANTEES

	Group		Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Guarantees in respect of banking facilities of subsidiaries and former subsidiaries	–	–	–	785
Guarantees given to third parties against non-performance of contractual obligations by subsidiaries and former subsidiaries	–	9,067	–	6,950

37. 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
China Motion Data System Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Property holding
China Motion Holdings Limited	British Virgin Islands	100 ordinary shares of US$1 each	100%	Investment holding
China Motion Properties Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Property holding
China Motion Telecom (HK) Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	95%	Provision of mobile communications services
China Motion United Telecom Limited *(Note 1)*	Hong Kong	66,800,000 ordinary shares of HK$1 each	70%	Investment holding and provision of roaming trunked radio services
CM Concept (HK) Limited *(Note 2)*	Hong Kong	2 ordinary shares of HK$1 each	100%	Retail business
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
Victory Marker Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100%	Investment holding

37. PRINCIPAL SUBSIDIARIES (continued)

Name	Country/place of incorporation/ operation and kind of legal entity in the PRC	Particulars of issued share capital/ registered capital	Percentage of effective equity interests held [1]	Principal activities
World Sheen Properties Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Property holding
上海錦翰銀通通信產品銷售有限公司	PRC, wholly foreign-owned enterprise	Paid-up capital RMB500,000 Registered capital RMB500,000	100%	Provision of distribution sales and management services
上海潤迅概念通信產品連鎖銷售有限公司	PRC	Paid-up capital RMB30,000,000 Registered capital RMB30,000,000	100%	Provision of retail sales and management services
上海宏億通信產品銷售有限公司	PRC	Paid-up capital RMB500,000 Registered capital RMB500,000	100%	Provision of distribution sales and management services

[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.

No debts securities have been issued by the subsidiaries of the Company.

Note 1: After disposal of a subsidiary of the company in September 2010, it became an investment holding company.

Note 2: Since all retail shops in Hong Kong were closed in early 2011, the company became inactive.

38. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, a wholly-owned subsidiary of the Company, as vendor, has entered into an agreement for sale and purchase with an independent third party, as purchaser, in relation to the sale of a premise with a net book value of HK$1,321,000, consisting prepaid premium for land lease of HK$1,136,000 and building of HK$185,000, as at 31 March 2011 at a price of HK$3,950,000. Such disposal was completed on 13 May 2011.

39. COMPARATIVE FIGURES

During the year, the Group ceased its distribution and retail sales business in Hong Kong. Accordingly, the operating segment of distribution and retail sales business was classified as discontinued operations and the comparative information of this segment was re-classified from continuing operations to discontinued operations.

Schedule of Principal Properties

Particulars of principal properties held by the Group at 31 March 2011 are as follows:

INVESTMENT PROPERTIES

	Address	Lot No.	Category of the lease	Use	Percentage held by the Group
1.	20th Floor of Towers I, II and III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon	A total of 40,505/728,680th shares in New Kowloon Inland Lot No. 6115 The properties have a total gross floor area of approximately 41,843 sq. ft. and a total saleable area of approximately 33,278 sq. ft.	Medium-term lease	Commercial	100%
2.	Car parking spaces Nos. A1 to A14 (inclusive) on 1P Floor, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon	A total of 14/728,680th shares in New Kowloon Inland Lot No. 6115	Medium-term lease	Commercial	100%

潤 迅 通 信 國 際 有 限 公 司

China Motion Telecom International Limited

Room 2604-08, 26/F., Harbour Centre,
25 Harbour Road, Wanchai, Hong Kong
Tel : (852) 2209 2888 Fax : (852) 2209 1888
www.chinamotion.com