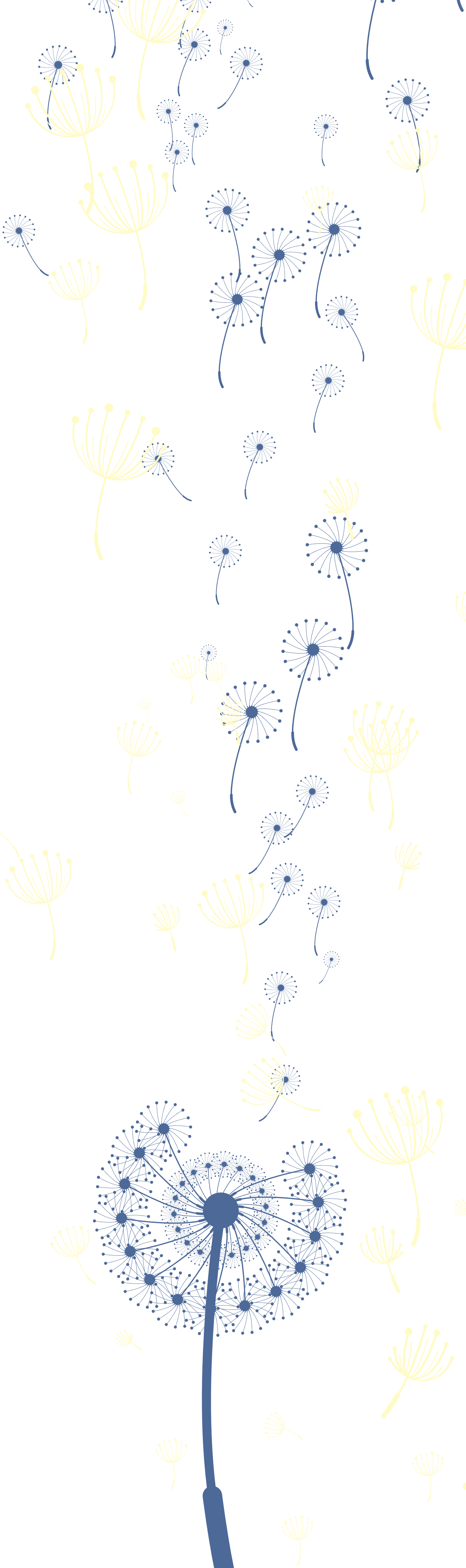


ANNUAL REPORT 2011/12

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

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

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

Unit 3101, Level 31, Tower 1
Enterprise Square Five
38 Wang Chiu Road
Kowloon Bay
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

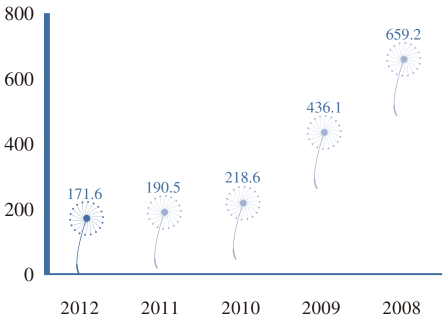
	Year ended 31 March				
	2012	2011 (Restated)[2]	2010 (Restated)[2]	2009 (Restated)[2]	2008
Turnover[1] (HK$ million)	**171.6**	190.5	218.6	436.1	659.2
Gross profit[1] (HK$ million)	**69.7**	77.3	85.5	102.0	144.9
(Loss) profit for the year from continuing operations (HK$ million)	**(46.9)**	3.7	45.7	(53.5)	26.9
(Loss) profit for the year from discontinued operations (HK$ million)	**–**	(14.8)	(7.8)	207.0	14.6
(Loss) profit for the year[1] (HK$ million)	**(46.9)**	(11.1)	37.9	153.5	41.5
(Losses) earnings per share[1] (HK cents)	**(1.65)**	(0.40)	1.37	6.21	1.8
Total assets (HK$ million)	**402.6**	442.4	469.7	462.6	455.6
Total liabilities (HK$ million)	**41.1**	35.1	52.9	71.2	236.1
Net assets (HK$ million)	**361.5**	407.3	416.8	391.4	219.5
Net assets value per share (HK$)	**0.13**	0.14	0.15	0.14	0.09
Working capital ratio	**3.75**	4.31	3.11	3.25	0.72
Long-term debt to equity	**N/A**	N/A	N/A	0.01	0.16
Gearing ratio	**0%**	0%	0.03%	0.12%	30.50%

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

(2) The Group adopted the Amendments to Hong Kong Accounting Standard 12 – *Deferred Tax: Recovery of Underlying Assets* and reclassified certain service income from other revenue to turnover. Therefore, figures for the years 2009 to 2011 have been restated for comparison purpose.

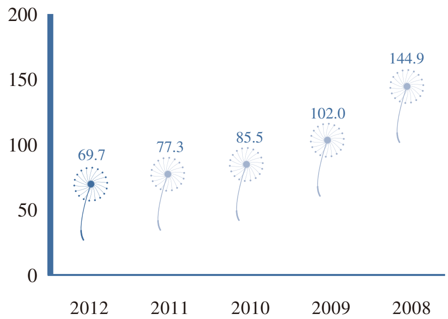
TURNOVER

HK$'M



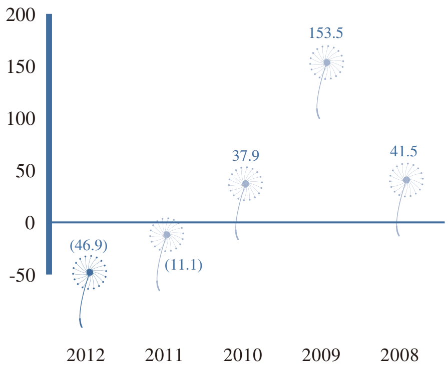
GROSS PROFIT

HK$'M



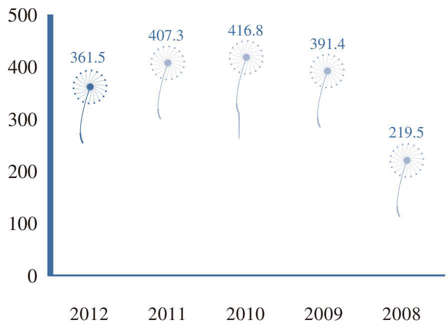
(LOSS) PROFIT FOR THE YEAR

HK$'M



NET ASSETS

HK$'M



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 2012.

We continued to make good progress of streamlining our business in anticipation of the uncertainty in the global economy, the escalating operating cost and the ever-changing market landscape. In the past year, we made a conscious decision to exit certain non-performing assets and reorganise to improve the operation efficiency on our existing mobile communications services and retail sales and management services. These changes resulted in a lower turnover of HK$171,623,000 for the Group versus the same period the year before. The Group reported a larger-than-expected net loss after tax of HK$46,903,000 during the year due primarily to an impairment of goodwill in the Shanghai business and an allowance for certain doubtful debts due from the Group's debtor. Excluding both these effects, the Group would have reported a net income after tax of HK$13,891,000.

The closure of the CM Concept stores and the increasing commoditisation of the 3G data service business in Hong Kong posed tremendous challenge to our Mobile Virtual Network Operators ("MVNO") operation. During the year, we restructured the sales operations and focused our key effort in business customers and in new cross-border market segments to protect our revenue and broaden our customer base. We managed to stabilise our core service revenue and gain sales momentum in new markets, resulting in a much improved gross margin for the MVNO business. We will continue to form new partnerships, invest in new platforms and leverage our expertise in the cross-border telecommunications services to penetrate new markets in Asia-Pacific region.

The retail sales and management business continued to be affected by the high penetration of the mobile services and the escalating operating cost in Shanghai. The relocation of the retail stores during the year added to the difficulties in maintaining our service level and income. Despite higher turnover from telecom handset bundled offers, our gross margin was negatively impacted as a result. Despite the adverse market condition, we continued to work closely with the Shanghai telecom operator to mitigate this impact and maintained our service level. During the year, we are pleased to report that we were again rated as the best partner for a Shanghai telecommunications operator for the second consecutive year. This achievement signified our commitment to build an organisation that focuses on delivering the best possible services and solutions to our partner. The Group will continue to build a war chest and seek investment opportunities to strengthen and expand its business portfolio and services in the future.

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 2012

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND OPERATIONS REVIEW

With the discontinuation of certain non-performing assets and businesses in the last fiscal year, the Group began to focus its resources behind its existing mobile-related services in both the Hong Kong and China markets. During the year under review, the Group's turnover declined 9.9% to HK$171,623,000 largely due to the discontinuation of its Hong Kong CM Concept retail and two-way trunked radio businesses. Excluding the effect of the discontinued operations, the Group's turnover was ahead of last year's turnover by 6.1%; however, gross margin declined to 40.6% from 43.1% a year ago. For the year, the Group reported an operating loss of HK$10,366,000 and a net loss after tax of HK$46,903,000. This is compared to an operating loss of HK$3,125,000 and a net loss after tax of HK$11,103,000 in the last corresponding year. The substantial increase in net loss was largely attributed to an impairment of goodwill in the Shanghai business in an amount of HK$51,468,000 and an allowance of HK$9,326,000 for certain doubtful debts due from a Group's debtor. Excluding both of these effects, the Group would have resulted in an operating loss of HK$1,040,000 and a net income after tax of HK$13,891,000.

