

# V1 SION

Interim Report 09/10



潤迅通信國際有限公司

**China Motion Telecom International Limited**

(Incorporated in Bermuda with limited liability)

Stock Code : 989

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# Corporate Information

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## BOARD OF DIRECTORS

### Executive Directors

TING Pang Wan, Raymond (*Chairman*)

WU Chi Chiu (*Vice Chairman and  
Chief Executive Officer*)

FAN Wei

### Independent Non-executive Directors

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

FAN Wei

### Nomination Committee

WU Chi Chiu (*Chairman*)

SIN Ka Man

HUANG An Guo

## QUALIFIED ACCOUNTANT

LUNG Yuet Kwan

## COMPANY SECRETARY

CHAN Siu Mei

## LEGAL ADVISOR

Deacons

## AUDITOR

Mazars CPA Limited

*Certified Public Accountants*

## REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

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Room 2604-08, 26th Floor

Harbour Centre

25 Harbour Road

Wanchai

Hong Kong

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Fax : (852) 2209 1888

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

## PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM08

Bermuda

## HONG KONG BRANCH SHARE REGISTRAR

Tricor Abacus Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Hong Kong

## PRINCIPAL BANKER

The Hongkong and Shanghai Banking  
Corporation Limited

## STOCK CODE

989

# Condensed Consolidated Income Statement

For the six months ended 30 September 2009

The board of directors (the "Board") of China Motion Telecom International Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2009 together with the comparative figures as follows:

		<b>Six months ended 30 September</b>	
		<b>2009</b>	2008
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
<i>Note</i>			
<b>Continuing operations</b>			
	<b>Turnover</b>	<b>90,487</b>	102,222
	Cost of sales and services	<b>(51,011)</b>	(64,415)
	Gross profit	<b>39,476</b>	37,807
	Other revenue	<b>6,087</b>	4,342
	Other net income	<b>6,479</b>	890
	Gain on disposal of subsidiaries	<b>9,084</b>	–
	Distribution costs	<b>(1,286)</b>	(2,812)
	Administrative expenses	<b>(50,549)</b>	(39,495)
	Finance costs	<b>(16)</b>	(1,016)
	<b>Profit (loss) before taxation</b>	<b>9,275</b>	(284)
	Taxation	<b>(1,490)</b>	–
	<b>Profit (loss) for the period from continuing operations</b>	<b>7,785</b>	(284)
	<b>Discontinued operations</b>		
	<b>Profit from discontinued operations</b>	<b>8,699</b>	208,175
	<b>Profit for the period</b>	<b>16,484</b>	207,891

# Condensed Consolidated Income Statement

For the six months ended 30 September 2009

	Note	Six months ended 30 September	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
<b>Profit (loss) attributable to:</b>			
Equity holders of the Company			
– continuing operations		7,792	(18)
– discontinued operations		8,699	208,175
		<b>16,491</b>	208,157
Minority interests			
– continuing operations		(7)	(266)
– discontinued operations		–	–
		<b>(7)</b>	(266)
		<b>16,484</b>	207,891
<b>Earnings (losses) per share</b>	11		
<b>From continuing operations</b>			
– Basic and diluted		<b>0.28 HK cents</b>	(0.00) HK cents
<b>From discontinued operations</b>			
– Basic and diluted		<b>0.30 HK cents</b>	8.86 HK cents

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2009

	Six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
<b>Profit for the period</b>	<b>16,484</b>	207,891
<b>Other comprehensive loss for the period</b>		
Exchange difference on translation of foreign operations	<b>(85)</b>	(57)
<b>Total comprehensive income for the period</b>	<b>16,399</b>	207,834
<b>Total comprehensive income (loss) attributable to:</b>		
Equity holders of the Company		
– continuing operations	<b>7,703</b>	470
– discontinued operations	<b>8,699</b>	207,548
	<b>16,402</b>	208,018
Minority interests		
– continuing operations	<b>(3)</b>	(184)
– discontinued operations	–	–
	<b>(3)</b>	(184)
	<b>16,399</b>	207,834

# Condensed Consolidated Statement of Financial Position

As at 30 September 2009

	Note	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties		155,600	155,600
Property, plant and equipment	12	5,672	12,775
Goodwill	13	119,756	–
Premium for land lease	14	2,409	59,875
Other non-current assets	15	3,100	3,815
Deferred tax assets		1,888	1,888
		<b>288,425</b>	<b>233,953</b>
<b>Current assets</b>			
Inventories		11,579	4,447
Trade and other receivables	16	50,666	57,187
Bank balances and cash		120,764	167,017
		<b>183,009</b>	<b>228,651</b>
<b>Current liabilities</b>			
Trade and other payables	17	48,565	68,275
Obligations under finance leases	18	144	309
Taxation		7,161	1,690
Dividend payable		20,026	–
		<b>75,896</b>	<b>70,274</b>
<b>Net current assets</b>		<b>107,113</b>	<b>158,377</b>
<b>Total assets less current liabilities</b>		<b>395,538</b>	<b>392,330</b>
<b>Non-current liabilities</b>			
Obligations under finance leases	18	55	142
Deferred tax liabilities		1,235	1,235
		<b>1,290</b>	<b>1,377</b>
<b>NET ASSETS</b>		<b>394,248</b>	<b>390,953</b>
<b>CAPITAL AND RESERVES</b>			
Issued capital	20	28,205	28,205
Reserves		359,539	356,241
<b>Total capital and reserves attributable to equity holders of the Company</b>		<b>387,744</b>	<b>384,446</b>
<b>Minority interests</b>		<b>6,504</b>	<b>6,507</b>
<b>TOTAL EQUITY</b>		<b>394,248</b>	<b>390,953</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2009

