

INTERIM REPORT

For The Six Months Ended 30.9.2001

CONTENTS

	<i>Page</i>
Condensed consolidated income statement	1
Condensed consolidated balance sheet	2
Statement of changes in equity	4
Condensed consolidated cash flow statement	5
Notes to condensed consolidated financial statement	6
Group chart	16
Results and operations review	17
Subsequent events	18
Prospects	19
Financial position	20
Remuneration of employees	20
Organization chart	21
Other disclosure	21
Purchase, sale or redemption of listed shares	22
Directors' interests in equity or debt securities	22
Substantial shareholders	24
Compliance with the code of best practice	25
Audit committee	25
Corporate information	26

The Board of Directors of China Motion Telecom International Limited (the “Company”) is pleased to present the interim report and condensed financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2001. The Group’s consolidated income statement, statement of changes in equity and consolidated cash flow statement for the six months ended 30 September 2001, and the consolidated balance sheet of the Group as at 30 September 2001, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 1 to 15 of this report.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2001

	Note	Unaudited	
		Six months ended	
		30 September	
		2001	2000
		HK\$'000	HK\$'000
Turnover	2	378,743	364,808
Cost of sales		(204,611)	(179,521)
Gross profit		174,132	185,287
Other operating income		11,977	22,638
Distribution expenses		(9,188)	(16,269)
Administrative expenses		(138,310)	(226,876)
Revaluation deficit and provision for impairment of property, plant and equipment and investment properties	3	(188,632)	(195,266)
Write off of goodwill		-	(40,968)
Operating loss	4	(150,021)	(271,454)
Finance costs		(4,746)	(8,137)
Share of results of associates		208	5,170
Loss before taxation		(154,559)	(274,421)
Taxation	5	(8,333)	(9,335)
Loss after taxation		(162,892)	(283,756)
Minority interests		12,559	46,729
Loss attributable to members		(150,333)	(237,027)
Interim dividend	6	-	-
Basic loss per share (HK cents)	7	(28.6)	(56.8)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2001 and 31 March 2001

		Unaudited 30 September 2001 HK\$'000	Audited 31 March 2001 HK\$'000
Assets			
Non-current assets			
Intangible assets	8	14,825	19,350
Property, plant and equipment	9	210,459	391,571
Investment properties		78,530	90,240
Investment in associates		2,436	2,228
Other long-term investments		266,676	266,676
Current Assets			
Inventories		10,856	7,063
Receivables and prepayments	10	439,212	390,110
Trading investments		2,940	2,940
Pledged bank deposits		6,355	6,377
Bank and cash balances		103,907	202,401
		563,270	608,891
Current liabilities			
Trade and other payables	11	206,543	284,434
Taxation		9,064	16,107
Borrowings	12	41,683	27,270
		257,290	327,811
Net current assets		305,980	281,080
Total assets less current liabilities		878,906	1,051,145

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 September 2001 and 31 March 2001

	Unaudited 30 September 2001 <i>Note</i> HK\$'000	Audited 31 March 2001 HK\$'000
Equity and liabilities		
Capital and reserves		
Share capital	394,107	394,107
Non-distributable capital reserves	517,059	517,059
Accumulated losses	(185,545)	(35,212)
	725,621	875,954
Minority interests	45,716	57,506
Non- current liabilities		
Borrowings	107,223	117,339
Deferred taxation	346	346
	107,569	117,685
	878,906	1,051,145

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2001
 (Unaudited)

Group	Share capital HK\$'000	Non- distribution capital		Accumulated losses HK\$'000	Total HK\$'000
		reserves HK\$'000			
Balance as at 1 April 2001	394,107	517,059		(35,212)	875,954
Loss for the period	-	-		(150,333)	(150,333)
Balance as at 30 September 2001	394,107	517,059		(185,545)	725,621
Balance as at 1 April 2000					
As previously reported	281,498	312,167		200,758	794,423
Effect of adopting IAS 38	-	-		(10,076)	(10,076)
As restated	281,498	312,167		190,682	784,347
Issue of shares, net of expenses	33,787	168,566		-	202,353
Loss for the period	-	-		(237,027)	(237,027)
Balance as at 30 September 2000	315,285	480,733		(46,345)	749,673

