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*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any Shares in the Company.*



**(1) PRICE SENSITIVE INFORMATION –  
VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION  
AND  
(2) RESUMPTION OF TRADING**

**Financial adviser to China Motion Telecom International Limited**



*(formerly known as VXL Financial Services Limited)*

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

On 14 August 2007, the Company entered into the Agreement which was amended by the Supplemental Agreement entered into between the Company and the Vendor on 19 September 2007. Pursuant to the Agreement, the Company agreed to acquire and the Vendor agreed to sell the Property Holdco Shares for the Consideration of HK\$2,589,600,000 to be satisfied by the issue of the Convertible Bond, the Consideration Shares and the Promissory Note.

Property Holdco, through its wholly-owned subsidiary, Vietnam Company, owns the Vietnam Property which is a prime commercial mix use development site situated in the heart of the Central Business District of Ho Chi Minh City, Vietnam, with a total site area of approximately 4,573 sq.m.

The Vendor is a party independent of the Company and its connected persons. The Agreement constitutes a very substantial acquisition of the Company under the Listing Rules. The Vendor will appoint three representatives as executive Directors on the Board upon Completion. The Agreement therefore also constitutes a connected transaction of the

Company pursuant to Rule 14A.13(1)(b)(i) of the Listing Rules. The Agreement and transactions contemplated therein are conditional upon, among other things, the approval by the Independent Shareholders at the SGM by poll. Neither the Vendor, Mr. Chu nor any of their associates holds any Shares as at the date of this announcement. No existing Shareholders are therefore required to abstain from voting in the SGM in respect of the resolution to approve the Agreement.

The Independent Board Committee will be established to advise and give recommendation to the Independent Shareholders regarding the Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee on the Agreement. A circular containing, among other things, (i) further details of the Acquisition; (ii) financial and other information on the Group; (iii) financial information on the Property Holdco Group (including accountants' report on the Property Holdco Group (prepared in compliance with the requirements of Chapter 4 of the Listing Rules)); (iv) the letter of the Independent Board Committee setting out its opinion on the Agreement and its recommendation to the Independent Shareholders; (v) the letter of the independent financial adviser to the Independent Board Committee setting out its opinion on the Agreement; and (vi) the notice convening the SGM will be sent to the Shareholders as soon as practicable. The SGM will be held to consider and, if thought appropriate, to approve the Agreement and transactions contemplated therein.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 31 July 2007 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 2:30 p.m. on 20 September 2007.

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

**AGREEMENT (as amended by the Supplemental Agreement)**

**Date of the Agreement:** 14 August 2007

**Date of the Supplemental Agreement:** 19 September 2007

**Parties**

Vendor: Asia Castle Development Limited

Purchaser: the Company

The principal activity of the Vendor is investment holding. Based on the information provided by the Vendor to the Company, the principal asset held by the Vendor is the holding of the Property Holdco Shares. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and its ultimate beneficial owner, Mr. Chu, (i) are third parties independent of the Company and its connected persons; (ii) have no relationship, business or otherwise, with Marvel Bonus, the Company's controlling Shareholder, and its beneficial owners; (iii) save for entering into the Agreement with the Company, have no relationship, business or otherwise, with the Group at present or in the past.

### **Assets to be Acquired**

Under the Agreement, the Company agreed to acquire and the Vendor agreed to sell the Property Holdco Shares for the Consideration of HK\$2,589,600,000. The principal asset held by the Property Holdco is the entire issued share capital of Vietnam Company, which in turn holds the Vietnam Property. The Vietnam Property comprises a parcel of land located at 22-36 Nguyen Hue Avenue and 57-69F Dong Khoi Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam. Further information on the Vietnam Property is set out in the section headed "Information on the Property Holdco Group" below.

CBRE, an independent professional property valuer, has valued the market value of the Vietnam Property as at 30 July 2007, in its existing state, at US\$328,000,000 (equivalent to HK\$2,558,400,000).

### **Consideration**

The Consideration payable by the Company to the Vendor has been arrived at after arm's length negotiations between the Company and the Vendor with reference to the valuation conducted by CBRE on the Vietnam Property and the audited net asset value of Property Holdco and Vietnam Company as further disclosed in the section headed "Information of the Property Holdco Group" below. The Directors consider that the Consideration is fair and reasonable.