Attributable to equity holders of the Company						
	Issued capital (Unaudited) HK\$'000	Non- distributable capital reserves (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Accumulated profits (losses) (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balance at 1 April 2009	28,205	134,326	216,587	5,328	6,507	390,953
Exchange difference	-	(89)	-	-	4	(85)
Acquisition of subsidiaries	-	26	-	-	-	26
Disposal of subsidiaries	-	(11,498)	-	11,498	-	-
Proposed dividend	-	-	(6,000)	(14,026)	-	(20,026)
Grant of share options	-	6,896	-	-	-	6,896
Profit for the period	-	-	-	16,491	(7)	16,484
<b>Balance at 30 September 2009</b>	<b>28,205</b>	<b>129,661</b>	<b>210,587</b>	<b>19,291</b>	<b>6,504</b>	<b>394,248</b>
Balance at 1 April 2008	23,505	120,745	216,587	(148,395)	7,096	219,538
Exchange difference	-	(139)	-	-	82	(57)
Profit for the period	-	-	-	208,157	(266)	207,891
Balance at 30 September 2008	23,505	120,606	216,587	59,762	6,912	427,372

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2009

	Note	Six months ended 30 September	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
<b>Continuing operations</b>			
Net cash (used in) generated from operating activities		(218)	12,194
Net cash (outflow) inflow from investing activities		(45,018)	187,436
Net cash outflow from financing activities		(252)	(67)
		(45,488)	199,563
<b>Discontinued operations</b>			
Decrease in cash and cash equivalents from discontinued operations	(a)	(766)	(24,979)
Cash and cash equivalents at 1 April		167,018	36,949
Cash and cash equivalents at 30 September		120,764	211,533
<b>Analysis of balances of cash and cash equivalents:</b>			
Bank balances and cash		120,764	215,011
Bank overdrafts		–	(3,478)
		120,764	211,533
<i>Note (a):</i>			
An analysis of the cash flows of the discontinued operations is as follows:			
Net cash used in operating activities		(353)	(13,010)
Net cash outflow from investing activities		(413)	(13,476)
Net cash inflow from financing activities		–	1,507
		(766)	(24,979)

# Notes to the Condensed Consolidated Financial Statements

## 1. BASIS OF PREPARATION

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

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Group for the year ended 31 March 2009.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements of the Group for the year ended 31 March 2009, except for the impact of the adoption of the new and revised Hong Kong Accounting Standards, Hong Kong Financial Reporting Standards and Interpretations described below.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are effective for the Group's accounting period beginning on 1 April 2009.

HKFRSs (Amendments)	Improvements to HKFRSs issued in October 2008
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 1 (Revised) & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments

HKAS 1 (Revised) has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised standard has had no impact on the reported results or financial position of the Group.

The application of the new HKFRSs had no material effect on how the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustments had been required.

# Notes to the Condensed Consolidated Financial Statements

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Impact of new and revised HKFRSs not yet effective

HKFRSs (Amendments)	Improvements to HKFRSs issued in October 2008 ( <i>Note a</i> )
HKFRSs (Amendments)	Improvements to HKFRSs issued in May 2009 ( <i>Note b</i> )
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ( <i>Note c</i> )
HKFRS 3 (Revised)	Business Combinations ( <i>Note c</i> )

#### Notes:

- a. Amendments to HKFRS 5 effective for annual periods beginning on or after 1 July 2009.
- b. Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 as appropriate.
- c. Effective for transfer of assets from customers received on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

The Group is in the process of making an assessment of the impact of these new HKFRSs and anticipates that the application of these new HKFRSs will have no material impact on the results and the financial position of the Group and the Company.

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### 3. SEGMENT INFORMATION

In the current period, the Group has adopted HKFRS 8 "Operating Segments". HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "systems of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in redesignation of the Group's reportable segments as compared with the primary reportable segment determined in accordance with HKAS 14. The adoption of HKFRS 8 has not changed the basis of measurement of segment profit or loss.

The Group's management assesses the performance of the operating segments based on a measure of adjusted operating profit. This measurement basis includes profit of the operating segments before share of results of associated companies, interest income, interest expenses and tax, but excludes material gain or loss which is of capital nature or non-recurring nature such as gain or loss on disposal or impairment provision on property, plant and equipment, investments, goodwill or other assets. Other information provided to the Group's management is measured in a manner consistent with that in the accounts.

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

# Notes to the Condensed Consolidated Financial Statements

## 3. SEGMENT INFORMATION (continued)

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

### (a) Business segments

Six months ended 30 September 2009	Continuing operations				Discontinued operations		
	Mobile communications services (Unaudited) HK\$'000	Distribution and retail chain (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	International telecommuni-	Inter-segment elimination (Unaudited) HK\$'000	Group (Unaudited) HK\$'000
					cations		
<b>Turnover</b>							
Revenue from external customers	50,075	40,412	-	90,487	4,594	-	95,081
Inter-segment revenue	-	640	-	640	-	(640)	-
Segment turnover	<u>50,075</u>	<u>41,052</u>	<u>-</u>	<u>91,127</u>	<u>4,594</u>	<u>(640)</u>	<u>95,081</u>
<b>Segment results</b>	<u>5,485</u>	<u>(4,532)</u>	<u>(1,394)</u>	<u>(441)</u>	<u>(929)</u>	<u>-</u>	<u>(1,370)</u>
Interest income				648	-	-	648
Finance costs				(16)	-	-	(16)
Gain on disposal of subsidiaries				9,084	9,628	-	18,712
<b>Profit before taxation</b>				<u>9,275</u>	<u>8,699</u>	<u>-</u>	<u>17,974</u>
Taxation				(1,490)	-	-	(1,490)
<b>Profit for the period</b>				<u>7,785</u>	<u>8,699</u>	<u>-</u>	<u>16,484</u>

Six months ended 30 September 2008	Continuing operations				Discontinued operations		Group (Unaudited) HK\$'000
	Mobile communications services (Unaudited) HK\$'000	Distribution and retail chain (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	International	Inter-segment elimination (Unaudited) HK\$'000	
					telecommuni-		
					cations services (Unaudited) HK\$'000		
Turnover							
Revenue from							
external customers	54,118	48,104	-	102,222	232,255	-	334,477
Inter-segment revenue	-	1,101	-	1,101	9,878	(10,979)	-
Segment turnover	<u>54,118</u>	<u>49,205</u>	<u>-</u>	<u>103,323</u>	<u>242,133</u>	<u>(10,979)</u>	<u>334,477</u>
Segment results	<u>7,137</u>	<u>(7,145)</u>	<u>691</u>	<u>683</u>	<u>104</u>	<u>-</u>	<u>787</u>
Interest income				49	14	-	63
Finance costs				(1,016)	(79)	-	(1,095)
Gain on disposal of subsidiaries				-	215,549	-	215,549
(Loss) profit before taxation				(284)	215,588	-	215,304
Taxation				-	(7,413)	-	(7,413)
(Loss) profit for the period				<u>(284)</u>	<u>208,175</u>	<u>-</u>	<u>207,891</u>