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2001

	Unaudited	
	Six months ended	
	30 September	
	2001	2000
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(87,783)	(73,656)
Investing activities		
Increase in other investments	–	(14,019)
Purchase of property, plant and equipment	(16,616)	(33,330)
Proceeds from disposal of property, plant & equipment	815	–
Net cash used in investing activities	(15,801)	(47,349)
Financing activities		
Net proceeds from issue of shares	–	219,209
Net repayment of bank loans	(10,657)	(17,684)
Other financing cashflows, net	(646)	530
Net cash (paid for)/received from financing activities	(11,303)	202,055
(Decrease)/increase in cash and cash equivalents	(114,887)	81,050
Movement in cash and cash equivalents		
At the start of interim period	199,508	36,815
(Decrease)/increase	(114,887)	81,050
At the end of interim period	84,621	117,865

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

I Accounting policies

These unaudited condensed consolidated interim financial statements are prepared in accordance with International Accounting Standards (“IAS”) No. 34, “Interim Financial Reporting”, and Appendix 16 of the Rules Governing the Listing Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “SEHK”).

Since 1 April 2001, the Group implemented IAS No. 39, “Financial Instruments: Recognition and Measurement” and IAS No. 40, “Investment property”.

The revised accounting policies as a result of adoption of IAS No. 39 and IAS No. 40 are set out below:

- (i) At 1 April 2001, the Group adopted IAS No. 39 and classified its investments into the following categories: trading, held-to-maturity and available-for-sale. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction cost. Trading investments and available-for-sale investments are subsequently carried at fair value whilst held-to-maturity investments are carried at amortised cost using the effective yield method. Realised and unrealized gains and losses arising from changes in the fair value of trading investments and available-for-sale investments are included in the income statement in the period in which they arise.

- (ii) Investment property, principally comprising office buildings, is held for long-term rental yields and is not occupied by the Group. Investment property is treated as a long-term investment and is carried at fair value, representing open market value determined annually by external valuers. Under IAS No. 40 – Investment Property, which the Group adopted at 1 April 2001, changes in fair values are recorded in the income statement and are included in other operating expense.

The interim financial statements should be read in conjunction with the 2001 annual accounts.

2 Group segmental information

(a) *By business activities*
(Unaudited)

	Turnover		(Loss)/profit	
	Six months ended		before taxation	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
VoIP and Data				
Communications Services				
Mobile Related Services Operation	71,514	92,597	49,151	70,301
VoIP & IP Transport Services	106,973	29,303	15,249	3,825
Retail Chain & Repair Services				
CM Concept Retail				
Chain Operation	84,353	56,218	1,946	(32,648)
Repair Services Operation	13,730	24,488	7,785	10,897
Networking Services				
Trunking Operation	11,893	9,471	(28,934)	(34,962)
Leasing Operation	8,790	17,237	(44,072)	(86,967)
Unified Messaging Services	76,399	110,050	8,410	(130,023)
Telecare Services	3,170	5,179	(3,600)	(5,279)
Internet & E-commerce	1,302	12,281	(3,858)	(35,919)
Trading Operation	619	7,984	346	427
Group total	378,743	364,808	2,423	(240,348)
Less: Unallocated costs			(153,870)	(36,287)
Net finance costs			(3,320)	(2,956)
Operating loss before taxation			(154,767)	(279,591)
Share of results of associates			208	5,170
Loss before taxation			(154,559)	(274,421)

(b) *By geographical regions*
(Unaudited)