Mobile Communications Services

The mobile communications services segment is comprised of a licensed Mobile Virtual Network Operators ("MVNO") business, which is a leading independent MVNO operator in Hong Kong focusing on cross border communications services. The turnover of the MVNO business declined by 2.8% to HK$95,299,000 for the year under review and accounted for 55.5% of the Group's total turnover for the continuing operations. During the year, we made certain strategic moves to streamline MVNO's existing business by discontinuing certain low margin revenues and non-profitable customers that attributed to a lower revenue; however we improved the overall gross profit by 3.1% to HK$35,722,000 and gross margin to 37.5% from 34.4% the year before. The MVNO business reported an operating loss of HK$5,045,000 during the year compared to an operating profit of HK$6,945,000 in the last corresponding year. The loss was attributed to an one-time allowance of HK$9,097,000 made for certain doubtful debts due from a Group's debtor and additional operating expenses due to the Group. Excluding the one-off allowance for doubtful debts, MVNO business would have shown an operating profit of HK$4,052,000.

During the year under review, the MVNO business began to fine-tune its strategy to cope with the changing competitive landscape and the absence of the CM Concept retail stores. The margin for our core cross-border communications services continued to erode as prices continued its downward spiral in both the Hong Kong and China markets. The new 3G data access service which we introduced less than two years ago was fast becoming a commodity with prices continuing to drop and competition offering heavy subsidies on new smartphone devices. This competitive pressure forced MVNO business to continue providing higher rebate and discount to lure customers which negatively impacted the overall financial performance of the business. Adding to this was the exit of the CM Concept retail stores in early 2011. MVNO business, in its first ever, was competing in a mass market without a major distribution channel and retail presence which limited its ability to attract and acquire new customers. As such, we made a conscious move to discontinue certain low margin services and unprofitable customers and to strengthen its operation behind its high-value customers and new market segments in an effort to protect and broaden its revenue base. The strategy began to pay off as MVNO business's gross profit and contribution for key market segments were showing signs of improvement. Despite the absence in retail presence, MVNO business stepped up its marketing and selling efforts in certain new market segments and managed to increase its overall subscriber base at the end of the year with its post-paid subscribers increasing by 2.4% compared to the last corresponding year.

As MVNO business expands the 3G data service offerings, we would need to invest in upgrading the MVNO's network and platform to improve its performance and expand the overall throughput capacity in data services. This investment will allow us to better serve our core cross border travellers as well as expand into other new market segments, which are the key driving forces in maintaining and growing our revenue base.

RESULTS AND OPERATIONS REVIEW (continued)

Retail Sales and Management Services

During the year under review, turnover for the Shanghai retail sales and management services ("Shanghai Operation") increased 25.8% to HK$76,324,000, which accounted for 44.5% of the Group's turnover for the continuing operations. This substantial increase was primarily attributed to the additional handset wholesale and bundling services initiated by the Shanghai Operation to broaden its revenue and income base. This increase in handset volume resulted in lowering the gross margin from 57.6% a year ago to 44.5% in the year under review. Operating profit was down significantly by almost 51.8% to HK$3,511,000 reflecting the increase in operating expenses, changes in customer remuneration structure and service disruption as a result of relocation of certain service stores. This decline in operating profit led to the decision by the Group to make a substantial impairment of goodwill in this fiscal year.

At the end of the year under review, the Shanghai Operation managed a total of 25 service stores and remained a key partner for one of the leading telecom operators in Shanghai (the "Shanghai Telecom Operator"). During the year, 3 service stores were closed and relocated due to contract expiry and local Government's property re-development project. As stores closed and re-opened, it caused disruption to the organisation and impacted negatively on both services and financial. Despite this, we continued to work closely with the Shanghai Telecom Operator to mitigate this impact and to maintain overall service level to its customers. On this, we were extremely pleased to report that the Shanghai Operation once again had received the best overall service performance for 2011 among all the co-operative partners based on studies by an independent third party research company commissioned by the Shanghai Telecom Operator.

The changing competitive landscape in the mobile telecommunications business and the highly penetrated Shanghai telecom market had forced the mobile operators to continue adjusting their marketing strategy to support the acquisition of 3G subscribers and thus the remuneration to their partners. This had negatively impacted our service income derived from all avenues and in particular, the prepaid services, as the new requirement for registration using actual names and addresses added a major barrier to the selling process. In an effort to generate more revenue and service income, Shanghai Operation had expanded its effort in the handset wholesales and bundling services by partnering with handset manufacturers and the operator's regional district sales offices to broaden its appeal to lure new subscribers. This initiative had shown encouraging results in an early stage of the program. We would continue to drive this initiative forward as we proactively seek to become a key partner for the Shanghai Telecom Operator's acquisition subscriber's effort.

PROSPECTS

We are cautious but optimistic on the outlook of the business. With the uncertainty in the European financial market and the slowdown of China economy, the road to a recovery for the Group's business continues to be a challenge. The major threat to the business continues to be the rising operating expenses in both the Hong Kong and China markets. The Chinese Government in its 12th 5-year plan has raised minimum wages by 13% per year for the next 5 years adding pressure to the already heated labour market. We believe the cost of operation will continue to increase disproportionally across the organisation particularly in China as evidenced from the past operating year. In a mature and an extremely competitive telecommunications market with continuing downward pricing pressure and narrowing margin, this has become a significant concern and threat to the profitability of the business.

Despite the difficult market environment and competitive landscape, the scale of the market and the new regulatory framework still present an immense opportunity, particularly in China. With the growing Hong Kong and China international travelers, it broadens the market for the cross border communications services. The Group will review its investment in this segment and determine the best way to offer new value-added services to capture this market segment. The increasing popularity of mobile broadband data and smartphone devices gives rise to a wide range of new mobile applications that cater towards a different segment of the market. The proposed convergence across telecommunications, internet and television broadcasting networks in China by the country's regulatory body will further fuel the growth for years to come. The Group continues to build a war chest and will seek opportunities to strengthen and expand its business portfolio in the future.

Management Discussion and Analysis

DISPOSAL OF PROPERTY

The Group completed the disposal 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 in May 2011. Such disposal provided a profit of HK$2,609,000 and cash inflow of HK$3,925,000 during the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has consistently maintained sufficient working capital. As at 31 March 2012, the Group had current assets of HK$137,395,000 *(2011: HK$139,415,000)*, including cash and bank balances and time deposits in an aggregate of HK$102,684,000 *(2011: HK$104,760,000)*. The Group's current liabilities as at 31 March 2012 were HK$36,597,000 *(2011: HK$32,358,000)*. The liquidity ratio of the Group as at 31 March 2012 remained healthy at 3.75 times *(2011: 4.31 times)*.

As at 31 March 2012, the Group has no outstanding loans or borrowings from banks or financial institutions *(2011: Nil)*. The Group has no gearing as at 31 March 2012 *(2011: Nil)*.

SHARE CAPITAL

As at 31 March 2012, the Company had 2,820,500,000 shares in issue with total shareholders' fund of the Group amounting to approximately HK$355,566,000 *(2011: HK$401,118,000)*.

FINANCIAL GUARANTEES

As at 31 March 2012, the Group did not have any contingent liabilities *(2011: Nil)*.

CHARGE ON ASSETS

As at 31 March 2012, the Group did not have any charge on its assets *(2011: 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 2012, the Group had 359 full-time staff. Total staff costs (including directors' emoluments) incurred by both continuing and discontinued operations for the year amounted to approximately HK$50,607,000 *(2011: HK$55,205,000)*. 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 39, 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 17 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 49, 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 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"). He has also been an independent non-executive director of Chinney Alliance Group Limited, a company listed on the Main Board of the Stock Exchange, since March 2012. Mr. Wu holds a Bachelor of Science degree from the University of Toronto, Canada. He is responsible for business management of the Group.

Ms. Zhou Lijuan, aged 40, 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 45, 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. Mr. Sin has over 20 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, Sino Haijing Holdings Limited and Xtep International Holdings Limited, companies listed on the Main Board of the Stock Exchange. He has also been an independent non-executive director of Fornton Group Limited, a company listed on the Main Board of the Stock Exchange, since October 2011. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mr. Huang An Guo, aged 58, 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 and Remuneration Committee and a member and the chairman of 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, the PRC.

Ms. Wong Fei Tat, aged 37, 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 16 years of experience in the accounting field. She has been an independent non-executive director of China Print Power Group Limited, a company listed on the Main Board of the Stock Exchange, since January 2012. Ms. Wong 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. She 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 consolidated financial statements of the Group for the year ended 31 March 2012.