# Notes to the Condensed Consolidated Financial Statements

## 3. SEGMENT INFORMATION (continued)

### (b) (i) Geographical segments of the Group's turnover are as follows:

	Continuing operations		Discontinued operations		Total	
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
The People's Republic of China ("PRC")	17,945	1,654	-	-	17,945	1,654
Hong Kong	72,542	100,568	4,594	64,721	77,136	165,289
Other Asia Pacific regions	-	-	-	32,741	-	32,741
North America and the United Kingdom	-	-	-	134,793	-	134,793
	<b>90,487</b>	<b>102,222</b>	<b>4,594</b>	<b>232,255</b>	<b>95,081</b>	<b>334,477</b>

### (ii) Geographical segments of the Group's results are as follows:

	Continuing operations		Discontinued operations		Total	
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
PRC	5,290	(1,485)	-	-	5,290	(1,485)
Hong Kong	(5,731)	2,168	(929)	(3,644)	(6,660)	(1,476)
Other Asia Pacific regions	-	-	-	(3,704)	-	(3,704)
North America and the United Kingdom	-	-	-	7,452	-	7,452
	<b>(441)</b>	<b>683</b>	<b>(929)</b>	<b>104</b>	<b>(1,370)</b>	<b>787</b>

4. OTHER REVENUE

	Six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Rental income	3,608	3,515
Interest income	648	49
Others	1,831	778
	<u>6,087</u>	<u>4,342</u>

5. OTHER NET INCOME

	Six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Write back of allowance of trade and other receivables	561	609
Gain on disposal of premium for land lease and buildings	5,895	–
Reversal of impairment loss on property, plant and equipment	–	249
Sundry income	23	32
	<u>6,479</u>	<u>890</u>

# Notes to the Condensed Consolidated Financial Statements

## 6. FINANCE COSTS

	Six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Interest on bank and other borrowings:		
Wholly repayable within five years	–	746
Not wholly repayable within five years	–	240
Finance charges on obligations under finance leases	<b>16</b>	30
	<b>16</b>	1,016

## 7. PROFIT (LOSS) BEFORE TAXATION

This is stated after charging (crediting):

	Six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Crediting:		
Write back of allowance for trade and other receivables	<b>(561)</b>	(609)
Rental income from investment properties less direct outgoings of HK\$Nil (30 September 2008: HK\$Nil)	<b>(3,608)</b>	(3,515)
Charging:		
Staff costs (include directors' emoluments)	<b>25,526</b>	22,014
Share-based payment	<b>6,896</b>	–
	<b>32,422</b>	22,014
Cost of inventories	<b>16,305</b>	18,646
Depreciation	<b>1,806</b>	2,264
Amortisation		
Premium for land lease	<b>536</b>	844
Intangible assets	–	791
Operating lease charges:		
Telecommunications equipment	<b>1,118</b>	1,647
Premises	<b>10,130</b>	9,227
Allowance for doubtful trade and other receivables	<b>188</b>	179
(Reversal of) provision for inventories write-down	<b>(53)</b>	36
Loss on disposal of property, plant and equipment	<b>698</b>	249

## 8. TAXATION

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

PRC Enterprise Income Tax has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the subsidiaries in the PRC. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

The major components of income tax expense are:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Continuing operations</b>		
Current tax		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	<b>1,490</b>	–
	<hr/>	<hr/>
Tax charge from continuing operations	<b>1,490</b>	–
	<hr/>	<hr/>
<b>Discontinued operations</b>		
Current tax		
Overseas Profits Tax	–	7,413
	<hr/>	<hr/>
Tax charge from discontinued operations	–	7,413
	<hr/>	<hr/>
Total tax charge for the period	<b>1,490</b>	7,413
	<hr/>	<hr/>

# Notes to the Condensed Consolidated Financial Statements

## 9. DISCONTINUED OPERATIONS

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

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

	<i>Note</i>	<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2009</b>	2008
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
<b>Profit for the period from discontinued operations</b>			
Turnover		<b>4,594</b>	232,255
Cost of sales and services		<b>(4,358)</b>	(203,402)
Other revenue		<b>232</b>	350
Other net income		–	643
Distribution costs		<b>(46)</b>	(1,171)
Administrative expenses		<b>(1,351)</b>	(28,557)
Finance costs	(a)	–	(79)
		<hr/>	<hr/>
(Loss) profit before taxation	(b)	<b>(929)</b>	39
Taxation	6	–	(7,413)
		<hr/>	<hr/>
Loss for the period from discontinued operations		<b>(929)</b>	(7,374)
Gain on disposal of discontinued operations		<b>9,628</b>	215,549
		<hr/>	<hr/>
Profit from discontinued operations		<b>8,699</b>	208,175
		<hr/>	<hr/>

Note:

**(a) Finance costs**

	Six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Interest on bank and other borrowings:		
Wholly repayable within five years	-	55
Finance charges on obligations under finance leases	-	24
	<u>-</u>	<u>79</u>

**(b) (Loss) profit before taxation**

This is stated after charging (crediting):

	Six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Crediting:		
Write back of allowance for trade receivables	-	(25)
Charging:		
Staff costs (include directors' emoluments)	452	15,423
Depreciation	272	3,431
Operating lease charges		
Telecommunications equipment	1,293	9,961
Premises	-	7,184
Allowance for doubtful trade and other receivables	77	381
Loss on disposal of property, plant and equipment	17	37
	<u>17</u>	<u>37</u>

**10. DIVIDEND**

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2009 (2008: Nil).

# Notes to the Condensed Consolidated Financial Statements

## 11. EARNINGS (LOSSES) PER SHARE

The calculation of basic earnings (losses) per share is based on the profit (loss) attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the six months ended 30 September 2009.