	Turnover		(Loss)/profit	
	Six months ended		before taxation	
	30 September			
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	220,665	161,146	(16,319)	(233,599)
PRC	153,340	203,662	18,014	(6,749)
USA	4,738	–	728	–
Group total	378,743	364,808	2,423	(240,348)
Less: Unallocated costs			(153,870)	(36,287)
Net finance costs			(3,320)	(2,956)
Operating loss before taxation			(154,767)	(279,591)
Share of results of associates			208	5,170
Loss before taxation			(154,559)	(274,421)

3 Revaluation deficit and provision for impairment of property, plan and equipment and investment properties

As at 30 September 2001, the Group's leasehold land and buildings and investment properties are revalued on an open market value basis by DTZ Debenham Tie Leung Limited, independent professional valuer. The revaluation deficit arising from leasehold land and buildings and investment properties of HK\$95,132,000 and HK\$11,710,000 respectively are charged to the condensed consolidated income statement.

In light of the severe competition in the telecommunications market in Hong Kong and the rapid change of technology, the Group has reviewed the carrying value of all telecommunications equipment based on the recoverable value of these assets and a provision for impairment of HK\$81,790,000 has been made in the current period.

4 Operating loss

Operating loss is stated after crediting and charging the following:

	6 months ended 30 September	
	2001 HK\$'000	2000 HK\$'000
Crediting		
Dividend income from listed securities	-	62
Profit from dilution of interest in subsidiaries	-	2,533
Charging		
Depreciation	19,859	30,762
Amortisation of goodwill	4,525	11,221
Cost of inventories sold	48,892	66,007
Provision for doubtful debts	-	18,529
Provision for slow moving inventories	-	26,672

5 Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period. The PRC taxation represents income tax payable by the Group's subsidiaries operating in the PRC. No adjustments have been made for under or over-provision of tax in respect of prior years.

The amount of taxation charged to the condensed consolidated income statement represents:

	6 months ended 30 September	
	2001 HK\$'000	2000 HK\$'000
Hong Kong profits tax	224	2
PRC taxation	8,109	9,333
	8,333	9,335

6 Interim dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2001 (2000: Nil).

7 Loss per share

Basic loss per share is based on loss attributable to members during the period of HK\$150,333,000 (2000: HK\$237,027,000) and the weighted average number of 525,475,573 shares (2000: 417,644,120 shares) in issue during the period.

Diluted loss per share has not been presented as the conversion of potential ordinary shares would have anti-dilutive effect to the basic loss per share.

8 Intangible assets

HK\$'000

Six months ended 30 September 2001	
Opening net book amount	19,350
Amortisation	(4,525)
Closing net book amount	14,825

9 Property, plant & equipment

HK\$'000

Six months ended 30 September 2001	
Opening net book amount	391,571
Additions	16,616
Disposals	(947)
Provision for impairment of property, plant and equipment	(81,790)
Revaluation deficit	(95,132)
Depreciation	(19,859)
Closing net book amount	210,459

10 Receivables and prepayments

Included in receivables and prepayments are trade debtors and their ageing analysis is as follows:

	30 September 2001 HK\$'000	31 March 2001 HK\$'000
0 – 30 days	41,633	49,348
31 – 60 days	33,842	35,269
61 – 90 days	32,858	29,390
Over 91 days	231,488	159,429
Total	339,821	273,436

The Group had defined credit policy. The general credit term is 30 – 60 days. The trade debtors with ageing over 61 days are mainly the amounts due from connected parties.