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 principal activities and other particulars of its subsidiaries are set out in note 34 to the consolidated 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 consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2012 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 2012 *(2011: 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 30 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2012 calculated under the Companies Act 1981 of Bermuda (as amended) amounted to approximately HK$283,294,000 *(2011: HK$325,522,000)* subject to restrictions as set out in note 30 to the consolidated 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 consolidated 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 28 and 29 to the consolidated 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 2012.

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*

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. Ting Pang Wan, Raymond and Ms. Wong Fei Tat shall retire from office as directors by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received from each of the independent non-executive directors 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 to 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 2012, 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 2012, 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 2012, 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 2012, 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 their discretion grant share options to any employee; any directors (including executive and non-executive) or chief executive of any member of the Group or of any affiliate; or any supplier, sales agent, customer, joint venture partner, accountant or legal adviser of, or business development and technological consultant to, any member of the Group; or any substantial shareholder of the Company or of its subsidiaries who, in the opinion of the Board, has made or will make contributions which are or may be beneficial to the Group.

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 2011	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding and exercisable as at 31 March 2012	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
Director:										
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%
Sub-total	20,000,000	–	–	–	20,000,000					0.71%
Employees:	24,800,000	–	–	–	24,800,000	10/08/2009	10/08/2009 – 09/08/2019	0.182	0.176	0.88%
	16,200,000	–	–	–	16,200,000	29/09/2009	29/09/2009 – 28/09/2019	0.160	0.155	0.57%
Sub-total	41,000,000	–	–	–	41,000,000					1.45%
Total	61,000,000	–	–	–	61,000,000					2.16%

There was no vesting period for the share options granted.

No share options were granted, exercised, cancelled or lapsed during the year.

SHARE OPTION SCHEME (continued)

Summary of the Share Option Scheme is as follows:

1) **Purpose**

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

2) **Participants**

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

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

(b) 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 2012 and the date of this report, 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, i.e. 6 September 2012.

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

During the year, the Group had the following continuing connected transactions:

1. 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 (each indirectly holding 50% interests in the substantial shareholder of the Company), 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 Landlord was a connected person for the purpose of the Listing Rules by virtue of it being an associate of Mr. Ting Pang Wan, Raymond, a director of the Company, and of the substantial shareholder of the Company. The said transaction which constituted a continuing connected transaction pursuant to the Listing Rules 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.

   Subsequently, the Properties were disposed by the Landlord to an independent third party subject to the Tenancy Agreement on 30 May 2011 and the Tenancy Agreement was terminated on 30 August 2011. As a result, the transaction has no longer been a continuing connected transaction of the Company since 30 May 2011. During the financial period up to 30 May 2011, the aggregate rental under the Tenancy Agreement were HK$619,839, which did not exceed the annual caps disclosed in the aforesaid announcement.

   The said transaction also refers to the related party transaction as disclosed in item (ii) of note 32 to the consolidated financial statements.

2. Certain exempt continuing connected transactions of the Company which were not subject to announcement and reporting requirements pursuant to the Listing Rules were also incurred during the year.

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 Company confirmed that it has complied with all necessary disclosure requirements for the continuing connected transactions in accordance with Chapter 14A of the Listing Rules.

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.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 March 2012 attributable to the Group's major customers and suppliers are as follows:

Sales	
The largest customer	31%
Five largest customers combined	52%
Purchases	
The largest supplier	26%
Five largest suppliers combined	69%

At no time during the year did the directors, their associates or any shareholders (which to the knowledge of the directors owned more than 5% of the Company's issued 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 2012 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 throughout the year ended 31 March 2012 and as at the date of this report.

SUBSEQUENT EVENT

On 24 May 2012, the Company entered into a placing agreement with a placing agent for placing of a maximum of 564,100,000 new shares of the Company, representing 20% of the Company's existing issued share capital and approximately 16.67% of the Company's then issued share capital as enlarged by the placing, on a best effort basis, to not fewer than six independent placees at the placing price of HK$0.10 per share. Such placing price represented a premium of approximately 9.89% to the closing price of HK$0.091 per share as quoted on the Stock Exchange on the date of the agreement. The maximum aggregate nominal value of the placing shares under the placing will be HK$5,641,000. The maximum net proceeds raised upon completion of the placing will be approximately HK$0.097 per placing share and HK$54,890,000 in aggregate, which is intended to be used for general working capital of the Group. Completion of the placing is conditional upon, among other things, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the placing shares and such conditions precedent shall be fulfilled prior to the expiry of the placing period ending on 31 October 2012. It is of the view that the Placing will broaden the shareholders' portfolio and strengthen the financial position of the Group. Details of the placing were disclosed in the announcement dated 24 May 2012.

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) Mr. Sin Ka Man, an independent non-executive director of the Company, was appointed as independent non-executive director of Fornton Group Limited, a company listed on the Main Board of the Stock Exchange, on 11 October 2011.

(b) Ms. Wong Fei Tat, an independent non-executive director of the Company, was appointed as independent non-executive director of China Print Power Group Limited, a company listed on the Main Board of the Stock Exchange, on 3 January 2012.

(c) Mr. Wu Chi Chiu ("Mr. Wu"), an executive director of the Company, ceased to be the chairman but remained as a member of the nomination committee of the Company (the "Nomination Committee") and Mr. Huang An Guo, an independent non-executive director of the Company, was appointed as the chairman of the Nomination Committee, both with effect from 27 March 2012.

(d) Mr. Wu was appointed as independent non-executive director of Chinney Alliance Group Limited, a company listed on the Main Board of the Stock Exchange, on 29 March 2012.

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

AUDITOR

The consolidated financial statements for the year ended 31 March 2012 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 2012

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.

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 in force during the year ended 31 March 2012, except that under code provision E.1.2, Mr. Ting Pang Wan, Raymond, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 24 August 2011 due to other business commitments.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules on 21 July 2009 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*

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 of three independent non-executive directors and at least one of whom has appropriate professional qualifications. The Board maintained a balanced composition of the executive directors and 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 to 14. A list of Directors identifying their role and function is published on the Stock Exchange's website and the Company's website.

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 leadership and guidance to the Group's activities and for oversight of the management of the Company and direction of its business strategies, 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 the day-to-day operations of the Group within the authority delegated by the Board and properly informing the Board of the status of these operations. Matters specifically reserved for the consideration of Board mainly cover, among others, overall corporate strategies, major business plans and risk policy of the Group, annual and interim results, major acquisitions and disposals, major capital investments, material contracts and transactions, appointment of directors, other significant operational and financial matters as well as corporate governance 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 seven full Board meetings, four of which were the regular ones held at approximately quarterly intervals, during the year ended 31 March 2012. The attendance of each director is as follows:

	Number of meetings attended/ eligible to attend
Mr. TING Pang Wan, Raymond	3/7
Mr. WU Chi Chiu	7/7
Ms. ZHOU Lijuan	7/7
Mr. SIN Ka Man	7/7
Mr. HUANG An Guo	7/7
Ms. WONG Fei Tat	7/7

There were six additional Board meetings held and attended by certain executive directors for normal course of business and/or 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 perform its overall responsibilities for the activities of the Group while the chief executive officer is responsible for running the Group's business and implementation of the Group's strategies 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. 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 Company's policy and structure for the remuneration of all directors and senior management, to determine or make recommendation on the remuneration packages for individual executive directors and senior management, to make recommendations on the remuneration of non-executive directors and to administer and oversee the Company's share option scheme. 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 Stock Exchange's website and the Company's website.

The Board has adopted a remuneration policy for directors and senior management to provide guidelines for structuring all remuneration of directors and senior management. The remuneration policy is reviewed annually by the Board and the Remuneration Committee. The policy sets out, among others, the remuneration structure which mainly covers director's fee, basic salary, discretionary bonus, other benefits in kind, pension scheme, share option scheme and termination payments, and determination or review of remuneration packages. The directors' and senior management's remuneration packages are determined, or reviewed annually, taking into consideration the criteria such as experience, responsibilities, workload, time commitment, individual's and the Company's performance as well as the prevailing market conditions. Details of directors' and senior management's emoluments for the year ended 31 March 2012 are disclosed in note 11 to the consolidated financial statements.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

The Remuneration Committee held three meetings during the year ended 31 March 2012. 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	3/3
Ms. WONG Fei Tat	3/3
Ms. ZHOU Lijuan	3/3

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

(a) To review the remuneration policy and structure of all directors and senior management;

(b) To review 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. For complying with the requirement of the Listing Rules, Mr. Wu Chi Chiu ceased to be the chairman but remained as a member of the Nomination Committee and Mr. Huang An Guo was appointed as the chairman of the Nomination Committee, both with effect from 27 March 2012. As at the date of this report, the Nomination Committee comprised two independent non-executive directors, namely Mr. Huang An Guo and Mr. Sin Ka Man, and an executive director, namely Mr. Wu Chi Chiu, as members. Mr. Huang An Guo was the chairman of the Nomination Committee.