	<b>Six months ended 30 September</b>	
	<b>2009 (Unaudited)</b>	2008 (Unaudited)
Weighted average number of shares in issue	<b>2,820,500,000</b>	2,350,475,573
Profit (loss) from continuing operations attributable to equity holders of the Company (HK\$'000)	<b>7,792</b>	(18)
Basic earnings (losses) per share from continuing operations attributable to equity holders of the Company (HK cents)	<b>0.28</b>	(0.00)
Profit from discontinued operations attributable to equity holders of the Company (HK\$'000)	<b>8,699</b>	208,175
Basic earnings per share from discontinued operations attributable to equity holders of the Company (HK cents)	<b>0.30</b>	8.86
Profit attributable to equity holders of the Company (HK\$'000)	<b>16,491</b>	208,157
Basic earnings per share attributable to equity holders of the Company (HK cents)	<b>0.58</b>	8.86

Diluted earnings per share for the six months ended 30 September 2009 and 2008 are the same as the basic earnings per share as the conversion of potential ordinary shares to ordinary shares would have anti-dilutive effect.

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2009, the Group invested approximately HK\$3,087,000, of which HK\$1,709,000 was acquired from the acquisition of subsidiaries, (2008: HK\$1,418,000) on property, plant and equipment.

During the six months ended 30 September 2009, the Group disposed of certain subsidiaries which held property, plant and equipment with net carrying amount of HK\$3,105,000.

In addition, buildings with carrying amount of HK\$4,275,000 were disposed of in July 2009 which form part of the consideration for the acquisition of subsidiaries as set out in note 13.

### 13. ACQUISITION OF SUBSIDIARIES

On 1 June 2009, the Group entered into a conditional sale and purchase agreement with Mr. Ting Pang Wan, Raymond, the Chairman of the Company, and Mr. Yam Tak Cheung (both being the connected person of the Group) for the acquisition of the entire issued shares of Victory Marker Limited whose subsidiaries were engaged in provision of retail sales and management services in Shanghai and the assignment of loans due by Victory Marker Limited and its subsidiaries at the consideration of HK\$127,000,000, of which HK\$67,100,000 was satisfied by taking over certain properties of the Group on a dollar for dollar basis pursuant to a conditional sale and purchase agreement dated 1 June 2009 and the remaining balance was paid by cash (the "Acquisition"). The Acquisition and disposal of properties were both completed in July 2009.

The fair value of the identifiable assets and liabilities of the business as at the date of acquisition and their carrying value determined in accordance with HKFRS immediately before combination are as follows:

	<b>Carrying value and fair value</b> HK\$'000
Property, plant and equipment	1,709
Cash and cash equivalents	6,106
Trade and other receivables	19,112
Inventories	2,711
Trade and other payables	(18,304)
Tax payables	(4,090)
	<hr/>
	7,244
Goodwill arising on acquisition	119,756
	<hr/>
Total consideration	127,000
	<hr/>
Consideration	
Cash paid	59,900
Disposal of premium for land lease and buildings	67,100
	<hr/>
	127,000
	<hr/>
Net cash acquired from the subsidiaries	6,106
Cash paid	(59,900)
	<hr/>
Net cash outflow	(53,794)
	<hr/>

# Notes to the Condensed Consolidated Financial Statements

## 13. ACQUISITION OF SUBSIDIARIES (continued)

Since acquisition, the acquired business has contributed HK\$17,375,000 and HK\$4,499,000 to the revenue and profit of the Group respectively.

If the business combinations effected during the period had been taken place at the beginning of the period, the revenue and profit for the Group would have been HK\$32,006,000 and HK\$4,589,000 respectively.

Goodwill is attributable to the acquired workforces, the profitability and customers relationship synergies expected to arise from the acquired subsidiaries.

## 14. PREMIUM FOR LAND LEASE

Premium for land lease with carrying amount of HK\$56,930,000 were disposed of in July 2009 which form part of the consideration for the acquisition of subsidiaries as set out in note 13.

## 15. OTHER NON-CURRENT ASSETS

During the six months period ended on 30 September 2009, the Group disposed of a subsidiary which held other current assets with carrying amount of HK\$715,000.

## 16. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
<b>Trade receivables</b>			
Trade receivables from third parties		<b>47,975</b>	40,104
Allowance for doubtful debts	(a)	<b>(17,485)</b>	(18,296)
		<b>30,490</b>	21,808
<b>Other receivables</b>			
Deposits, prepayments and other receivables	(b)	<b>20,175</b>	35,370
Due from associates		<b>1</b>	9
		<b>20,176</b>	35,379
		<b>50,666</b>	57,187

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

The ageing analysis of the trade receivables (net of allowance for doubtful debts) as at the end of the reporting period is as follows:

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
0 – 30 days	<b>17,820</b>	8,826
31 – 60 days	<b>2,468</b>	2,682
61 – 90 days	<b>1,757</b>	1,637
Over 90 days	<b>8,445</b>	8,663
	<b>30,490</b>	21,808

(a) Allowance for doubtful debts

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Balance at beginning of period	<b>18,296</b>	49,532
Increase in allowance	<b>280</b>	1,608
Amount recovered	<b>(104)</b>	(442)
Amount written off	<b>(863)</b>	(2,978)
Disposal of subsidiaries	<b>(158)</b>	(29,424)
Acquisition of subsidiaries	<b>34</b>	–
	<b>17,485</b>	18,296

Included in the Group's trade receivables balance are debtors with a carrying amount of HK\$14,011,000 (31 March 2009: HK\$13,408,000) 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 average age of these receivables is 30-60 days (31 March 2009: 30-60 days).

# Notes to the Condensed Consolidated Financial Statements

## 16. TRADE AND OTHER RECEIVABLES (continued)

(b) Included in deposits, prepayments and other receivables are deferred consideration receivables of HK\$1,000,000 from disposal of a subsidiary.