11 Trade and other payables

Included in trade and other payables are trade creditors and their ageing analysis is as follows:

	30 September 2001 HK\$'000	31 March 2001 HK\$'000
0 – 30 days	17,968	14,775
31 – 60 days	3,176	5,453
61 – 90 days	1,455	512
Over 91 days	19,528	44,282
Total	42,127	65,022

12 Borrowings

	30 September 2001 HK\$'000	31 March 2001 HK\$'000
Non-current		
Bank loans – secured	106,981	116,948
Obligations under finance leases	242	391
	107,223	117,339
Current		
Bills payable	18,948	–
Trust receipt loans – secured	338	2,893
Bank loans – secured	21,914	22,604
Obligations under finance leases	483	1,773
	41,683	27,270
Total borrowings	148,906	144,609

The movement in the borrowings can be analysed as follows:

	Six months ended 30 September 2001 HK\$'000
Opening balance	144,609
Additions	29,267
Repayments	(24,970)
Closing balance	148,906

13 Contingent liabilities

The Group had contingent liabilities not provided for in the books as follows:

	30 September 2001 HK\$'000	31 March 2001 HK\$'000
Guarantees to suppliers in respect of purchase of telecommunications equipment	–	20,108
Guarantees given to third parties against non-performance of contractual obligations by a subsidiary	29,700	28,700

14 Commitments

(a) *Capital commitments for purchase of property, plant and equipment*

	30 September 2001 HK\$'000	31 March 2001 HK\$'000
Contracted but not provided for	4,406	5,691
Authorised but not contracted for	57,902	69,005
	62,308	74,696

(b) *Commitments under operating leases*

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 September 2001 HK\$'000	31 March 2001 HK\$'000
Within one year	79,906	88,984
In the second to fifth year inclusive	49,348	64,075
After the fifth year	–	2,930
	129,254	155,989

15 Related party transactions

- (a) Significant transactions during the period between the Group and the related parties and also including minority shareholders of subsidiaries during the period, which were conducted in the ordinary course of business and on terms arranged by or between the parties concerned are as follows:

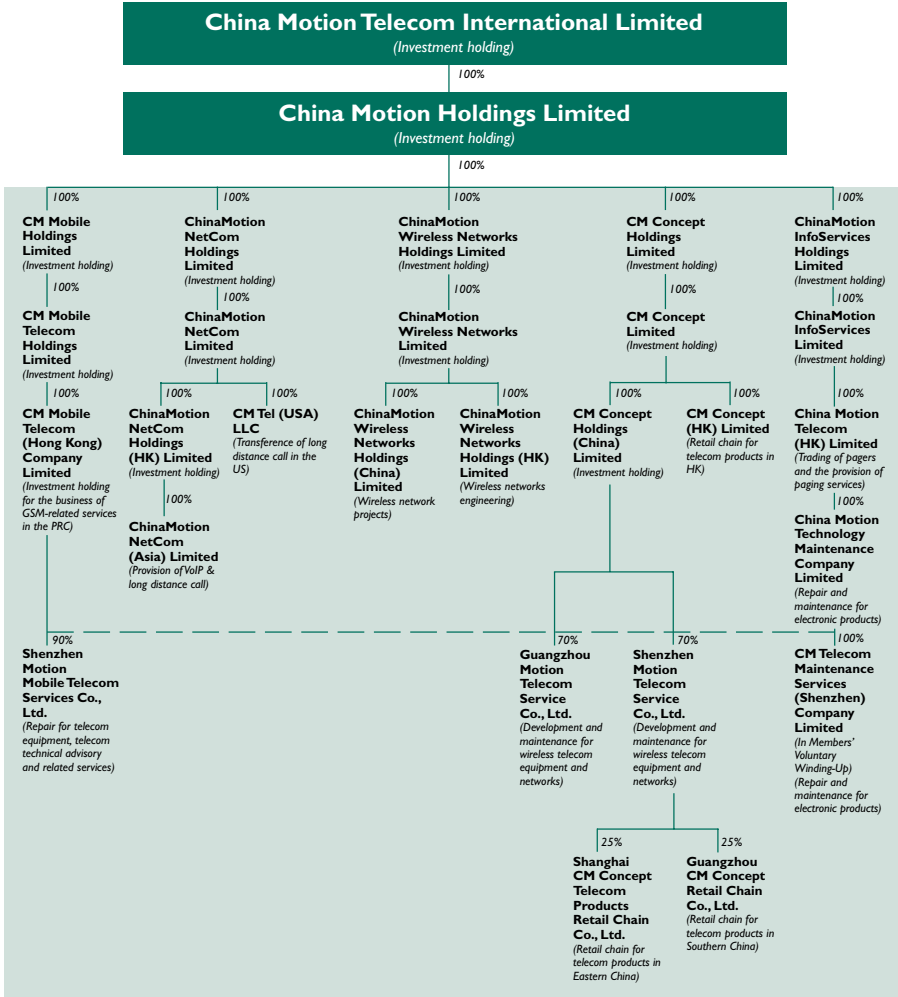
	Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000
Income/(expense)		
Rental payable to a related party (<i>note i</i>)	(316)	(778)
Significant transactions with associates		
Wanbao Telecom (H.K.) Company, Limited		
Network service fee	-	(622)
Goodfine Holdings Limited		
Network service fee	(632)	(1,011)
Significant transactions with minority shareholders of subsidiaries		
China Motion Telecom Holdings Limited ("CMTH")		
Net sales of pagers and telecommunications equipment	619	10,669
Maintenance service income	10,004	19,915
Leasing income	9,066	17,237
Airline income	1,320	1,596
Commission income	-	486
Recharge of paging service expenses		
operations' cost and dataline rental	(5,177)	(22,515)
Dataline expenses	(561)	(100)
Shenzhen China Motion Telecom United Company		
Sales of telecommunications equipment	2,976	2,980
China Motion Netcom Services Co., Ltd. ("CM Netcom")		
Provision of technical consultancy and maintenance services	71,514	92,597
Guangdong Mobile Communication Company Limited		
Network service fee	-	(886)