The main duties of the Nomination Committee are to formulate, review and implement nomination policy for directors, to review the structure, size and composition of the Board, to identify individuals suitably qualified to become Board members, to receive nominations from shareholders or directors, to assess the independence of the independent non-executive directors and to undertake an annual performance evaluation of the Board. The terms of reference of the Nomination Committee setting out its role and responsibilities are available on the Stock Exchange's website and the Company's website.

The Board adopted a nomination policy for directors to provide guidelines for effective functioning in the course of director's nomination process. The policy sets out, among others, 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 so on 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 2012. The attendance of each member is set out as follows:

	Number of meetings attended/ eligible to attend
Mr. HUANG An Guo *(Chairman)*	2/2
Mr. SIN Ka Man	2/2
Mr. WU Chi Chiu	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 review the nomination policy for directors;

(c) To review the terms of reference;

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

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

(f) To evaluate the performance of the Board during the year; and

(g) To approve and recommend the change of chairman of the committee.

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 of three non-executive directors and at least one of whom is an independent non-executive director with appropriate professional qualifications. 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.

BOARD COMMITTEES (continued)

Audit Committee (continued)

The main duties of Audit Committee are to review and monitor the financial reporting, to oversee and review the Company's financial reporting system, internal control procedures, risk management systems and the Group's financial and 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 Stock Exchange's website and the Company's website.

The Audit Committee held two meetings during the year ended 31 March 2012. 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 2011 and the interim results for six months ended 30 September 2011 and the reports from external auditor, management representation letters and management's response in relation thereto;

(b) To review the accounting policies and practices as well as the financial reporting system 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 2011 and six months ended 30 September 2011;

(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 2012, 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$960,000 and HK$366,400 respectively.

DIRECTORS' RESPONSIBILITY FOR CONSOLIDATED 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 consolidated financial statements of the Group 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.

INTERNAL CONTROL (continued)

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

Based on the evaluations made by 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

Shareholders' meeting, including annual general meeting or other 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 such meeting for expressing their views and raising enquiries about the Company's performance.

The Company also maintains a website at www.chinamotion.com, as other communication channel for the shareholders and investors, for disseminating information and updates on the Company's business developments and operations, financial information, corporate governance practices and other shareholders information as well as other corporate communications in a timely and convenient manner.

Any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The poll results will be published on the Stock Exchange's website and the Company's website after the conclusion of the general meeting.

The procedures for election of directors by shareholders are also available on the Company's website.

By order of the Board
WU Chi Chiu
Director

Hong Kong, 29 June 2012

MAZARS

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 107, which comprise the consolidated and the Company's statements of financial position as at 31 March 2012, 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 2012 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 2012

CHAN Wai Man
Practising Certificate number: P02487

Consolidated Income Statement

Year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000 (Restated)
CONTINUING OPERATIONS			
Turnover	6	171,623	161,817
Cost of sales and services		(101,890)	(92,152)
Gross profit		69,733	69,665
Other revenue	6	10,629	10,932
Other net income	7	2,614	32
Gain on disposal of a subsidiary		–	32
Distribution costs		(3,041)	(4,056)
Administrative expenses		(87,692)	(64,839)
Impairment of goodwill		(51,468)	(39,171)
Change in fair value of investment properties		15,300	32,400
Finance costs	9	–	(5)
(Loss) profit before taxation	10	(43,925)	4,990
Taxation	12	(2,978)	(1,239)
(Loss) profit for the year from continuing operations		(46,903)	3,751
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	13	–	(14,854)
Loss for the year		(46,903)	(11,103)

Consolidated Income Statement

Year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000 (Restated)
(Loss) profit attributable to:			
Shareholders of the Company			
– continuing operations		**(46,647)**	3,410
– discontinued operations	13	**–**	(14,854)
		(46,647)	(11,444)
Non-controlling interests			
– continuing operations		**(256)**	341
		(46,903)	(11,103)
(Losses) earnings per share	15		
From continuing and discontinuing operations			
– Basic and diluted		**(1.6539) HK cents**	(0.4057) HK cents
From continuing operations			
– Basic		**(1.6539) HK cents**	0.1209 HK cents
– Diluted		**(1.6539) HK cents**	0.1208 HK cents
From discontinued operations			
– Basic and diluted		**N/A**	(0.5266) HK cents

Consolidated Statement of Comprehensive Income

Year ended 31 March 2012

	2012 HK$'000	2011 HK$'000 (Restated)
Loss for the year	**(46,903)**	(11,103)
Other comprehensive income for the year		
Exchange difference on translation of foreign operations	**1,093**	1,092
Surplus on property revaluation	**–**	551
Total comprehensive loss for the year	**(45,810)**	(9,460)
Total comprehensive (loss) income attributable to:		
Shareholders of the Company		
– continuing operations	**(45,552)**	5,051
– discontinued operations	**–**	(14,854)
	(45,552)	(9,803)
Non-controlling interests		
– continuing operations	**(258)**	343
	(45,810)	(9,460)

Statements of Financial Position

As at 31 March 2012

	Note	Group 31 March 2012 HK$'000	Group 31 March 2011 HK$'000 (Restated)	Group 1 April 2010 HK$'000 (Restated)	Company 31 March 2012 HK$'000	Company 31 March 2011 HK$'000
ASSETS AND LIABILITIES						
Non-current assets						
Investment properties	16	227,800	212,500	178,000	–	–
Property, plant and equipment	17	3,913	4,352	6,707	–	–
Goodwill	18	29,117	80,585	119,756	–	–
Interests in subsidiaries	19	–	–	–	349,029	389,361
Interests in associates	20	–	–	–	–	–
Prepaid premium for land lease	21	–	1,136	2,371	–	–
Other non-current assets	22	3,130	3,130	3,130	–	–
Deferred tax assets	27	1,233	1,233	1,233	–	–
		265,193	302,936	311,197	349,029	389,361
Current assets						
Inventories	23	7,966	2,403	8,051	–	–
Trade and other receivables	24	26,745	32,252	46,865	175	124
Bank balances and cash	25	102,684	104,760	103,591	166	210
		137,395	139,415	158,507	341	334
Current liabilities						
Trade and other payables	26	36,515	31,832	46,756	2,038	135
Obligations under finance leases		–	–	122	–	–
Taxation		82	526	4,050	–	–
		36,597	32,358	50,928	2,038	135
Net current assets (liabilities)		100,798	107,057	107,579	(1,697)	199
Total assets less current liabilities		365,991	409,993	418,776	347,332	389,560
Non-current liabilities						
Deferred tax liabilities	27	4,462	2,654	1,977	–	–
NET ASSETS		361,529	407,339	416,799	347,332	389,560

	Note	Group			Company	
		31 March 2012 HK$'000	31 March 2011 HK$'000 (Restated)	1 April 2010 HK$'000 (Restated)	31 March 2012 HK$'000	31 March 2011 HK$'000
CAPITAL AND RESERVES						
Share capital	28	**28,205**	28,205	28,205	**28,205**	28,205
Reserves	30	**327,361**	372,913	382,716	**319,127**	361,355
Total capital and reserves attributable to shareholders of the Company		**355,566**	401,118	410,921	**347,332**	389,560
Non-controlling interests		**5,963**	6,221	5,878	**–**	–
TOTAL EQUITY		**361,529**	407,339	416,799	**347,332**	389,560

Approved and authorised for issue by the Board of Directors on 29 June 2012

TING Pang Wan, Raymond
Director

WU Chi Chiu
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2012

	Reserves attributable to shareholders of the Company												
	Issued capital	Share premium	Reserves on consolidation	Properties revaluation reserve	Exchange reserve	Capital redemption reserve	Enterprise expansion reserve	Contributed surplus	Share option reserve	Accumulated profits (losses)	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2010													
– as previously reported	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
– Prior year adjustment arising from the early adoption of the Amendments to HKAS 12 *(Note 2)*	–	–	–	–	–	–	–	–	–	2,059	2,059	–	2,059
– as restated	28,205	35,383	4,900	9,294	6,352	450	65,434	210,587	6,896	43,420	382,716	5,878	416,799
Exchange differences	–	–	–	–	1,090	–	–	–	–	–	1,090	2	1,092
Surplus on property revaluation	–	–	–	551	–	–	–	–	–	–	551	–	551
(Loss) profit for the year	–	–	–	–	–	–	–	–	–	(11,444)	(11,444)	341	(11,103)
Total comprehensive income (loss)	–	–	–	551	1,090	–	–	–	–	(11,444)	(9,803)	343	(9,460)
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	33,886	372,913	6,221	407,339
At 1 April 2011													
– as previously reported	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
– Prior year adjustment arising from the early adoption of the Amendments to HKAS 12 *(Note 2)*	–	–	–	–	–	–	–	–	–	3,582	3,582	–	3,582
– as restated	28,205	35,383	4,900	9,845	7,442	450	65,434	210,587	4,986	33,886	372,913	6,221	407,339
Exchange differences	–	–	–	–	1,095	–	–	–	–	–	1,095	(2)	1,093
Loss for the year	–	–	–	–	–	–	–	–	–	(46,647)	(46,647)	(256)	(46,903)
Total comprehensive income (loss)	–	–	–	–	1,095	–	–	–	–	(46,647)	(45,552)	(258)	(45,810)
At 31 March 2012	28,205	35,383	4,900	9,845	8,537	450	65,434	210,587	4,986	(12,761)	327,361	5,963	361,529