## 17. TRADE AND OTHER PAYABLES

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
<b>Trade payables</b>	<b>17,937</b>	36,194
<b>Other payables</b>		
Accrued charges and other creditors	<b>24,317</b>	19,049
Advance subscription fees received	<b>2,474</b>	9,284
Deposits received	<b>3,136</b>	3,024
Due to associates	<b>701</b>	724
	<b>30,628</b>	32,081
	<b>48,565</b>	68,275

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

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
0 – 30 days	<b>13,853</b>	6,123
31 – 60 days	<b>1,551</b>	4,710
61 – 90 days	<b>465</b>	1,985
Over 90 days	<b>2,068</b>	23,376
	<b>17,937</b>	36,194

## 18. OBLIGATIONS UNDER FINANCE LEASES

The minimum lease payments are as follows:

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Amount payable:		
Within one year	<b>155</b>	335
In the second to fifth years inclusive	<b>56</b>	147
	<b>211</b>	482
Future finance charges	<b>(12)</b>	(31)
Present value of lease obligations	<b>199</b>	451

The present value of minimum lease payments is as follows:

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Within one year	<b>144</b>	309
In the second year to fifth years inclusive	<b>55</b>	142
	<b>199</b>	451

The effective interest rate of the finance lease obligations is 4.95% (31 March 2009: 11.26%).

# Notes to the Condensed Consolidated Financial Statements

## 19. DISPOSAL OF SUBSIDIARIES

	Six months ended 30 September 2009 (Unaudited) HK\$'000
<b>Net liabilities disposed of:</b>	
Property, plant and equipment	3,105
Other non-current assets	715
Inventories	312
Trade and other receivables	6,377
Cash and cash equivalents	789
Trade and other payables	<b>(18,523)</b>
	<hr/>
	(7,225)
Gain on disposal of subsidiaries	<b>18,712</b>
	<hr/>
	<b>11,487</b>
	<hr/>
Satisfied by:	
Net consideration received	10,670
Deferred consideration receivables	1,000
Less: Costs related to disposal	<b>(183)</b>
	<hr/>
	<b>11,487</b>
	<hr/>
Net cash inflow arising on disposal:	
Net consideration received, net of related costs	10,487
Less: Cash and cash equivalents disposed of	<b>(789)</b>
	<hr/>
	<b>9,698</b>
	<hr/>

## 20. ISSUED CAPITAL

	30 September 2009		31 March 2009	
	Number of shares	(Unaudited) HK\$'000	Number of shares	(Audited) HK\$'000
Authorised:				
Ordinary shares				
At 30 September 2009 and at 31 March 2009 at HK\$0.01 each	<b>78,000,000,000</b>	<b>780,000</b>	78,000,000,000	780,000
Issued and fully paid:				
Ordinary shares at \$0.01 each				
At 1 April	<b>2,820,500,000</b>	<b>28,205</b>	2,350,475,573	23,505
Share issued upon placement ( <i>note</i> )	–	–	470,024,427	4,700
At 30 September 2009 and 31 March 2009	<b>2,820,500,000</b>	<b>28,205</b>	2,820,500,000	28,205

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

# Notes to the Condensed Consolidated Financial Statements

## 21. RELATED PARTY TRANSACTIONS

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

		<b>Six months ended 30 September</b>	
		<b>2009 (Unaudited) HK\$'000</b>	2008 (Unaudited) HK\$'000
<b>(a)</b>	<b>Expense (Income)</b>		
	<b>Salaries and other short-term employee benefits paid to:</b>		
	Key management personnel, including amounts paid to the Company's directors		
	Employee benefits expenses	<b>5,493</b>	5,884
	Share-based payment	<b>5,397</b>	–
		<b>10,890</b>	5,884
	<b>Service fees paid to:</b>		
	A minority shareholder of subsidiaries	<b>873</b>	683
	<b>Rental expenses paid to:</b>		
	A related company	<b>630</b>	–
	<b>Service fees received from:</b>		
	A minority shareholder of subsidiaries	<b>(127)</b>	(40)
<b>(b)</b>	<b>Other transactions with related parties</b>		

In July 2009, the Group completed its acquisition of the entire issued shares of Victory Marker Limited and its subsidiaries at the consideration of HK\$127,000,000. Further details of the transactions are included in note 13.

## 22. COMMITMENTS

### (a) Commitments under operating leases

At 30 September 2009, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
In respect of leased properties, including transmission sites:		
Within one year	<b>17,205</b>	10,615
In the second to fifth years inclusive	<b>18,474</b>	7,792
After five years	<b>4,893</b>	5,560
	<b>40,572</b>	23,967
In respect of leased lines:		
Within one year	<b>50</b>	888
In the second to fifth years inclusive	–	2,400
After five years	–	2,400
	<b>50</b>	5,688

### (b) Operating lease arrangements

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:

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Within one year	<b>4,350</b>	4,352
In the second to fifth years inclusive	<b>6,952</b>	–
	<b>11,302</b>	4,352

# Management Discussion and Analysis

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## RESULTS AND OPERATIONS REVIEW

The meltdown of the financial industry and the deteriorating global market conditions that began in late 2008 continued to impact the business negatively in the first half of the fiscal year. During the period under review, the Group recorded a total turnover of HK\$95,081,000 of which HK\$90,487,000 was from the continuing operations. This represents a 72% decline when compared to the total turnover in last corresponding period reflecting the divestiture of the wholesales voice business. The overall gross profit margin improved substantially to 42% from 20% a year earlier as a result of exiting the low margin wholesales voice business. During the period, the Group managed to record a net profit after tax of HK\$16,484,000, representing a substantial decrease against HK\$207,891,000 in the last corresponding period. This was largely due to a smaller extraordinary gain from the disposal of the discontinued operations during the period. Excluding the effect of disposal and the discontinued operations, the Group recorded a net loss of HK\$1,299,000 from the continuing operations.

During the period, the Group continued to restructure its business portfolio focusing in the fast growing segments that would lay a foundation for the Group moving forward. In July 2009, the Group had successfully completed the acquisition of a Shanghai-based retail sales and management service business making it the first entry into the fast growing China telecom value-added service market. This acquisition sets up a new milestone in the Group's transformation into the next generation service provider in Greater China. The Group also completed the divestiture of the Hong Kong prepaid calling card and fixed line businesses resulting in one time disposal gain of approximately HK\$18,712,000 during the review period.

### Mobile Communications Services

Turnover for the mobile segment, which includes both the Mobile Virtual Network Operators ("MVNO") and Trunked Radio businesses, decreased by 8% to HK\$50,075,000 for the period under review. This turnover accounted for 55% of Group's continuing operations. Gross margin stood at 37% and operating profit amounted to HK\$5,485,000.