Note i: This represents rental paid to Liking Industrial Limited, a company beneficially owned by a director of the company in respect of a property utilised by the aforesaid director.

- (b) Included in receivable and prepayments is an amount due from CMTH and its group companies of HK\$290,441,000.

GROUP CHART

The following chart shows the principal subsidiary undertakings and associated undertakings of the Group and their principal activities as at 12 December 2001:



RESULTS AND OPERATIONS REVIEW

During the period under review, all sectors in Hong Kong were impacted by the global economic turmoil, and in the process of Hong Kong's economic transformation, the telecommunications industry was one of the worst hit sectors. Despite an overall poor performance of the Hong Kong telecommunications market, the Group maintained relatively stable development of its core businesses through the introduction of more value-added services, consolidation of resources and personnel deployment. For the six months ended 30 September 2001, the Group's turnover was HK\$378.7 million with a gradual recovery of the core businesses. This represents a slight increase of 3.8% over that of the corresponding period last year. Loss before taxation was HK\$154.6 million, representing a 43.7% decrease when compared with last year. Loss attributable to members for the period was HK\$150.3 million which was mainly attributable to a provision of HK\$106.8 million for revaluation deficit on properties and a one-off provision of HK\$81.8 million for obsolete telecommunications equipment and other fixed assets. However, the loss has significantly reduced by 36.6% from the same period last year. The management and operations of the Group have been structured along the lines of its core businesses, i.e. telecommunications networks, distribution and retail chain and unified messaging services.

Telecommunications Networks

During the period under review, the growth in the telecommunications networks business was encouraging. Despite a drop in average revenue per user, mobile related services recorded a turnover of HK\$71.5 million, a decrease of 22.8% with profit of HK\$49.2 million.

Turnover for VoIP and IP transport services recorded a tremendous growth of 265.1% to HK\$107.0 million mainly due to an increase in the volume of voice traffic reaching 45 million minutes per month while profit also increased by 298.7% to HK\$15.2 million. The growth remains promising and reflects the resources devoted to marketing the IDD and VoIP services.

Regarding wireless networking services, turnover for the trunking related business increased by 25.6% to HK\$11.9 million. Leasing operation recorded a turnover of HK\$8.8 million.