Consolidated Statement of Cash Flows

Year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
Cash (used in) generated from operations	31	(3,449)	4,545
Interest received		787	473
Finance charges on obligations under finance leases		–	(5)
Income tax paid		(1,614)	(4,766)
Net cash (used in) from operating activities		(4,276)	247
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment other than buildings		227	6
Purchase of property, plant and equipment		(1,952)	(610)
Net proceeds from disposal of prepaid premium for land lease and buildings		3,925	–
Net proceeds from disposal of a subsidiary		–	1,648
Net cash from investing activities		2,200	1,044
FINANCING ACTIVITIES			
Repayment of obligations under finance leases		–	(122)
Net cash used in financing activities		–	(122)
Net (decrease) increase in cash and cash equivalents		(2,076)	1,169
Cash and cash equivalents at beginning of year		104,760	103,591
Cash and cash equivalents at end of year, represented by bank balances and cash		102,684	104,760

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 HM11, Bermuda. In the opinion of directors, the immediate and 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 issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's accounting period beginning on 1 April 2011.

Hong Kong Accounting Standard ("HKAS") 24 (Revised) – *Related Party Disclosures*

HKAS 24 was revised to include a new definition of related party and to provide a partial exemption from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with:

(a) a government that has control, joint control or significant influence over the reporting entity; and
(b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

The Group adopted the new definition in its accounting policies but such adoption does not have an effect on the disclosures made in the consolidated financial statements.

HKFRSs (Amendments) – *Improvements to HKFRSs 2010*

The improvements comprise a number of improvements to the HKFRSs including the following that are considered to be relevant to the Group:

Amendments to HKAS 1 (Revised) – *Presentation of Financial Statements: Clarification of statement of changes in equity*

The Amendments clarify that the reconciliation of each components of other comprehensive income may be presented either in the consolidated statement of changes in equity or in the notes to the consolidated financial statements. The Group has decided to continue presenting the reconciliation on the face of the consolidated statement of changes in equity.

Early adoption of revised HKFRSs

Amendments to HKAS 12 – *Deferred Tax: Recovery of Underlying Assets*

The Amendments introduce a rebuttable presumption that, if a deferred tax liability or asset arises from investment property carried at fair value under HKAS 40: *Investment Property*, the carrying amount of the investment property will be recovered through sale. This presumption is rebutted when there is clear evidence that the entity will consume substantially all economic benefits embodied in the investment property over time, rather than through sale. In addition, the Amendments incorporate the guidance in HK(SIC) – Int 21: *Income Taxes – Recovery of Revalued Non-Depreciable Assets.*

The Group has early adopted the Amendments before their effective date (annual periods beginning on or after 1 January 2012) retrospectively. As a result of this change in policy, the Group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset's value through use.

The effect of the adoption of these Amendments is as follows:

	31 March 2012 HK$'000	31 March 2011 HK$'000	1 April 2010 HK$'000
Consolidated statement of financial position			
Decrease in deferred tax liabilities	**(4,407)**	(3,582)	(2,059)
Decrease in accumulated losses/increase in accumulated profits	**4,407**	3,582	2,059

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

Early adoption of revised HKFRSs (continued)

	Year ended 31 March 2012 HK$'000	Year ended 31 March 2011 HK$'000
Consolidated income statement		
Decrease in taxation	(825)	(1,523)
Decrease in loss for the year	825	1,523
Decrease in loss per share		
– basic	(0.0292 cents)	(0.0540 cents)
– diluted	(0.0292 cents)	(0.0540 cents)

Note: The Group adopted the Amendments to HKAS 12 as at 1 April 2011. The figures shown above as at 31 March 2012 and for year ended 31 March 2012 are for illustrating the impacts had the Amendments been adopted at 31 March 2012.

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 yet effective for the financial year beginning on 1 April 2011.

HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets (Note a)
HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income (Note b)
HKFRS 10	Consolidated Financial Statements (Note c)
HKFRS 11	Joint Arrangements (Note c)
HKFRS 12	Disclosures of Interests in Other Entities (Note c)
HKFRS 13	Fair Value Measurement (Note c)
HKAS 19 (2011)	Employee Benefits (Note c)
HKAS 27 (2011)	Separate Financial Statements (Note c)
HKAS 28 (2011)	Investments in Associates and Joint Ventures (Note c)
HKFRS 7 (Amendments)	Disclosure – Offsetting Financial Assets and Financial Liabilities (Note c)
HKFRSs (Amendments)	Annual Improvements 2009 – 2011 Cycle (Note c)
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities (Note d)
HKFRS 9	Financial Instruments (Note e)

Notes:

a. Effective for annual periods beginning on or after 1 July 2011.
b. Effective for annual periods beginning on or after 1 July 2012.
c. Effective for annual periods beginning on or after 1 January 2013.
d. Effective for annual periods beginning on or after 1 January 2014.
e. Effective for annual periods beginning on or after 1 January 2015.

The directors are in the process of assessing the possible impact on the future adoption of these new and 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

Basis of preparation

These consolidated financial statements have been prepared in accordance with HKFRSs, which collective term includes all individual HKFRSs, 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 2011 consolidated financial statements except for the adoption and early adoption of the revised HKFRSs as set out in note 2 to the consolidated financial statements. 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 from shareholders of the Company in the consolidated income statement and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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. Total comprehensive income is attributed to the shareholders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interest

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.

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 value is based on market value, 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

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 policies of an entity so as to obtain benefits from its activities.

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

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.

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.

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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Goodwill (continued)

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 gain or loss on disposal.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

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

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are direct attributable to the acquisition or issue of the financial assets or financial liabilities.

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.

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.

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 reversed 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

All financial liabilities are recognised initially at fair value and are subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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

(vii) 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 in profit or loss 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.

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.

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 People's Republic of China (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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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.

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of the parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

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. The Company's executive directors, who are responsible for allocating resources to, and assessing the performance of, the Group's various lines of business, have been identified as the chief operating decision makers.

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.

Deferred tax assets

As at the end of the reporting period, a deferred tax asset of HK$1,233,000 *(2011: 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 consolidated 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 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 2012, 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.

Credit risk

As at 31 March 2012, 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 or 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 65% *(2011: 64%)* of the total trade receivables, while 36% *(2011: 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 bank borrowings whenever necessary.

The carrying value of the Group's financial liabilities at the end of the reporting period is a reasonable approximate of the contractual undiscounted payments which are all payable within one year or on demand.

Fair value of financial instruments

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.

5. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Capital Management

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

The capital structure of the Group consists of equity attributable to shareholders of the Company, comprising issued capital and reserves as disclosed in the consolidated statement of changes in equity. As at 31 March 2012 and 2011, 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.

6. TURNOVER AND REVENUE

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 34 to the consolidated financial statements.

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

	Note	2012 HK$'000	2011 HK$'000 (Restated)
CONTINUING OPERATIONS			
Sale of telecommunications equipments and products		21,987	19,159
Commission income		2,443	2,659
Mobile communications services income		92,696	95,347
Retail sales and management service income		54,497	42,000
Trunked radio services income		–	2,652
Turnover		171,623	161,817
Rental income		7,080	7,552
Interest income		787	473
Others		2,762	2,907
Other revenue		10,629	10,932
Total revenue from continuing operations		182,252	172,749
DISCONTINUED OPERATIONS			
Total revenue from discontinued operations	13(a)	–	28,697
Total revenue		182,252	201,446

7. OTHER NET INCOME

	2012 HK$'000	2011 HK$'000
Gain on disposal of prepaid premium for land lease and buildings	2,609	–
Sundry income	5	32
	2,614	32

8. SEGMENT INFORMATION

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

Primary reporting format – Business segments

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

	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 for 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, including investment in properties	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, deferred tax assets 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 not less than cost and with terms mutually agreed amongst those business segments.