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During the period under review, MVNO business continued to face declining call volume, downward pricing pressure and increasing churn. The most significant impact was the financial turmoil that began in late 2008 and continued into first half of the 2009 fiscal year resulting in the reduction of travel by business executives for local manufacturers and multinational corporations. This slowdown in business travel across the border had a profound negative impact on usage and churn of MVNO's cross border mobile service. In addition, major mobile operators were stepping up their aggressive marketing efforts during this downturn period and increasingly using price as a marketing tool, resulting in a higher churn rate. Despite the economic and competitive pressure, MVNO business managed to increase the total post paid subscribers by more than 6%. During the period, MVNO business recorded a turnover of \$46,258,000, down 8% versus the same period a year ago.

The Trunked Radio business, is one of the few licensed Public Radiocommunications Services ("PRS") operators in Hong Kong. Although the demand of the PRS continues to shrink over the period taken over by the traditional mobile services, Trunked Radio business had managed to protect and maintain its customer base. Turnover for the business was HK\$3,817,000, a decrease of 5% versus the same period last year with a gross profit margin of 31%. The Group continued to explore options to upgrade its network to digital platform in order to expand the capability and new call features to better meet the demand of customers in the PRS market.

As competition continues to heat up in the cross border mobile segment, the Group will explore to broaden its service portfolio in the cross border data communication services to protect and support its core customers.

### **Distribution and Retail Chain**

During the period under review, turnover for the segment, which reflected the divestiture of prepaid calling card business and the addition of Shanghai-based service business, decreased by 16% to HK\$40,412,000. This turnover accounted for 45% of the Group's turnover for the continuing operations. The decrease was primarily attributed to the slowdown of the Hong Kong retail market as a result of the global financial industry meltdown and the increasing competitiveness of the mobile service business. Gross margin improved substantially to 52% from 35% a year ago due to a higher gross margin received from the Shanghai-based retail service business. Excluding one-time gain from the sales of prepaid card business and the loss of disposal of investment, the segment incurred an operating loss of HK\$4,532,000 reflecting a lower turnover and a higher corporate overhead cost.

# Management Discussion and Analysis

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## RESULTS AND OPERATIONS REVIEW (continued)

### Distribution and Retail Chain (continued)

In July 2009, the Group had acquired the Shanghai-based retail sales and management service business. The business primarily provides sales and management services to 27 retail shops and distributes prepaid mobile cards for China Mobile in Shanghai. This was the Group's first foray into the telecom management service business in China and provided a solid foundation from which the Group can grow. Turnover for the Shanghai business for the three months since the acquisition was HK\$17,375,000 with a gross margin of 70%.

During the period, the Group had divested the local prepaid calling card business which consisted of IDD and mobile prepaid calling card services resulted in a disposal gain of approximately HK\$8,668,000. The divestiture allowed the Group's MVNO business more flexibility to develop other wholesales business and sales channels which otherwise would create issues in channel management.

Since late last year, the dynamics of the Hong Kong mobile market had changed. Mobile operators had aligned their brand strategy resulted in a reduction of branded service plans available via the CM Concept ("CMC") stores. As such, CMC had experienced a gradual decline in customer traffic and businesses. During the period, turnover was HK\$23,107,000, down 28% versus the same period last year. Gross margin remained relatively stable at an approximately 38%. In view of the uncertainty in the economy and changing market condition, the Group has adopted various measures to enhance competitiveness and efficiency in its operation. It had begun to swap out the high cost retail outlets with the objective to align the overall rental cost with the turnover. During the period, it had opened two new stores in Wong Tai Sin and Ma On Shan, reaching a total of 20 stores. In addition, the Group is exploring to broaden its product portfolio to reposition itself in the growing multimedia services space allowing CMC to attract new customers and improve its turnover.

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## **PROSPECTS**

As the world economy begins to improve, the road to a full recovery for the Group's existing business continues to be bumpy. The dip in the fiscal climate coupled with the challenging industry environment will continue putting pressure on the operations of the Group. The MVNO business has seen sign of improvement with churn rate beginning to stabilize. The Hong Kong retail business continues to face the challenge in the foreseeable future. The entry into the China market provides an excellent opportunity for the Group to participate in the fast growing 3G business. With the issuance of 3G licenses in China, the Group's new entity in China will benefit from the substantial investments made by all China mobile carriers in developing value-added services to differentiate their basic voice telephony service as competition begins to heat-up.

Going forward, the Group will make the appropriate step to contain its cost and to align its cost with the turnover. It will continue to actively explore different potential investment opportunities to strengthen and expand its businesses portfolio in the fast growing telecommunications market in China.

## **DISPOSAL OF BUSINESSES**

### **Long Distance Call Services and Retail Sales of International Calling Cards**

On 9 April 2009, the Group completed the disposal of Digital Pacific Limited ("Digital Pacific") which was engaged in the provision of long distance call services and retail sales of international calling cards pursuant to a sale and purchase agreement dated 7 April 2009 between Eagle Heights Limited, a wholly-owned subsidiary of the Company, and an independent third party. The disposal resulted in a substantial disposal gain of approximately HK\$8,668,000.

### **Fixed Network Services**

Upon completion of disposal of CM Tel (HK) Limited ("CM Tel (HK)") which was engaged in provision of fixed network services at a cash consideration of HK\$10,000,000 (subject to adjustments) on 31 July 2009 pursuant to a sale and purchase agreement dated 20 July 2009 between ChinaMotion NetCom Holdings Limited, a wholly-owned subsidiary of the Company, and CITIC 1616 Holdings Limited, net proceeds of approximately HK\$9,570,000 were raised for the Group and a disposal gain of approximately HK\$9,628,000 was recorded.

# Management Discussion and Analysis

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## **DISPOSAL OF BUSINESSES (continued)**

### **Maintenance Services and Telecommunications Related Services**

On 31 August 2009, CM Concept Limited, a wholly-owned subsidiary of the Company, as vendor, and an independent third party, as purchaser, entered into a sale and purchase agreement in relation to the disposal of all the entire issued share capital of CM Concept Holdings (China) Limited ("CMCHC") which together with its subsidiaries were engaged in maintenance services and provision of telecommunications related services at a consideration of HK\$2,100,000. Such disposal was completed on 10 September 2009 and as a result, net proceeds of approximately HK\$2,100,000 were raised for the Group and a disposal gain of approximately HK\$416,000 was recorded.