The Consideration will be satisfied at the Completion as follows:

- (i) as to HK\$1,898,689,100 by the issue of the Convertible Bond by the Company to the Vendor or its nominee;
- (ii) as to HK\$249,210,000 by the allotment and issue of 702,000,000 Shares at the issue price of HK\$0.355 per Share, credited as fully paid, by the Company to the Vendor or its nominee; and

- (iii) as to HK\$441,700,900 by the issue of the Promissory Note by the Company to the Vendor or its nominee.

***Principal terms of the Convertible Bond***

Set out below are the principal terms of the Convertible Bond, which forms part of the Consideration under the Agreement:-

Aggregate principal amount:           HK\$1,898,689,100

Conversion price:           HK\$0.355 per Share, subject to adjustments upon the occurrence of the following events:-

- (i) any alteration to the nominal value of the Shares as a result of consolidation or subdivision of the Shares;
- (ii) any issue of Shares to the Shareholders by way of capitalisation of profits or reserves, other than Shares issued in lieu of the whole or any part of a cash dividend;
- (iii) any capital distribution to the Shareholders;
- (iv) any issue of Shares to all or substantially all Shareholders as a class by way of rights, or the issue or grant to all or substantially all Shareholders as a class, by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 90 per cent. of the market price per Share on the last dealing day preceding the date of the announcement of the terms of the issue or grant;
- (v) any issue of securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights of any options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares);

- (vi) any issue (otherwise than as mentioned in sub-paragraph (iv) above) wholly for cash any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or on the issue or grant of (otherwise than as mentioned in sub-paragraph (iv) above) options, warrants or other rights to subscribe for or purchase Shares in each case at a price per Share which is less than 90 per cent. of the market price on the dealing day last preceding the date of announcement of the terms of such issue;
- (vii) save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves, if and whenever the Company or any subsidiary or any other person shall issue wholly for cash any securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares (or grant any such rights in respect of any existing securities so issued) to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 90 per cent. of the market price per share on the last dealing day preceding the date of announcement of the terms of issue of such securities;
- (viii) any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in sub-paragraph (vii) above (other than in accordance with the terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 90 per cent. of the market price per share on the last dealing day preceding the date of announcement of the proposals for such modification; or
- (ix) if and whenever the Company or any subsidiary or (at the direction or request of or pursuant to any arrangements with the Company or any subsidiary) any other person issues, sells or distributes any securities in connection with an offer by or on behalf of the Company or any subsidiary or such other person pursuant to which offer the Shareholders

generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under subparagraphs (iv) to (vii) above)

provided that the conversion price shall not be less than the par value of a Share, which is presently HK\$0.01.

Comparisons of the conversion price of the Convertible Bond with the prevailing market prices of the Shares and the fundamental data per Share is set out in the paragraph headed “Issue price of Consideration Shares and conversion price of Convertible Bond” below.

- Interest rate: 1.5% per annum on the principal amount of the Convertible Bond outstanding from time to time payable on the maturity date of the Convertible Bond
- Maturity date: The fifth anniversary of the date of issue of the Convertible Bond
- Redemption: Unless previously converted, the Convertible Bond shall be redeemed by the Company at its principal amount outstanding on the maturity date.
- Transferability: The Convertible Bond or any part(s) thereof may be assigned or transferred to any third party. If the Convertible Bond or any part(s) thereof shall be transferred to any company or other person which is a connected person of the Company, the Company shall promptly notify the Stock Exchange.
- Conversion rights and conversion period: The holders of the Convertible Bond shall have the right to convert the whole or any part of the outstanding principal amount of the Convertible Bond into Shares at any time following the date of issue of the Convertible Bond until the date two days before (and excluding) the maturity date of the Convertible Bond into Shares at the initial conversion price of HK\$0.355 per Share, subject to adjustment provided always that if the issue of such Conversion Shares will result in an insufficiency of the public float of Shares, the Company will not issue such Conversion Shares and the Convertible Bond will continue until redeemed on the maturity date.

