

Reaching High

... to be “one of the first nationwide virtual network operators and value-added service provider in China”
... clear business structure, shared vision between management and staff, and a determined development direction ... continue pursuing the China market and develop three core businesses.



I would like to present the results of China Motion Telecom International Limited (“the Company”) and its subsidiaries (collectively, “the Group”) for the year ended 31 March 2001. Turnover was HK\$768 million, a 13.8% decrease over last year. Total audited loss attributable to shareholders amounted to HK\$212 million. Excluding the provision for obsolescent equipment and the impairment of assets and goodwill of HK\$236 million, the overall results of the Group for the year would have shown a profit of HK\$24 million. The Board of Directors does not recommend the payment of a final dividend.

Refine business structure and development strategy Further prepare for entering the China telecom market

The China telecom market continues to show strong growth with an annual growth rate of over 20%. With China’s imminent entrance into the World Trade Organization (“WTO”), the Chinese government has speeded up the pace of opening up its telecom market to meet the entrance requirements. This precipitates a competitive environment in the domestic market. These market changes, along with the breakthrough of information technology, have led the Group to focus its

efforts on maintaining its steady growth and its ability to adapt to changes. Furthermore, the Group has to prepare itself for direct participation in China’s domestic telecom operations and services after its market opens up.

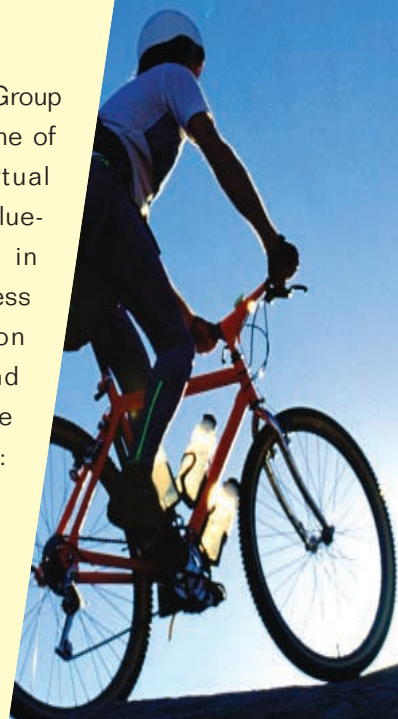


Wu Bangguo, Vice Premier of China (middle) kicked off the lion dance during his visit to China Motion’s booth in the ITU Telecom Asia 2000

staff, and a determined development direction, it is the objective of the Group to continue pursuing the China market and endeavor itself to develop its three core businesses: namely Telecommunications Networks, Distribution and Retail Chain and Unified Messaging Services, through the implementation of the following strategies:

- 1. Open new points of leverage for economic growth,**
- 2. Foster our core competitiveness based on our own strengths and seek arenas with developing potential,**
- 3. Set up and develop win/win tactical cooperative and partnership relations with domestic and international telecom network operators and equipment manufacturers.**

During the year, the Group repositioned itself to be “one of the first nationwide virtual network operators and value-added service provider in China”. With a clear business structure, a shared vision between management and



The three core business areas have achieved anticipated results

Last year, the Group carried out a massive business restructuring and has put together the development strategies for its three core businesses. The proportion of their turnovers in the past financial year showed that the restructuring has initially accomplished anticipated results. Although certain businesses were unable to contribute any profit for the time being, however, their new management structure and mode of operation have gradually been building up. At the same time, breakthrough development in new businesses and strategic alliances for various businesses have already begun to set up, too. After years of dedication, the Group has successfully transformed itself from a paging operator to become a diversified telecom service provider focusing on distributing, reselling and serving as a retail agent of various communication products and services.



Management of China Motion and Edge2Net jointly announced their cooperation in VoIP and IP businesses

Throughout the year, the Group established major developments in its Telecommunications Networks business. Although IDD tariff in both Mainland China and Hong Kong have reduced significantly due to the industry's price war, the usage volume benefited from the stimulation. Hence, the IDD voice traffic of the Group continued to sustain strong growth and it has become one of the fastest growing businesses of the Group with optimistic development potential.

The Group materialized the setting up of strategic partnerships with domestic and international network operators. It entered co-operative agreements with China Telecom, Edge2Net, China Netcom, and AboveNet to develop the VoIP and IP businesses. Not only will these co-operative agreements strengthen the telecom network in terms of technology and infrastructure facilities, but also they will further expand the Group's network coverage and enhance its network assets in Mainland China, Hong Kong and U.S.A.

The Group's retail flagship "CM Concept", a retail chain for mobile communication products and services, operates under a competitive market environment. Nevertheless, its established brand name, coupled with its strong retail chain and diversified product line, has enabled the company to gain a reputable status in the Hong Kong market. To enhance the selling capabilities of "CM Concept", the Group will generate a better sales mix by closely monitoring the market demand for new products and services.