(The disposal of the businesses referred herein, collectively the "Business Disposal")

Following the Business Disposal, Digital Pacific, CM Tel (HK) and CMCHC had no longer been the wholly-owned subsidiaries of the Company. The net proceeds of approximately HK\$11,670,000 in total were raised for the Group and disposal gain of approximately HK\$18,712,000 in total was recorded.

## **ACQUISITION OF SHANGHAI-BASED RETAIL SALES AND MANAGEMENT SERVICES AND DISPOSAL OF PROPERTIES**

On 1 June 2009, the Group entered into a conditional sale and purchase agreement with Mr. Ting Pang Wan, Raymond ("Mr. Ting"), the Chairman of the Company, and Mr. Yam Tak Cheung ("Mr. Yam") (both being the connected person of the Group) for the acquisition of the entire issued shares of Victory Marker Limited which together with its subsidiaries were engaged in provision of retail sales and management services in Shanghai and the assignment of loans due by Victory Marker Limited and its subsidiaries at the consideration of HK\$127,000,000, of which HK\$67,100,000 was satisfied by taking over certain properties of the Group on a dollar for dollar basis pursuant to a conditional sale and purchase agreement dated 1 June 2009 and the remaining balance was paid by cash (the "Acquisition"). The Acquisition and disposal of properties were both completed in July 2009. Upon the completion of the said disposal of properties, the Group entered into a tenancy agreement with the nominee of Mr. Ting and Mr. Yam for leasing back the properties at rental of HK\$315,000 per month (exclusive of Government rent, rates and management fees) for office use for a term of three (3) years. Details of the transactions were disclosed in the announcements dated 1 June 2009 and 14 July 2009 and circular dated 22 June 2009 respectively.

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## FINANCIAL POSITION

As at 30 September 2009, the Group's bank balances and cash substantially held in HKD currency amounted to approximately HK\$120,764,000 (*31 March 2009: HK\$167,017,000*). Obligations under finance leases made in HKD currency at fixed interest rate amounted to approximately HK\$199,000 (*31 March 2009: HK\$451,000*). The Group's obligations under finance leases are repayable monthly and the last monthly installment will be in March 2011. The gearing ratio of total borrowings as a percentage of the total capital and reserves attributable to equity holders of the Company was approximately 0.05% (*31 March 2009: 0.12%*).

Following the completion of the Business Disposal and the Acquisition, there was net cash outflow of approximately HK\$44,096,000.

It is anticipated that the Group's bank balances and cash as at 30 September 2009, together with the stable rental income will be sufficient to fund its operations. As at 30 September 2009, the Group had no banking facilities.

## SHARE CAPITAL

As at 30 September 2009, the Company had 2,820,500,000 shares in issue with total shareholders' fund of the Group amounting to approximately HK\$387,744,000.

## FINANCIAL GUARANTEES

As at 30 September 2009, the Group had contingent liabilities amounting to approximately HK\$10,763,000 (*31 March 2009: HK\$18,748,000*) in respect of guarantees given to third parties against non-performance of contractual obligations by subsidiaries and former subsidiaries.

## CHARGE ON ASSETS

As at 30 September 2009, the Group did not have any charge on its assets (*31 March 2009: HK\$220,370,000*).

## 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.

# Management Discussion and Analysis

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## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2009, the Group had 437 full-time staff. Total staff costs (including directors' emoluments) incurred by both continuing and discontinued operations for the period amounted to approximately HK\$32,874,000 (2008: HK\$37,437,000). The Group's remuneration policy is in line with prevailing market practice on performance of individual staff. In addition to salaries, the Group also offers other benefits to its staff, including discretionary bonus, training allowance and provident fund.

### DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2009, the directors and chief executive of the Company or their respective associates had the following interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which such director or chief executive was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange:

#### (a) Interests in shares of the Company

Name of director	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.

## Other Information

### DIRECTORS' INTERESTS IN SECURITIES (continued)

#### (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%
Ms. FAN Wei	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 and refreshed on 23 September 2009 to subscribe for shares of the Company during the period, further details of which are set out in the section of "SHARE OPTION SCHEME".

#### (c) Interests in shares of associated corporations of the Company

Name of director	Name of associated corporation	Relationship with the Company	Nature of interest	Position	No. of share(s) held	Approximate percentage of shareholding
Mr. TING Pang Wan, Raymond	Marvel Bonus	Holding company of the Company	Corporate (Note 1)	Long	1	50.00%
	Rojam Entertainment Holdings Limited ("Rojam")	Fellow subsidiary of the Company	Corporate (Note 2)	Long	1,234,715,251	64.10%

Notes:

- (1) 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.
- (2) The corporate interest of Mr. Ting Pang Wan, Raymond in Rojam is beneficially owned by Marvel Bonus, the entire issued share capital of which is owned as to 50% by Integrated Asset and as to the remaining 50% by Shanghai Assets. Shanghai Assets is wholly and beneficially owned by Mr. Ting. Mr. Ting is therefore deemed to be interested in the 1,234,715,251 shares held by Marvel Bonus in Rojam.

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All interests disclosed above represent long positions.

Save as disclosed above, as at 30 September 2009, none of the directors, chief executive of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which such director or chief executive was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

## Other Information

### SUBSTANTIAL SHAREHOLDERS

As at 30 September 2009, so far as being known to the directors and chief executive of the Company, the following parties (other than the directors and chief executive of the Company) had or were deemed to have the following interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company:

#### (a) Interests in shares of the Company

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

*Notes:*

- (1) Marvel Bonus is owned as to 50% by Integrated Asset and as to the remaining 50% by Shanghai Assets. Integrated Asset and Shanghai Assets are therefore deemed to be interested in the 1,555,000,000 shares held by Marvel Bonus. Integrated Asset is in turn wholly and beneficially owned by Mr. Yam Tak Cheung. Mr. Yam is therefore also deemed to be interested in the 1,555,000,000 shares held by Marvel Bonus.
- (2) The interests disclosed represent the same interests as the corporate interest of Mr. Ting Pang Wan, Raymond as disclosed under the section of "DIRECTORS' INTERESTS IN SECURITIES" above.