For the year ended 31 March 2012

	Continuing operations				Discontinued operations			
	Mobile communications services HK$'000	Retail sales and management services HK$'000	Others HK$'000	Sub-total HK$'000	Distribution and retail sales HK$'000	Sub-total HK$'000	Inter-segment elimination HK$'000	Group HK$'000
Turnover								
Revenue from external customers	95,299	76,324	–	171,623	–	–	–	171,623
Inter-segment revenue	–	–	–	–	–	–	–	–
Segment turnover	95,299	76,324	–	171,623	–	–	–	171,623
Segment results	(5,315)	2,472	9,599	6,756	–	–	–	6,756
Interest income				787	–	–	–	787
Finance costs				–	–	–	–	–
Gain on disposal of a subsidiary				–	–	–	–	–
Impairment of goodwill				(51,468)	–	–	–	(51,468)
Loss before taxation				(43,925)	–	–	–	(43,925)
Taxation				(2,978)	–	–	–	(2,978)
Loss for the year				(46,903)	–	–	–	(46,903)
Assets								
Segment assets	13,041	49,134	236,496	298,671	–	–	–	298,671
Unallocated assets				103,917	–	–	–	103,917
Total assets				402,588	–	–	–	402,588
Liabilities								
Segment liabilities	22,467	7,531	6,517	36,515	–	–	–	36,515
Unallocated liabilities				4,544	–	–	–	4,544
Total liabilities				41,059	–	–	–	41,059
Other information								
Capital expenditure	639	44	1,269	1,952	–	–	–	1,952
Change in fair value of investment properties	–	–	(15,300)	(15,300)	–	–	–	(15,300)
Depreciation	686	641	608	1,935	–	–	–	1,935
Amortisation on prepaid premium for land lease	–	–	4	4	–	–	–	4
Impairment of goodwill	–	–	–	51,468	–	–	–	51,468
Significant non-cash expenses (other than depreciation and amortisation)	9,314	103	452	9,869	–	–	–	9,869

8. SEGMENT INFORMATION (continued)

Primary reporting format – Business segments (continued)

For the year ended 31 March 2011
(Restated)

	Continuing operations				Discontinued operations			
	Mobile communications services HK$'000	Retail sales and management services HK$'000	Others HK$'000	Sub-total HK$'000	Distribution and retail sales HK$'000	Sub-total HK$'000	Inter-segment elimination HK$'000	Group HK$'000
Turnover								
Revenue from external customers	101,135	60,682	–	161,817	28,681	28,681	–	190,498
Inter-segment revenue	–	–	–	–	417	417	(417)	–
Segment turnover	101,135	60,682	–	161,817	29,098	29,098	(417)	190,498
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				(1,239)	–	–	–	(1,239)
Profit (loss) for the year				3,751	(14,854)	(14,854)	–	(11,103)
Assets								
Segment assets	18,007	93,047	223,671	334,725	1,633	1,633	–	336,358
Unallocated assets				105,993	–	–	–	105,993
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				3,471	–	–	–	3,471
Total liabilities				34,881	131	131	–	35,012
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 on prepaid premium for land lease	–	–	53	53	–	–	–	53
Impairment of goodwill	–	–	–	39,171	–	–	–	39,171
Significant non-cash expenses (other than depreciation and amortisation)	879	3	–	882	35	35	–	917

Note: In 2011, deferred tax assets of HK$1,233,000 has been classified as unallocated assets.

Secondary reporting format – Geographical segments

The geographical segments of the Group's turnover are as follows:

	Continuing operations		Discontinued operations		Total	
	2012 HK$'000	2011 HK$'000 (Restated)	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000 (Restated)
PRC	76,324	60,682	–	–	76,324	60,682
Hong Kong	95,299	101,135	–	28,681	95,299	129,816
	171,623	161,817	–	28,681	171,623	190,498

The geographical segments of the Group's results are as follows:

	Continuing operations		Discontinued operations		Total	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
PRC	4,845	7,188	–	–	4,845	7,188
Hong Kong	1,911	36,473	–	(14,854)	1,911	21,619
	6,756	43,661	–	(14,854)	6,756	28,807

The geographical segments of the Group's total assets are as follows:

	Continuing operations		Discontinued operations		Total	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
PRC	60,937	80,251	–	–	60,937	80,251
Hong Kong	341,651	360,467	–	1,633	341,651	362,100
	402,588	440,718	–	1,633	402,588	442,351

8. SEGMENT INFORMATION (continued)

Secondary reporting format – Geographical segments (continued)

The geographical segments of the Group's capital expenditure are as follows:

	Continuing operations		Discontinued operations		Total	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
PRC	44	317	–	–	44	317
Hong Kong	1,908	293	–	–	1,908	293
	1,952	610	–	–	1,952	610

Information about major customers

For the year ended 31 March 2012, approximately HK$53,202,000 or 31% *(2011: approximately HK$40,195,000 or 21%)* of the Group's external revenue was derived from a single customer in the retail sales and management services segment.

9. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Finance charges on obligations under finance leases	–	5

10. (LOSS) PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	2012 HK$'000	2011 HK$'000
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	44,835	43,081
Contributions to defined contribution plans	5,772	4,334
	50,607	47,415
Auditor's remuneration	960	1,370
Cost of inventories	22,902	19,822
Depreciation	1,935	1,954
Amortisation on prepaid premium for land lease	4	53
Operating lease charges		
Telecommunications equipment	1,527	1,581
Premises	11,603	12,683
Net allowance for and write off of doubtful trade and other receivables	9,553	284
Loss on disposal of property, plant and equipment other than buildings	102	22
(Reversal of write-down) write-down of inventories	(8)	596
Rental income from investment properties less direct outgoings of HK$Nil *(2011: HK$Nil)*	(7,080)	(7,552)

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

	Directors' fees HK$'000	Salaries, allowances and benefits in kinds HK$'000	Discretionary Bonus HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
2012					
Executive directors:					
Ting Pang Wan, Raymond	–	2,052	–	12	2,064
Wu Chi Chiu	–	1,110	135	12	1,257
Zhou Lijuan	–	1,080	135	12	1,227
Independent non-executive directors:					
Huang An Guo	100	–	–	–	100
Sin Ka Man	100	–	–	–	100
Wong Fei Tat	100	–	–	–	100
	300	4,242	270	36	4,848
2011					
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

Notes:

(a) Resigned on 15 October 2010.
(b) Appointed on 15 October 2010.

No directors have waived any emoluments in respect of the years ended 31 March 2012 and 2011.

The five individuals whose emoluments were the highest in the Group for the year include three directors *(2011: two)* whose emoluments are reflected in the analysis presented above. Details of the emoluments of the remaining two individuals *(2011: three)* are as follows:

	2012 HK$'000	2011 HK$'000
Salaries, allowances and benefits in kinds	2,048	2,699
Discretionary bonus	292	258
Retirement scheme contributions	24	36
	2,364	2,993

The emoluments were paid to individuals as follows:

Emoluments band	**Number of individuals**	
	2012	2011
Nil to HK$1,000,000	1	2
HK$1,000,000 to HK$1,500,000	1	1
	2	3

12. TAXATION

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements for both years as the Group has no assessable profit arising in Hong Kong or taxable profits were wholly absorbed by estimated tax losses brought forward.

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% *(2011: 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 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 distributed 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$465,000 *(2011: HK$399,000)*. 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	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operations			
Current tax			
Hong Kong Profits Tax			
Current year		–	–
Over provision in prior years		(94)	–
PRC Enterprise Income Tax			
Current year		1,372	2,365
Over provision in prior year		(108)	(1,803)
		1,170	562
Deferred taxation			
Origination and reversal of temporary difference		327	585
Utilisation of tax losses previously recognised		–	92
Reversal of tax losses previously recognised		1,481	–
	27	1,808	677
Tax charge from continuing operations		2,978	1,239
Discontinued operations			
Current tax			
Hong Kong Profits Tax		–	–
Tax charge from discontinued operations	13	–	–
Total tax charge for the year		2,978	1,239

12. TAXATION (continued)

Reconciliation of tax expense

	2012 HK$'000	2011 HK$'000 (Restated)
(Loss) profit before taxation		
Continuing operations	(43,925)	4,990
Discontinued operations	–	(14,854)
	(43,925)	(9,864)
Income tax at applicable tax rate	(7,247)	(1,628)
Non-deductible expenses	9,818	7,566
Tax exempt revenue	(3,338)	(5,713)
Utilisation of previously unrecognised tax losses	–	(984)
Tax effect of unused tax losses not recognised	2,032	3,609
Over provision in prior years	(202)	(1,803)
Unrecognised temporary differences	59	61
Utilisation of previously unrecognised temporary differences	(169)	(1,067)
Effect on overseas tax rates differences	434	784
Recognition of previously unrecognised deferred tax assets	–	(100)
Recognition of previously unrecognised temporary differences	–	275
Reversal of previously recognised deferred tax asset	1,481	–
Others	110	239
Tax charge for the year	2,978	1,239

The relevant applicable tax rate is 16.5% *(2011: 16.5%)*.

13. DISCONTINUED OPERATIONS

In 2011, the Group ceased its distribution and retail sales business in Hong Kong and classified it as discontinued operations.