Conversion shares,  
restriction on  
conversion and  
moratorium to sell:

Upon full conversion of the Convertible Bond at the initial conversion price of HK\$0.355 per Share (subject to adjustment), an aggregate of 5,348,420,000 Shares will be issued, representing approximately (i) 227.5% of the existing issued share capital of Company; (ii) 175.2% of the issued share capital of Company as enlarged by the issue of the Consideration Shares only; and (iii) 63.7% of the issued share capital of Company as enlarged by the issue of the Consideration Shares and the Conversion Shares.

Notwithstanding the conversion right attaching to the Convertible Bond, the Company shall not issue any Shares if, upon such issue, the holder of the Convertible Bond and parties acting in concert with it (within the meaning under the Takeovers Code) will at the material time beneficially hold 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of the Company at the relevant date of conversion of the relevant Convertible Bond.

Holder(s) of the Convertible Bond shall not dispose of any or all of the Conversion Shares that may be issued upon conversion of all or part of the Convertible Bond to any person at any time on or prior to the second anniversary of the date of issue of the Convertible Bond.

Voting:

Holder(s) of the Convertible Bond shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being the holders of the Convertible Bond.

Listing:

No application will be made for the listing of the Convertible Bond on the Stock Exchange or any other stock exchange. An application will be made for the listing of and permission to deal in the Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Bond.

Ranking:

The Conversion Shares will rank *pari passu* in all respects with all the Shares in issue at the date on which the conversion rights attaching to the Convertible Bond are exercised.

### ***Issue price of Consideration Shares and conversion price of Conversion Shares***

The issue price of the Consideration Shares and the initial conversion price of the Conversion Shares are the same at HK\$0.355 per Share and have been determined after arm's length negotiations between the Company and the Vendor taking note of the prevailing market prices of the Shares, and with reference to the audited net asset value per Share as at 31 March 2007 and the earnings per Share for the year ended 31 March 2007. The issue price of HK\$0.355 per Consideration Share and the initial conversion price of the Convertible Bond of HK\$0.355 per Conversion Share represent:–

- (i) a discount of approximately 54.5% to the closing price of the Shares of HK\$0.78 per Share as quoted on the Stock Exchange on 30 July 2007, being the last trading day of the Shares prior to the suspension in trading pending the release of this announcement;
- (ii) a discount of approximately 49.0% to the average of the closing prices of the Shares of HK\$0.696 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 30 July 2007;
- (iii) a discount of approximately 43.5% to the average of the closing prices of the Shares of HK\$0.628 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including 30 July 2007;
- (iv) a premium of approximately 407.1% over the audited net asset value per Share of HK\$0.07 as at 31 March 2007; and
- (v) a price earnings multiple of approximately 6.7 times over the earnings per Share of HK\$0.053 for the year ended 31 March 2007.

The issue price of the Consideration Shares and the conversion price of the Conversion Shares represents a substantial discount to the prevailing market prices of the Shares. The Directors consider that the proposed issue price and conversion price is fair and reasonable so far as the Company is concerned for the following reasons :

- (i) the issue price and the conversion price represent a very substantial premium over the underlying net asset backing of the Shares. The acquisition of the Property Holdco Shares will effectively result in the Company acquiring 100% of the Vietnam Property, at a price determined with reference to the market value of the Vietnam Property. The Consideration is agreed based on the audited net asset value of Vietnam Company as at 30 June 2007 adjusted for the market value of the Vietnam Property as at 31 July 2007 (see the paragraph headed “Comparison of the Consideration with net assets of Vietnam Company” in the section headed “Information on the Property Holdco Group” below).

Completion of the Acquisition will therefore improve the net asset backing of the Shares; and

- (ii) the Group had incurred substantial losses in the past years until the year ended 31 March 2007 when its results saw a turnaround to profit of HK\$71.8 million for the whole year. As stated in the 2007 annual report of the Company, the turnaround was achieved through the restructuring of management and operations and adoption of effective business strategy, the results of which had seen a more effective risk management, cost control and improved efficiency and productivity. Taking account of the intensive competition of the telecommunications industry in which the Group operates, and the losses that it had incurred in the past, particularly in 2005 and 2006, the Directors consider that the price-earnings multiple of 6.7 times as represented by the issue price of the Consideration Shares and the conversion price of the Convertible Shares to be reasonable.