**(b) Interests in unlisted warrants of the Company**

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

*Note:* The 460,000,000 units of unlisted warrants, entitling the holder of such warrants to subscribe for up to an aggregate of 460,000,000 shares of the Company (which represents 16.31% of the issued share capital of the Company as at 30 September 2009) at a subscription price of HK\$0.337 (adjusted) per new share of the Company at any time during a period of 24 months commenced on 23 January 2008 and expiring on 22 January 2010, were first issued on 23 January 2008 pursuant to a subscription agreement dated 10 January 2008 entered into between the Company and Oncentury Limited. Mr. Ding Lu is the sole registered member of the entire issued share capital of Oncentury Limited.

Save as disclosed above, the Company has not been notified of any persons who, as at 30 September 2009, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company.

## **SHARE OPTION SCHEME**

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

## Other Information

### SHARE OPTION SCHEME (continued)

Grantee	Number of share options					Date of grant	Exercise period	Exercise price per share option HK\$	Closing price immediately before the date of grant HK\$	Weighted average closing price immediately before the date of exercise HK\$	Approximate percentage of issued shares
	Outstanding as at 1 April 2009	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period	Outstanding as at 30 September 2009						
<b>Directors:</b>											
Wu Chi Chiu	-	12,000,000	-	-	12,000,000	10/08/2009	10/08/2009 – 09/08/2019	0.182	0.176	N/A	0.43%
	-	8,000,000	-	-	8,000,000	29/09/2009	29/09/2009 – 28/09/2019	0.160	0.155	N/A	0.28%
	-	20,000,000	-	-	20,000,000						0.71%
Fan Wei	-	12,000,000	-	-	12,000,000	10/08/2009	10/08/2009 – 09/08/2019	0.182	0.176	N/A	0.43%
	-	8,000,000	-	-	8,000,000	29/09/2009	29/09/2009 – 28/09/2019	0.160	0.155	N/A	0.28%
	-	20,000,000	-	-	20,000,000						0.71%
Sub total	-	40,000,000	-	-	40,000,000						1.42%
<b>Employees and Others:</b>											
	-	26,000,000	-	-	26,000,000	10/08/2009	10/08/2009 – 09/08/2019	0.182	0.176	N/A	0.92%
	-	17,000,000	-	-	17,000,000	29/09/2009	29/09/2009 – 28/09/2019	0.160	0.155	N/A	0.60%
Sub total	-	43,000,000	-	-	43,000,000						1.52%
Total	-	83,000,000	-	-	83,000,000						2.94%

There was no vesting period for the share options granted during the period.

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

### Value of share options

Pursuant to Rule 17.08 of the Listing Rules, the value of the share options granted during the period is as follows to be expensed through the Group's income statement. The Group recognised an equity-settled share-based payment of approximately HK\$6,896,000 (2008: Nil) during the period.

The estimated fair values of share options granted by the Company were measured on the dates of grant by using Binomial option pricing model (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. The inputs into the Model were as follows:

	Date of grant	
	10 August 2009	29 September 2009
Closing share price at the date of grant	HK\$0.182	HK\$0.160
Exercise price	HK\$0.182	HK\$0.160
Risk free rate (Note a)	2.65%	2.35%
Expected life of option (Note b)	1-3 years	1-3 years
Expected volatility (Note c)	96.53%	96.61%
Expected dividend yields (Note d)	3.90%	4.44%

Notes:

- (a) The risk-free rates are assumed to be the effective yields on Hong Kong Exchange Fund Notes of similar maturities as expected tenors of the share options at the date of grant;
- (b) The grantees have rights to exercise the respective share options at any time during the remaining time to maturity from the date after the share options have been vested and before the expiration of the relevant share options;

## Other Information

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### SHARE OPTION SCHEME (continued)

Notes: (continued)

- (c) The historical annualised volatilities of 96.53% and 96.61% are deemed to be appropriate estimates to serve as the expected volatilities of the shares of the Company as of 10 August 2009 and 29 September 2009 respectively and are assumed to be constant and prevailing;
- (d) The dividend yields of 3.90% and 4.44% are deemed to be appropriate estimates to serve as the expected dividend yields of the shares of the Company as of 10 August 2009 and 29 September 2009 respectively and are assumed to be constant and prevailing.

### 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 internal controls and financial reporting matters, including the review of the Group's interim results for the six months ended 30 September 2009.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30 September 2009.

### CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has applied the principles in and complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the period, except that under code provision E.1.2, Mr. Ting Pang Wan, Raymond, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 23 September 2009 due to other business commitments.

### CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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## CHANGE OF INFORMATION OF DIRECTORS

Since the date of 2008/09 annual report, the changes of directors as at 30 September 2009 are as follows:

- (a) Mr. Lo Chi Ho, William retired as independent non-executive director of the Company and resigned as a member and the Chairman of Audit Committee and Remuneration Committee and a member of Nomination Committee on 23 September 2009.
- (b) Mr. Sin Ka Man (“Mr. Sin”) was appointed as an independent non-executive director of the Company, a member and the Chairman of Audit Committee and Remuneration Committee and a member of Nomination Committee on 23 September 2009.

Mr. Sin has over 17 years of professional experience in auditing, accounting and financial management for both private and listed corporations. He is an independent non-executive director of each of Chinese People Holdings Company Limited, LeRoi Holdings Limited and Xtep International Holdings Limited, companies listed on Main Board of the Stock Exchange, and Sino Haijing Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Sin holds a bachelor degree in social sciences from the University of Hong Kong, a master degree in finance from the University of Strathclyde in 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. As at the date of report, Mr. Sin did not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company for the purpose of the Listing Rules. He is entitled to an annual director’s fee of HK\$100,000.

## Other Information

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### OTHER DISCLOSURE

The directors of the Company are not aware of any material changes from the information disclosed in the annual report of the Company for the year ended 31 March 2009, other than those disclosed in this report.

By order of the Board

**Ting Pang Wan, Raymond**

*Chairman*

Hong Kong, 15 December 2009