

# Chairman's Statement

Dear Shareholders,

I am pleased to present the review of China Motion Telecom International Limited (the "Company") and its subsidiaries (collectively, the "Group") for the fiscal year 2005/06. This also marks my first financial report since being the Group's Non-executive Chairman. For the year ended 31 March 2006, the Group experienced substantial changes in controlling shareholders, the composition of the board of directors (the "Board") and key management. These primarily internal and structural adjustments affected our business development and strategic planning for the year, resulting in modest performance across our operations.

In December 2005, Mr. Wu Chi Chiu, an executive director of the Company and the Group's Chief Executive Officer, through his wholly and beneficially owned company, purchased approximately 41.14% of the total issued share capital of the Company from a company held by Mr. Hau Tung Ying, the Group's former Chairman, resulting in a change of controlling shareholder. Since joining the Group, Mr. Wu has been fully committed to reorganising the Board and management, evaluating internal operations and resources and providing strategic insights on business development in order to enhance the Group's competitiveness. Subsequently, a capital reorganisation was implemented in May 2006 with the approval of the shareholders at a special general meeting so as to provide the Company with greater flexibility in issuing shares for fund-raising in future. Such measures have demonstrated the Board's commitment to re-evaluate the Group's management and operational structure, so as to improve the quality of the Group's management and operational efficiency over the long term.

Also during the year under review, despite continuous economic growth in both Mainland China and Hong Kong markets, the telecommunications industry in both markets experienced considerable challenges. Consumers were demanding not only ordinary services, but also more value-added telecommunications and information services, resulting in a structural shift in the supply chain. In response to this industrial development, many telecommunications companies altered their business models to improve their competitiveness and capitalise on new opportunities. As such, the Group had prudently implemented its development strategies to cater to the customer's requirements and to improve its service quality.

Over the past few years, the Group has been focusing on business rationalisation to improve the operational efficiency of its core businesses. For the year ended 31 March 2006, the Group recorded a turnover of HK\$840,222,000, an increase of 9.9%. Due to the competitive pricing and operational difficulties under intense market competition, the gross margin was pressured and accordingly, the gross profit decreased by 20.3% to HK\$122,663,000.

In view of the abrupt changes to the telecommunications services supply chain in domestic and overseas telecommunications markets, we will make use of our operational experience and technical expertise to maintain steady growth in our core businesses while closely to monitor the market for any appropriate opportunities that could provide additional sources of income and improve our overall profitability. However, we currently have no specific plans or projects under negotiation. Management will keep shareholders and investors informed of any developments.

On behalf of the Board, I would like to thank our staff for their dedication and hard work over the previous year. I would also like to extend my sincere thanks to all former members of the Board and management for their contributions to the Group over the years.

**HUANG An Guo**

*Non-Executive Chairman*

12 July 2006