Taking account of the factors stated in (i) and (ii) above, the Directors consider that the discount of the aforesaid issue price and conversion price to prevailing market prices of the Shares, although significant, on balance is fair and reasonable so far as the Company and the Shareholders are concerned.

### ***Promissory Note***

The Promissory Note shall be issued by the Company to the Vendor or its nominee at Completion as part of the Consideration. The principal terms of the Promissory Note are as follows:-

Principal sum: HK\$441,700,900

Repayment: The principal sum shall be repaid in full on the third anniversary of the date of issue of the Promissory Note

Interest: 3% per annum, payable quarterly in arrears on the principal sum of the Promissory Note (or such part thereof as shall for the time being be outstanding)

Prepayment: The Company may prepay all or part (in HK\$500,000 or an integral multiple thereof) of the principal sum on or before the due date for repayment by giving not less than 14 days' prior written notice to the Company specifying the amount and the date of prepayment

Listing: No application will be made for a listing of the Promissory Note on the Stock Exchange or any other stock exchange

Transfer:                      Holders of the Promissory Note may at any time assign or transfer all or any part of its rights, title, benefits and interest in, to or under the Promissory Note

The terms of the Promissory Note have been arrived at based on arm's length negotiations between the Company and the Vendor. The Directors consider that the terms of the Promissory Note, including the interest rate (taking account of the prevailing interest rates offered by commercial banks in Hong Kong for commercial loans and/or property mortgage loans) are fair and reasonable.

### **Conditions Precedent**

Completion of the Agreement is conditional upon fulfilment of the following conditions:-

- (i) the Company having notified the Vendor that it is reasonably satisfied with the Company's due diligence review on the financial, legal, commercial and taxation aspects of the Property Holdco Group and its title to assets;
- (ii) the receipt to the satisfaction of the Company of legal opinions relating to Property Holdco and Vietnam Company, including but not limited to the due establishment and valid existence of the relevant entity under the laws of its establishment, the title(s) of the Vietnam Property, the ownerships of the relevant entity and the validity of the transactions contemplated in the Agreement;
- (iii) the approval by the Shareholders in general meeting of (a) increase in the authorised share capital of the Company (if applicable); (b) the acquisition by the Company of the Property Holdco Shares and the transactions contemplated under the Agreement; and (c) the allotment and issue of the Consideration Shares and the issue of the Convertible Bond and the Conversion Shares and the Promissory Note by the Company to the Vendor (or its nominee);
- (iv) if applicable, the obtaining of all consents by the Vendor from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Agreement and any of the transactions contemplated under the Agreement;
- (v) the Vendor having notified the Company that it is reasonably satisfied with the Vendor's due diligence review on the financial, legal, commercial and taxation aspects of the Group and its title to assets;
- (vi) there having been no breach by the Vendor of any obligations, undertakings, representations and warranties under the Agreement;

- (vii) there having been no breach by the Company of any obligations, undertakings, representations and warranties under the Agreement;
- (viii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares;
- (ix) the continuous listing of and permission to deal in the issued Shares of the Company from the date hereof up to and including the Completion Date save for any temporary suspension of dealing in compliance with the requirements of the Listing Rules; and
- (x) (if required) the Bermuda Monetary Authority granting its permission in respect of the increase in the authorised share capital of the Company; the allotment and issue and the subsequent free transferability of the Consideration Shares, the Convertible Bond and the Conversion Shares.

The Company may waive the conditions (i), (ii) and (vi) above. The Vendor may waive conditions (v) and (vii). If the conditions above are not fulfilled or waived (as the case may be) on or before 31 December 2007 or such other date as the Company and the Vendor may agree in writing, the Agreement will be terminated, and all obligations of the Company and the Vendor under the Agreement shall cease, provided that rights and liabilities of the parties hereto which have accrued prior to termination shall subsist.