Distribution and Retail Chain

Although the local retail market remained stagnant, the distribution and retail chain business achieved an impressive growth. Turnover increased by 21.5% reaching HK\$98.1 million with profit of HK\$9.7 million (2000: loss of HK\$21.8 million). The turnover of retail chain business increased by 50.1% to HK\$84.4 million while a turnover of HK\$13.7 million was recorded for repair services. The increase in turnover was contributed by the increase in mobile phone sales and the introduction of more mobile phone products, accessories and other value-added services at our CM Concept outlets. Currently, there are a total of 37 CM Concept stores in Hong Kong.

Unified Messaging Services

Compared with the same period last year, the turnover of the unified messaging services declined by 30.6% to HK\$76.4 million. The decline in turnover was mainly attributable to the decrease in the number of new users, the increasing churn rate of existing users and a decline of 12.2% in average revenue per user. However, the Group's implementation of a series of cost reduction measures resulted in a profit of HK\$8.4 million (2000: loss of HK\$130.0 million).

SUBSEQUENT EVENTS

- (a) On 16 October 2001, a conditional Internet Disposal Agreement was entered into between China Motion Holdings Limited, a wholly owned subsidiary of the Group, and First Active Investments Limited ("First Active"), an associate of Goldtop Holdings Limited, the ultimate holding company. Under which, the Group would dispose its Internet related business to First Active for a consideration of HK\$15 million. The consideration will be settled by the issue of a promissory note payable within 30 days after the completion of the agreement.
- (b) On 16 October 2001, a conditional Equipment Disposal Agreement was entered into between Shenzhen Motion Telecom Service Co. Ltd. ("SZ Motion"), a 70% owned subsidiary of the Group, and CMTH. Under which, SZ Motion would dispose its microwave equipment to CMTH for a consideration of HK\$61.5

million. The consideration will be settled by the issue of a promissory note payable within 30 days after the completion of the agreement.

- (c) On 16 October 2001, a conditional VoIP Services Agreement was entered into between Shenzhen Motion Mobile Telecom Services Co. Ltd. ("SMMT"), a 90% owned subsidiary of the Group, and CM Netcom, a wholly owned subsidiary of CMTH, as a supplemental agreement for the technical service agreement dated 18 January 1998. Under which, SMMT will provide technical and after sale services and funding of not less than HK\$400 million to CM Netcom for developing long distance call business in the PRC. In return for these services, SMMT will receive a monthly service fee income from CM Netcom based on CM Netcom's subscriber usage of VoIP service at a pre-agreed rate.

The above agreements were approved by the independent shareholders at the Special General Meeting held on 29 November 2001.

PROSPECTS

The Group views PRC's entry into WTO with great enthusiasm. Together with the opportunity under the new VoIP Services Agreement referred to, the Directors believe the Group is well poised for solid business growth.

In the second half of the financial year, barring unforeseen circumstances, the Directors anticipate the operations will be profitable.