The results of the discontinued operations are summarised as follows:

	Note	2012 HK$'000	2011 HK$'000
Loss for the year from discontinued operations			
Turnover	(a)	–	28,681
Cost of sales and services		–	(21,022)
Other revenue	(a)	–	16
Distribution costs		–	(7)
Administrative expenses		–	(22,522)
Loss before taxation	(b)	–	(14,854)
Taxation	12	–	–
Loss for the year from discontinued operations		–	(14,854)

Notes:

	Note	2012 HK$'000	2011 HK$'000
(a) Turnover and revenue			
Sale of telecommunications equipment and products		–	24,230
Commission income		–	4,371
Retail sales and management services income		–	80
Turnover		–	28,681
Others		–	16
Other revenue		–	16
Total revenue from discontinued operations	6	–	28,697

13. DISCONTINUED OPERATIONS (continued)

Notes: (continued)

	2012 HK$'000	2011 HK$'000
(b) Loss before taxation		
This is stated after charging:		
Staff costs (include directors' emoluments)		
Salaries, wages and other benefits	–	7,472
Contributions to defined contribution plans	–	318
	–	7,790
Auditor's remuneration	–	90
Cost of inventories	–	20,386
Depreciation	–	314
Operating lease charges		
Premises	–	5,902
Write-down of inventories	–	4
Loss on disposal of property, plant and equipment	–	187
(c) An analysis of the cash flows of the discontinued operations is as follows:		
Net cash used in operating activities	–	(656)
Net decrease in cash and cash equivalents	–	(656)

14. LOSS 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 HK$42,228,000 *(2011: HK$1,083,000)*.

15. (LOSSES) EARNINGS PER SHARE

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

	2012	2011 (Restated)
A. Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (losses) 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 (losses) earnings per share	**2,820,500,000**	2,822,173,272
B. (Losses) earnings for operations:		
(i) For continuing and discontinued operations		
Loss attributable to shareholders of the Company (HK$'000)	**(46,647)**	(11,444)

Diluted losses per share for the year ended 31 March 2012 and 2011 are the same as the basic losses per share because the conversion of potential ordinary shares would have anti-dilutive effect.

	2012	2011 (Restated)
(ii) For continuing operations		
(Loss) profit from continuing operations attributable to shareholders of the Company (HK$'000)	**(46,647)**	3,410

Diluted losses per share from continuing operations for the year ended 31 March 2012 is the same as the basic earnings per share because the conversion of potential ordinary shares would have anti-dilutive effect.

	2012	2011 (Restated)
(iii) For discontinued operations		
Loss from discontinued operations attributable to shareholders of the Company (HK$'000)	**N/A**	(14,854)

16. INVESTMENT PROPERTIES

	Group 2012 HK$'000	2011 HK$'000
At fair value		
At beginning of year	212,500	178,000
Transfer from property, plant and equipment and prepaid premium for land lease	–	2,100
Change in fair value	15,300	32,400
At the end of the reporting period	227,800	212,500

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

	2012 HK$'000	2011 HK$'000
Land in Hong Kong		
Long-term lease	2,800	2,500
Medium-term lease	225,000	210,000
	227,800	212,500

As at 31 March 2012 and 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.

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 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)
Disposal of a subsidiary	–	(60)	(143)	–	–	(203)
Exchange differences	–	19	–	16	53	88
At the end of the reporting period	185	1,859	594	455	1,259	4,352
Reconciliation of carrying amount – year ended 31 March 2012						
At beginning of year	185	1,859	594	455	1,259	4,352
Additions	–	853	239	860	–	1,952
Disposals	(184)	(14)	–	(315)	–	(513)
Depreciation	(1)	(679)	(338)	(461)	(456)	(1,935)
Exchange differences	–	14	–	6	37	57
At the end of the reporting period	–	2,033	495	545	840	3,913
At 1 April 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
At 31 March 2012						
Cost	–	7,287	17,410	7,383	3,838	35,918
Accumulated depreciation and impairment losses	–	(5,254)	(16,915)	(6,838)	(2,998)	(32,005)
	–	2,033	495	545	840	3,913

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Motor vehicle HK$'000
Reconciliation of carrying amount – year ended 31 March 2011	
At beginning of year	140
Depreciation	(140)
At the end of the reporting period	–
Reconciliation of carrying amount – year ended 31 March 2012	
At beginning of year	**–**
Depreciation	**–**
At the end of the reporting period	**–**
At 1 April 2011	
Cost	509
Accumulated depreciation	(509)
	–
At 31 March 2012	
Cost	**509**
Accumulated depreciation	**(509)**
	–

18. GOODWILL

	Group	
	2012	2011
	HK$'000	HK$'000
Reconciliation of carrying amount		
At beginning of year	**80,585**	119,756
Impairment loss	**(51,468)**	(39,171)
At the end of the reporting period	**29,117**	80,585
Cost	**119,756**	119,756
Accumulated impairment losses	**(90,639)**	(39,171)
	29,117	80,585

Impairment tests for cash-generating units containing goodwill

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

	2012	2011
	HK$'000	HK$'000
Provision of retail sales and management services in Shanghai	**29,117**	80,585

As at 31 March 2012, 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$51,468,000 *(2011: HK$39,171,000)*.

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 growth rate of the industry in 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.

18. GOODWILL (continued)

The Group prepares cash flow projections derived from the most recent financial budgets, which covered a period of 3 years, approved by management and applies a discount rate of approximately 17.77% *(2011: 19.06%)* per annum for the cash flow projections at the end of the reporting period. The Group adopts a growth rate of 2% *(2011: 3%)* per annum for the extrapolation of cash flows beyond the 3 years period. The major factor contributing to the impairment is the fact that the highly penetrated Shanghai telecom market had forced the mobile operators to continue adjusting their market strategy and remuneration to their partners. Together with the increase in operating expenses, the operation will not be as profitable as originally expected. 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	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**113,115**	113,115
Impairment loss	**(113,115)**	(113,115)
	–	–
Due from subsidiaries	**1,286,418**	1,288,649
Allowance for doubtful debts	**(930,252)**	(892,141)
	356,166	396,508
Due to subsidiaries	**(7,137)**	(7,147)
	349,029	389,361

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 34 to the consolidated financial statements.

20. INTERESTS IN ASSOCIATES

	Group 2012 HK$'000	2011 HK$'000
Share of net assets	**5,451**	5,554
Goodwill on acquisition	**107,045**	107,045
	112,496	112,599
Impairment loss	**(112,496)**	(112,599)
	–	–

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:

	2012 HK$'000	2011 HK$'000
Non-current assets	**5,600**	6,580
Current assets	**187,414**	192,830
Non-current liabilities	**–**	(9,150)
Current liabilities	**(168,786)**	(167,696)
Revenue	**25,757**	24,571
Loss for the year	**(1,306)**	(1,561)

The unrecognised share of losses of associates for the current year and cumulatively up to the end of the reporting period amounted to HK$294,000 *(2011: HK$334,000)* and HK$2,064,000 *(2011: HK$1,770,000)* respectively.

21. PREPAID PREMIUM FOR LAND LEASE

	Group	
	2012 HK$'000	2011 HK$'000
At beginning of year	1,136	2,371
Disposals	(1,132)	–
Amortisation	(4)	(53)
Revaluation	–	413
Transfer to investment properties	–	(1,595)
At the end of the reporting period	–	1,136

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

The cost of premium for land lease is amortised over the lease period. There is no amount to be amortised within the next twelve months after the end of the reporting period as the prepaid premium for land lease has been disposed of *(2011: HK$44,000)*.

22. OTHER NON-CURRENT ASSETS

	Group	
	2012 HK$'000	2011 HK$'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	
	2012 HK$'000	2011 HK$'000
Finished goods	7,966	2,403

24. TRADE AND OTHER RECEIVABLES

	Note	Group 2012 HK$'000	Group 2011 HK$'000	Company 2012 HK$'000	Company 2011 HK$'000
Trade receivables	(a)				
Trade receivables from third parties		18,436	14,248	–	–
Allowance for doubtful debts	(b)	(519)	(809)	–	–
		17,917	13,439	–	–
Other receivables					
Deposits, prepayments and other receivables		18,154	18,983	175	124
Allowance for doubtful debts	(c)	(9,326)	(170)	–	–
		8,828	18,813	175	124
		26,745	32,252	175	124

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 90 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 2012 HK$'000	Group 2011 HK$'000
0 – 30 days	12,170	7,849
31 – 60 days	4,589	3,232
61 – 90 days	1,007	422
Over 90 days	151	1,936
	17,917	13,439

24. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(b) Allowance for doubtful debts – Trade receivables

	Group 2012 HK$'000	Group 2011 HK$'000
Balance at beginning of year	809	17,394
Increase in allowance	–	244
Amount recovered	(290)	–
Amount written off	–	(16,829)
	519	809

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$2,555,000 *(2011: HK$2,514,000)*, 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 Group does not hold any collateral over these balances.