### **Other Terms of the Agreement**

#### ***Adjustment to the Consideration***

Based on the audited accounts of Vietnam Company (prepared in accordance with the International Financial Reporting Standards), the audited net asset value of Vietnam Company as at 30 June 2007 amounted to approximately US\$31.4 million (equivalent to approximately HK\$244.9 million). The Consideration shall be reduced on a dollar for dollar basis if the net asset value of Vietnam Company on the Completion Date (prepared in accordance with the International Financial Reporting Standards), as certified by a firm of accountants (whose appointment will be agreed between the Company and the Vendor who may or may not be the auditors of the Company at the material time) is less than the aforesaid audited net asset value of Vietnam Company as at 30 June 2007 by HK\$6,000,000 or more. In such event, the Vendor shall pay to the Company the full amount of such shortfall in the net asset value of the Vietnam Company in cash. However, there shall be no upward adjustment on the Consideration for any increase in the certified net asset value of Vietnam Company on the Completion Date.

## ***Change of Directors***

The Vendor shall appoint three representatives, including Mr. Chu, to the Board as executive Directors with effect from the Completion Date. Mr. Ting Pang Wan, Raymond, the Chairman of the Company, will continue to hold his office as Chairman after Completion. Save for the appointment of these three new executive Directors, it is not intended that there will be any change to the Board by reason only of the Completion.

## **Completion**

Completion shall take place on the Completion Date at 11:00 a.m. or at such other time or date as the Company and the Vendor may agree in writing.

Upon Completion, Property Holdco and Vietnam Company will become wholly-owned subsidiaries of the Company. The results and assets and liabilities of both companies will be consolidated in the accounts of the Group.

## **EFFECT ON THE SHAREHOLDING STRUCTURE**

The following chart depicts the effects of the issues of the Consideration Shares and the Convertible Shares on the shareholding structure of the Company based on the issued share capital and shareholding structure of the Company as at the date of this announcement and assuming Completion having taking place and conversion in full of the Convertible Bond into Conversion Shares at the initial conversion price of HK\$0.355 per Share, without taking into account issue of new Shares, if any, after the date of this announcement and prior to Completion:

	<b>As at the date of this announcement</b>		<b>Upon Completion</b>		<b>Upon full conversion of the Convertible Bond at the initial conversion price of HK\$0.355</b>	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Marvel Bonus <i>(Note 1)</i>	1,555,000,000	66.16%	1,555,000,000	50.94%	1,555,000,000	18.51%
Vendor	–	–	702,000,000	23.00%	2,519,428,582 <i>(Note 2)</i>	29.99%
Public Shareholders	795,475,573	33.84%	795,475,573	26.06%	4,326,466,991 <i>(Note 2)</i>	51.50%
Total	<u>2,350,475,573</u>	<u>100.00%</u>	<u>3,052,475,573</u>	<u>100.00%</u>	<u>8,400,895,573</u>	<u>100.00%</u>

*Notes:*

(1) *Marvel Bonus became a controlling Shareholder since October 2006. The entire issued share capital of Marvel Bonus is owned as to 50% by Integrated Asset Management (Asia) Limited and as to the remaining 50% by Shanghai Assets (BVI) Limited which is in turn wholly and beneficially owned by Mr. Ting Pang Wan, Raymond, the Chairman of the Company. Integrated Asset Management (Asia) Limited is wholly and beneficially owned by Mr. Yam Tak Cheung. Save for his interest in the issued share capital of the Company*

*through Marvel Bonus, Mr. Yam holds no office or position in the Group, neither is he involved in the management, business or operation of the Group.*

- (2) *In the event that the Convertible Bond is converted in full into Shares at the initial conversion price of HK\$0.355 per Share, a total of 5,348,420,000 new Shares will be issued to the Vendor. It is a term of the Convertible Bond that notwithstanding the conversion rights attaching to the Convertible Bond, the Company shall not issue any Shares if upon such issue, the Vendor and parties acting in concert with it will at the material time beneficially hold 30% or more of the then enlarged issued share capital of the Company. In the circumstances, the Vendor shall have disposed of a minimum of 3,530,991,418 Shares to independent third parties in order to comply with the terms and conditions of the Convertible Bond and maintain the aggregate shareholding of the Vendor and parties acting in concert with it at below 30%. The figures under this column illustrate this scenario.*

As at the date of this announcement, the Company has no outstanding share options, warrants or other securities which carry rights to subscribe for or be converted into Shares.