According to a report from the Strategis Group in the U.S., the current mobile phone users in China only reach 6.7% of its population and it is expected to grow at an annual rate of 23%. By 2007, the number of users will reach 330 million. With such an enormous market, the Group has development plans in place to extend the operation of "CM Concept" in the China domestic market. During the year, the Group has signed joint venture agreements with its strategic partners in China and successfully launched "CM Concept" in Eastern and Southern China. Our chain stores now reach major cities such as Shanghai and Guangzhou. The Group will further invest and expand its "CM Concept" in China following the pace of market opening.

Unified Messaging Services remain as the solid operation base of the Group. Despite the popularity of mobile phones, the Group continues to enhance the capability and services of its paging operation. Apart from consolidating its current customer base in Hong Kong, the Group also actively explores the China market, particularly those regions where economic development has only commenced and old communication products, such as pagers, still have strong demand. By providing the technical support, the Group assists China Motion Telecom Holdings Limited (“CMTH”, formerly known as China Motion Telecom Development Company) in expanding its paging business into Xinjiang and Yunnan in China. This, as a result, has intensified the Group’s cross-border roaming service coverage. At the same time, through cooperation with mobile phone network operators such as China Mobile, the Group further provides value-added services employing the paging and GSM short messages platform link technology. This will help lay a strong foundation for the Group in transforming its business from wireless telecom to mobile virtual network operator.

China focus business direction reaffirmed

During the period under review, the Group reaffirmed its China focus development direction through a series of measures. The company name has changed from “CM Telecom International Limited” to “China Motion Telecom International Limited” with its Chinese name remains unchanged. The Group believes that the change of name will better reflect the Group’s market development focus, allowing its business partners, investors and other parties to identify the Group as a company with a stringent business focus on China.

In order to enhance its operational efficiency and its flexibility to cope with the ever changing opportunities brought by the opening up of the China telecom market, the Group has converted its primary listing status in Singapore Stock Exchange to secondary listing, with due consideration and after having consulted professional advisers. The primary listing status in Hong Kong remains unchanged.

Base in China, root in Hong Kong and eye on the world

Year 2000 marks an important milestone in the Group’s process of development. In response to changes in market forces and technology, the Group has transformed from a paging company to a diversified telecom company. In the process, the Group underwent corporate and business restructuring and suffered provisions for obsolescent assets and goodwill. However, it strengthened its strategic partnership relationship with CMTH, accumulated substantial funding and also recruited appropriate talent for future tasks.

Year 2000 also denotes the successful transformation of the Group and moreover, it has taken its first step in accessing the international telecom markets. At present, the VoIP and IP telecom networks of the Group have already extended to North America, linking up with the



China Motion participated in the ITU Telecom Asia 2000 Expo. The “Got China” theme revealed its China focus development objective

CHAIRMAN'S STATEMENT

main network backbone in Mainland China and the U.S. Other than the "214" license of the U.S., the Group also holds an international telephone operating license in Hong Kong. By virtue of its good relationships with international telecom operators, the Group is well equipped to compete in the international telecom market.

Not only does year 2001 signify the arrival of a new era, it also marks the beginning of the Tenth Five-year Plan of the Chinese government. Looking ahead, with the imminent entrance into the WTO, China will become the focus of global development. The opening up of China telecom market implies that domestic enterprises will be competing in the international telecom market as well. Foreign telecom enterprises and product providers will be, at the same time, entering China. By that time, Hong Kong will become a bridge to link up domestic and foreign telecom enterprises to facilitate either an entry or a departure of the China market. I am confident that by virtue of the Group's knowledge in both the domestic and international telecom markets, its good relationships with network operators and its wide market distribution channel, it is well positioned to play an important intermediary role. Co-operations on a "win-win" base will enable the Group to fulfil its objectives of becoming one of the first nationwide virtual network operators in China and establishing itself as a multi-national telecom enterprise.

Thereafter, the Group will continue to develop its three core businesses focusing on China. It will establish wider business alliances with both domestic and foreign telecom enterprises. It will further strengthen its distribution capabilities in the China market. Through innovative technology, it will also diversify its telecom related services.

Barring unforeseen circumstances, I anticipate that the Group will return to profitability in the upcoming financial year.

Finally, I would like to take this opportunity to thank our staff for their hard work and dedication in the past year and the support of our shareholders to the Group. The success of China Motion in the past and today is the result of their never-ending support. Looking forward, with our best endeavor we shall bring fruitful returns to our shareholders.

HAU Tung Ying

Chairman

12 July 2001