FINANCIAL POSITION

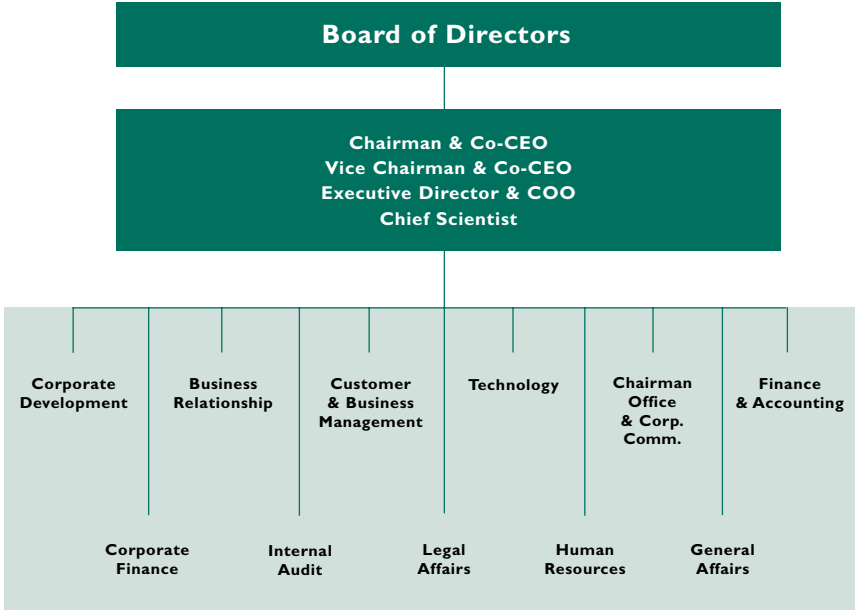
The Group always maintains stable financial position. The gearing ratio remained at a healthy level of 20.5% as at 30 September 2001 as compared with 16.6% as at 31 March 2001.

As at 30 September 2001, the Group's cash balance was HK\$110.3 million and with banking facilities of HK\$113.0 million. The Group is confident in meeting its future capital expenditure and business development requirements.

REMUNERATION OF EMPLOYEES

As at 30 September 2001, the Group had a total number of 819 full-time staff (including the directors of the Group) of which 563 were full-time employees in Hong Kong. The Group operates a different remuneration package for sales personnel who are remunerated on the basis of sales targets achieved and revenue-linked packages comprising salary and sales commission. Other employees are offered discretionary bonus subject to company and individual performances. The Group also provides in-house training programmes for all staff.

ORGANIZATION CHART



OTHER DISCLOSURE

Apart from above, other areas which are required to be disclosed under the requirements of paragraph 40 of Appendix 16 of the Listing Rules and paragraph 16 of IAS No. 34 “Interim Financial Reporting” either have no material changes from the information disclosed in the annual report of the Company for the year ended 31 March 2001 or are considered not significant to the Group’s operations, and hence no additional disclosure has been made in this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 September 2001, the interests of the directors in the securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) which were required to be notified to the Company and the SEHK pursuant to section 28 of the SDI Ordinance (including interests which were taken or deemed to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance), or which were required to be entered into the register maintained by the Company under section 29 of the SDI Ordinance or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the SEHK were as follows:

(i) *Ordinary shares*

	Number of ordinary shares held			
	Personal Interests	Family Interests	Corporate Interests	Other Interests
HAU Tung Ying	-	-	270,247,500 (Note)	-
SHUI Ming Hua	250,000	-	-	-
CHAN Wai Lun	267,000	-	-	-
HU Tiejun	292,000	-	-	-

Note: The 270,247,500 shares are legally and beneficially owned by Goldtop Holdings Limited ("Goldtop"). Mr. HAU Tung Ying and his wife, Madam TING Yat Shuk, are both directors of Goldtop in which they held 30,000 and 20,000 shares respectively, representing 60% and 40% of the entire issued share capital of Goldtop.

(ii) *Share options*

As at 30 September 2001, details of share options granted by the Company to the directors to subscribe for shares in the Company were as follows:

			Outstanding	Granted	Exercised	Outstanding
	Date of	Exercise	at 1 April	during	during	at 30
	Grant	Price	2001	the period	the period	September
		HK\$				2001
HAU Tung Ying	20 March 2001	0.75	2,000,000	-	-	2,000,000
SHUI Ming Hua	25 February 2000	3.19	378,499	-	-	378,499
	17 October 2000	1.22	432,570	-	-	432,570
	20 March 2001	0.75	2,000,000	-	-	2,000,000
CHAN Wai Lun	25 February 2000	3.19	378,499	-	-	378,499
	17 October 2000	1.22	432,570	-	-	432,570
	20 March 2001	0.75	2,000,000	-	-	2,000,000
YANG Jun	29 June 1998	0.751	257,483	-	-	257,483
	25 February 2000	3.19	252,333	-	-	252,333
	17 October 2000	1.22	288,380	-	-	288,380
	20 March 2001	0.75	2,000,000	-	-	2,000,000
HU Tiejun	19 August 1999	2.00	252,333	-	-	252,333
	17 October 2000	1.22	288,380	-	-	288,380
	20 March 2001	0.75	2,000,000	-	-	2,000,000