## **INFORMATION ON THE PROPERTY HOLDCO GROUP**

### **Property Holdco**

Property Holdco is wholly-owned by the Vendor. It was incorporated in the British Virgin Islands with limited liability on 25 February 1994. The principal business of Property Holdco is investment holding. The principal asset held by Property Holdco is the investment in Vietnam Company. Based on the representation of the Vendor to the Company, save for the holding of the entire issued share capital of Vietnam Company, Property Holdco has no other material assets, nor does it have any material liabilities. There is no statutory requirement in the jurisdiction of Property Holdco's place of incorporation for Property Holdco to prepare any financial statements. The Company is informed by the Vendor that no management or audited accounts have been prepared by Property Holdco since its incorporation. Notwithstanding this, an accountants' report on Property Holdco (prepared in compliance with the requirements of Chapter 4 of the Listing Rules) will be included in the SGM Circular in compliance with the disclosure requirements of the Listing Rules.

### **Vietnam Company**

Vietnam Company is a 100% foreign owned joint stock company established under the laws of Vietnam and licensed to operate by the former State Committee for Co-operation and Investment of Vietnam (presently known as the Ministry of Planning and Investment of Vietnam) for a period of 35 years, starting from the date of its investment license of 10 July 1995. The principal activities of Vietnam Company is the investment, development and trading of the development project to be erected on the Vietnam Property. The Vietnam Property is a prime commercial mix use development site located at 22-36 Nguyen Hue Avenue and 57-69F Dong Khoi Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam, which is in the heart of the Central Business District of Ho Chi Minh City, Vietnam. The total site area is approximately 4,573 sq.m. Development approval for a hotel, apartment and commercial project of 45 storey has been permitted on site with total gross floor area of

88,183 sq.m. The Vietnam Property is a very prime commercial site and is considered to be one of the very few sites which has permission to sell apartments in District 1, Ho Chi Minh City, Vietnam. Subject to confirmation by the Company's legal due diligence on Vietnam Company and the Vietnam Property, the Company is advised by the Vendor that all required permits and development approval are in place for the Vietnam Property. Currently, piling and foundation work to the site has been completed and preparation work for constructing the basement of the Vietnam Property has commenced on site.

It is planned that the proposed development to be erected on the Vietnam Property will be known as the "Times Square" and will comprise a hotel tower and apartment tower with retail podium over 3 basement parking levels with supporting facilities and services. The proposed project shall be of a luxury high end standard and the hotel will be of a 5 or 6 star standard. Development of the project will be carried out in phases. It is expected that the entire development will be completed in early 2010, subject to unforeseeable circumstances.

The current market value of the Vietnam Property in its existing state as valued by CBRE is at US\$328,000,000 (equivalent to HK\$2,558,400,000) as at 30 July 2007. The texts of the letter and valuation certificate of CBRE on the Vietnam Property will be included in the SGM Circular.

### ***Financial information of Vietnam Company***

See out below are highlights of some of the financial information of Vietnam Company as extracted from (i) its audited financial statements for the year ended 31 December 2006, with audited comparatives figures for the year ended 31 December 2005, prepared in accordance with International Financial Reporting Standards as well as the Vietnamese Financial Reporting Standards; and (ii) its audited financial statements for the six months ended 30 June 2007 prepared in accordance with International Financial Reporting Standards.

#### **Income Statement**

	<b>Six months ended</b>		<b>Year ended 31 December</b>			
	<b>30 June 2007</b>		<b>2006</b>		<b>2005</b>	
	<b>US\$</b>	<b>Equivalent to</b>	<b>VND</b>	<b>Equivalent to</b>	<b>VND</b>	<b>Equivalent</b>
	<b>million</b>	<b>HK\$ million</b>	<b>million</b>	<b>HK\$ million</b>	<b>million</b>	<b>to HK\$</b>
	<b>(audited)</b>		<b>(audited)</b>		<b>(audited)</b>	<b>million</b>
Sales	-	-	-	-	-	-
Loss before and after taxation	(0.33)	(2.57)	-	-	-	-

Vietnam Company recorded no income or expenses in its 2006 audited financial statements for each of the financial year of 2005 and 2006 as the Vietnam Property was under construction during the relevant years, and all expenses incurred by Vietnam Company during the construction period had been capitalised under its balance sheet in accordance with the common practice for companies in Vietnam.