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

	Group 2012 HK$'000	Group 2011 HK$'000
Past due for		
0-30 days	–	10
31-60 days	1,397	770
61-90 days	1,007	322
over 90 days	151	1,412
	2,555	2,514

(c) Allowance for doubtful debts – Other receivables

	Group 2012 HK$'000	Group 2011 HK$'000
Balance at beginning of year	170	170
Increase in allowance	9,326	–
Amount written off	(170)	–
	9,326	170

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	
	2012	2011
	HK$'000	HK$'000
HK$	**81,357**	81,303
RMB	**20,392**	22,510
Others	**935**	947
	102,684	104,760

26. TRADE AND OTHER PAYABLES

		Group		Company	
		2012	2011	**2012**	2011
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade payables	(a)	**6,343**	6,928	**–**	–
Other payables					
Accrued charges and other creditors		**21,607**	17,549	**2,038**	135
Advance subscription fees received		**5,474**	3,828	**–**	–
Deposits received		**3,091**	2,826	**–**	–
Due to an associate	(b)	**–**	701	**–**	–
		30,172	24,904	**2,038**	135
		36,515	31,832	**2,038**	135

26. TRADE AND OTHER PAYABLES (continued)

Notes:

(a) Trade payables

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

	Group	
	2012	2011
	HK$'000	HK$'000
0 – 30 days	**4,118**	5,235
31 – 60 days	**1,865**	1,458
61 – 90 days	**113**	107
Over 90 days	**247**	128
	6,343	6,928

(b) Due to an associate

The amount due was unsecured, interest-free and had no fixed term of repayment. The carrying amount of the amount due approximated its fair value.

27. DEFERRED TAXATION

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

Recognised deferred tax liabilities (assets)

	Accelerated depreciation allowances HK$'000	Revaluation of investment properties HK$'000 (Restated)	Tax losses HK$'000	Total HK$'000 (Restated)
At 1 April 2010				
– as previously reported	3,550	2,059	(2,806)	2,803
– prior year adjustment arising from the early adoption of the Amendments to HKAS 12	–	(2,059)	–	(2,059)
– as restated	3,550	–	(2,806)	744
Charged to profit or loss	585	–	92	677
At 31 March 2011	4,135	–	(2,714)	1,421
At 1 April 2011				
– as previously reported	**4,135**	**3,582**	**(2,714)**	**5,003**
– prior year adjustment arising from the early adoption of the Amendments to HKAS 12	**–**	**(3,582)**	**–**	**(3,582)**
– as restated	**4,135**	**–**	**(2,714)**	**1,421**
Charged to profit or loss	**327**	**–**	**1,481**	**1,808**
At 31 March 2012	**4,462**	**–**	**(1,233)**	**3,229**

27. DEFERRED TAXATION (continued)

Recognised deferred tax assets (liabilities)

	2012		2011	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000 (Restated)
Depreciation allowance	–	(4,462)	–	(4,135)
Tax losses	1,233	–	2,714	–
Deferred tax assets (liabilities)	1,233	(4,462)	2,714	(4,135)
Offset deferred tax (liabilities) assets	–	–	(1,481)	1,481
Net tax assets (liabilities)	1,233	(4,462)	1,233	(2,654)

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	
	2012 HK$'000	2011 HK$'000
Deductible temporary differences	7,838	9,051
Tax losses	642,396	690,842
At the end of the reporting period	650,234	699,893

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.

28. SHARE CAPITAL

	2012		2011	
	No. of shares	HK$'000	No. of shares	HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
As at 31 March 2012 and 2011	78,000,000,000	780,000	78,000,000,000	780,000
Issued and fully paid:				
As at 31 March 2012 and 2011	2,820,500,000	28,205	2,820,500,000	28,205

29. 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:

	Date of grant	Exercise price per share option HK$	Number of share options: Outstanding and exercisable as at 31 March 2012	Number of share options: Outstanding and exercisable as at 31 March 2011	Exercise period
Options granted to directors	10/08/2009	0.182	12,000,000	12,000,000	10/08/2009 – 09/08/2019
	29/09/2009	0.160	8,000,000	8,000,000	29/09/2009 – 28/09/2019
Sub-total			20,000,000	20,000,000	
Options granted to employees	10/08/2009	0.182	24,800,000	24,800,000	10/08/2009 – 09/08/2019
	29/09/2009	0.160	16,200,000	16,200,000	29/09/2009 – 28/09/2019
Sub-total			41,000,000	41,000,000	
Total			61,000,000	61,000,000	

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

The weighted average exercise prices of share options outstanding as at 31 March 2012 and 2011 are as follows:

	Year ended 31 March			
	2012		2011	
	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	61,000	0.1733	83,000
Lapsed	–	–	0.1732	(22,000)
End of the year	0.1733	61,000	0.1733	61,000

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 their 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 2012 and the date of this report, the total number of shares available for issue under the scheme and any other schemes of the Company was 257,850,000 *(2011: 257,850,000)* shares, representing 9.14% *(2011: 9.14%)* of the existing issued share capital of the Company.

29. 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.

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 reserve within equity.

29. EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

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.

30. RESERVES

Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 April 2010	35,383	450	263,441	6,896	56,268	362,438
Release upon lapse of share options	–	–	–	(1,910)	1,910	–
Loss for the year	–	–	–	–	(1,083)	(1,083)
At 31 March 2011	35,383	450	263,441	4,986	57,095	361,355
At 1 April 2011	35,383	450	263,441	4,986	57,095	361,355
Loss for the year	–	–	–	–	(42,228)	(42,228)
At 31 March 2012	35,383	450	263,441	4,986	14,867	319,127

Dividend

The directors do not recommend the payment of any dividend for the year ended 31 March 2012 *(2011: 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 (as amended).

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 its liabilities.

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 payments in the notes to the consolidated financial statements.

31. CASH (USED IN) GENERATED FROM OPERATIONS

	2012 HK$'000	2011 HK$'000
(Loss) profit before taxation		
Continuing operations	(43,925)	4,990
Discontinued operations	–	(14,854)
	(43,925)	(9,864)
Finance charges on obligations under finance leases	–	5
Interest income	(787)	(473)
Depreciation	1,935	2,268
Amortisation on prepaid premium for land lease	4	53
Change in fair value of investment properties	(15,300)	(32,400)
Impairment of goodwill	51,468	39,171
Net allowance for and write off of doubtful trade and other receivables	9,553	284
Gain on disposal of prepaid premium for land lease and buildings	(2,609)	–
Loss on disposal of property, plant and equipment other than buildings	102	209
Gain on disposal of a subsidiary	–	(32)
(Reversal of write-down) write-down of inventories	(8)	600
Exchange difference arising on translation	1,036	1,005
(Increase) decrease in inventories	(5,555)	4,973
(Increase) decrease in trade and other receivables	(4,046)	13,487
Increase (decrease) in trade and other payables	4,683	(14,741)
Cash (used in) generated from operations	(3,449)	4,545

32. 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.

	2012 HK$'000	2011 HK$'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	7,679	8,081
– Discretionary bonus	741	557
– Retirement scheme contribution	84	95
	8,504	8,733
(ii) Associate of substantial shareholder of the Company		
Rental expenses paid	620	3,780

33. 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:

	2012 HK$'000	2011 HK$'000
In respect of leased properties, including transmission sites:		
Within one year	6,064	5,059
In the second to fifth years inclusive	1,682	1,420
	7,746	6,479
In respect of leased lines:		
Within one year	450	226
In the second to fifth years inclusive	144	–
	594	226

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.

(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:

	2012 HK$'000	2011 HK$'000
Within one year	4,137	7,694
In the second to fifth years inclusive	–	4,137
	4,137	11,831

34. 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	Hong Kong	66,800,000 ordinary shares of HK$1 each	70%	Investment holding
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
World Sheen Properties Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Property holding

34. 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
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.

35. EVENTS AFTER THE REPORTING PERIOD

On 24 May 2012, the Company entered into a placing agreement with a placing agent for placing of a maximum of 564,100,000 new shares of the Company, representing 20% of the Company's existing issued share capital and approximately 16.67% of the Company's then issued share capital as enlarged by the placing, on a best effort basis, to not fewer than six independent placees at the placing price of HK$0.10 per share. Such placing price represented a premium of approximately 9.89% to the closing price of HK$0.091 per share as quoted on the Stock Exchange on the date of the agreement. The maximum aggregate nominal value of the placing shares under the placing will be HK$5,641,000. The maximum net proceeds raised upon completion of the placing will be approximately HK$0.097 per placing share and HK$54,890,000 in aggregate, which is intended to be used for general working capital of the Group. Completion of the placing is conditional upon, among other things, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the placing shares and such conditions precedent shall be fulfilled prior to the expiry of placing period ending on 31 October 2012. It is of the view that the Placing will broaden the shareholders' portfolio and strengthen the financial position of the Group. Details of the placing were disclosed in the announcement dated 24 May 2012.

36. COMPARATIVE FIGURES

Conforming to current year's presentation, service income of HK$3,183,000 that was included in other revenue has been reclassified under turnover. The revised presentation reflects more appropriately the nature of these items. These reclassifications have no effect on the reported financial position, results or cash flows of the Group.

Schedule of Principal Properties

Particulars of principal properties held by the Group at 31 March 2012 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, Hong Kong	Aggregate of 40,505/728,680th equal and undivided shares of and 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, Hong Kong	Aggregate of 14/728,680th equal and undivided shares of and in New Kowloon Inland Lot No. 6115	Medium-term lease	Commercial	100%

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