The share options were granted under a share option scheme known as “China Motion Employees’ Share Option Scheme” (the “Scheme”). The rules to the Scheme were modified with shareholders’ approval at the special general meeting held on 2 February 2001. Pursuant to the amended rules, the options are exercisable at any time after the date of grant and before the tenth anniversary of the date of grant.

Save as disclosed above, as at 30 September 2001,

- (i) none of the directors and chief executive have any beneficial interests or other interests in the share capital (or debt securities, if applicable) of the Company and any of its associated corporations as defined in the SDI Ordinance; and
- (ii) none of the directors and chief executive (including their spouse and children under 18 years of age) had been granted, or exercised, any rights to subscribe for shares (or debt securities, if applicable) of the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2001, the persons recorded in the register kept by the Company pursuant to section 16(1) of the SDI Ordinance as being directly or indirectly interested in 10 per cent. or more of the issued share capital of the Company were as follows:

Name	Number of shares held	% of issued share capital
Goldtop Holdings Limited (Note 1)	270,247,500	51.43
HAU Tung Ying (Note 2)	270,247,500	51.43
TING Yat Shuk (Note 3)	270,247,500	51.43

- Note: (1) Goldtop Holdings Limited (“Goldtop”) is owned as to 60% by Mr. HAU Tung Ying and 40% by Madam TING Yat Shuk.
- (2) Mr. HAU Tung Ying is deemed to be interested in the 270,247,500 shares held by Goldtop due to his 60% direct interest in Goldtop.
- (3) Madam TING Yat Shuk is deemed to be interested in the 270,247,500 shares held by Goldtop due to her 40% direct interest in Goldtop.

Save as disclosed above, as at 30 September 2001, no other person was recorded in the register kept by the Company pursuant to section 16(1) of the SDI Ordinance as having an interest in 10 per cent. or more of the issued share capital of the Company.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The Group has established an Audit Committee since 1996. The Audit Committee at the date of this report comprises two independent non-executive directors and one non-executive director.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2001.

By Order of the Board
Hau Tung Ying
Chairman

Hong Kong, 12 December 2001

CORPORATE INFORMATION

Board of Directors

Executive Directors

HAU Tung Ying (Chairman)
SHUI Ming Hua
CHAN Wai Lun

Non-Executive Directors

YANG Jun (Vice-Chairman)
LI Yi Sheng
Timothy Allen BRIDGEWATER
YUNG Yung Cheng, Frank*
HO Chung Tai, Raymond*
HU Tie Jun (Alternate Director to LI Yi Sheng)

* Independent Non-Executive Directors

Head Office and Principal Place of Business

20th Floor, Tower II & III
Enterprise Square
9 Sheung Yuet Road
Kowloon Bay
Hong Kong
Tel: (852) 2209 2888
Fax: (852) 2827 9883
Homepage: <http://www.chinamotion.com>

Registered Office

Clarendon House
Church Street
Hamilton HM11
Bermuda

Company Secretary

KWOK Mei Fan

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Principal Share Registrar in Bermuda

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Hamilton
Bermuda

Hong Kong Branch Share Registrar

Abacus Share Registrars Limited
5th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Singapore Share Transfer Agent

Barbinder & Co Pte Ltd
8 Cross Street
#11-00 PWC Building
Singapore 048424

Auditors

PricewaterhouseCoopers
Certified Public Accountants
Audit Partner: IP Koon Wing, Ernest
22nd Floor, Prince's Building
Central
Hong Kong