Commencing from the year 2007, companies in Vietnam are required to change its accounting policy. In March 2006, the Ministry of Finance of Vietnam issued a decision specifying certain qualified expenses for capitalization. Other than the specified costs, all costs incurred are required to be expensed off to the relevant years. The audited operating loss before and after taxation for the six months ended 30 June 2007 was attributable to operating expenses of the Vietnam Company.

### Balance Sheet

	As at 30 June 2007		As at 31 December			
	US\$ million (audited)	Equivalent to HK\$ million	2006 VND million (audited)	Equivalent to HK\$ million	2005 VND million (audited)	Equivalent to HK\$ million
Total assets	57.9	451.6	920,000	443.1	600,200	289.1
Total liabilities	(26.5)	(206.7)	(362,300)	(174.5)	(276,700)	(133.3)
Net assets	31.4	244.9	557,700	268.6	323,500	155.8

The single largest asset in the audited balance sheet of Vietnam Company as at 30 June 2007 is the Vietnam Property, which is stated as “construction in progress” with a closing balance of approximately US\$27.4 million (equivalent to approximately HK\$213.7 million) (2006: approximately VND476,900,000,000 (equivalent to approximately HK\$229.7 million), 2005: approximately VND132,100,000,000 (equivalent to approximately HK\$63.6 million)). The other assets of Vietnam Company as at 30 June 2007 consists of other operating assets including cash and cash equivalent, prepayments and other prepaid expenses, fixed assets and other sundry assets. On the liabilities side, the major liabilities of Vietnam Company as at 30 June 2007 are a construction bank loan with closing balance of approximately US\$23.0 million (equivalent to approximately HK\$179.4 million) (2006: approximately VND338,700,000,000 (equivalent to approximately HK\$163.1 million), 2005: approximately VND208,500,000,000 (equivalent to HK\$100.4 million)) secured by mortgage of the Vietnam Property.

As accountants’ report on Vietnam Company (prepared in compliance with the requirements of Chapter 4 of the Listing Rules) will be included in the SGM Circular in compliance with the disclosure requirements of the Listing Rules.

### ***Comparison of the Consideration with net assets of Vietnam Company***

Based on the audited net book value of the Vietnam Property as at 30 June 2007 of approximately US\$27.4 million (equivalent to approximately HK\$213.7 million) and the market value of the Vietnam Property in its existing state of US\$328 million (equivalent to approximately HK\$2,558.4 million) as valued by CBRE as at 30 July 2007, there is a surplus on revaluation of approximately HK\$2,344.7 million arising from the valuation. Taking account of the aforesaid revaluation surplus, the net asset value of Vietnam Company as adjusted by the revaluation surplus on the Vietnam Property would amount to about HK\$2,589.6 million, which is equal to the Consideration.

## **REASONS FOR THE AGREEMENT**

The principal business of the Company is investment holding. The subsidiaries of the Company are principally engaged in international telecommunications services, mobile communications services and distribution and retail chain, and property investment and holding.

The Directors consider that international telecommunications services, mobile communications services and related retail industry in which the Group operates is highly competitive. The Group has to continue to streamline its operations to improve its operational efficiency in order to maintain profit margin. The Directors further consider that the Vietnam Property is a very prime property development project in Vietnam, and Vietnam is generally expected by the market to be a fast growing economy in the Asia region in the next decade. By making the Acquisition, the Directors believe the Vietnam Property project will deliver attractive return, both in terms of capital gain and future recurring income from hotel operation and property sales, to the Group in the medium to long term spectrum. The strengthening of the asset base of the Group after the Agreement would, in the opinion of the Directors, provide a more solid asset backing to support the expansion of the business of the Group.

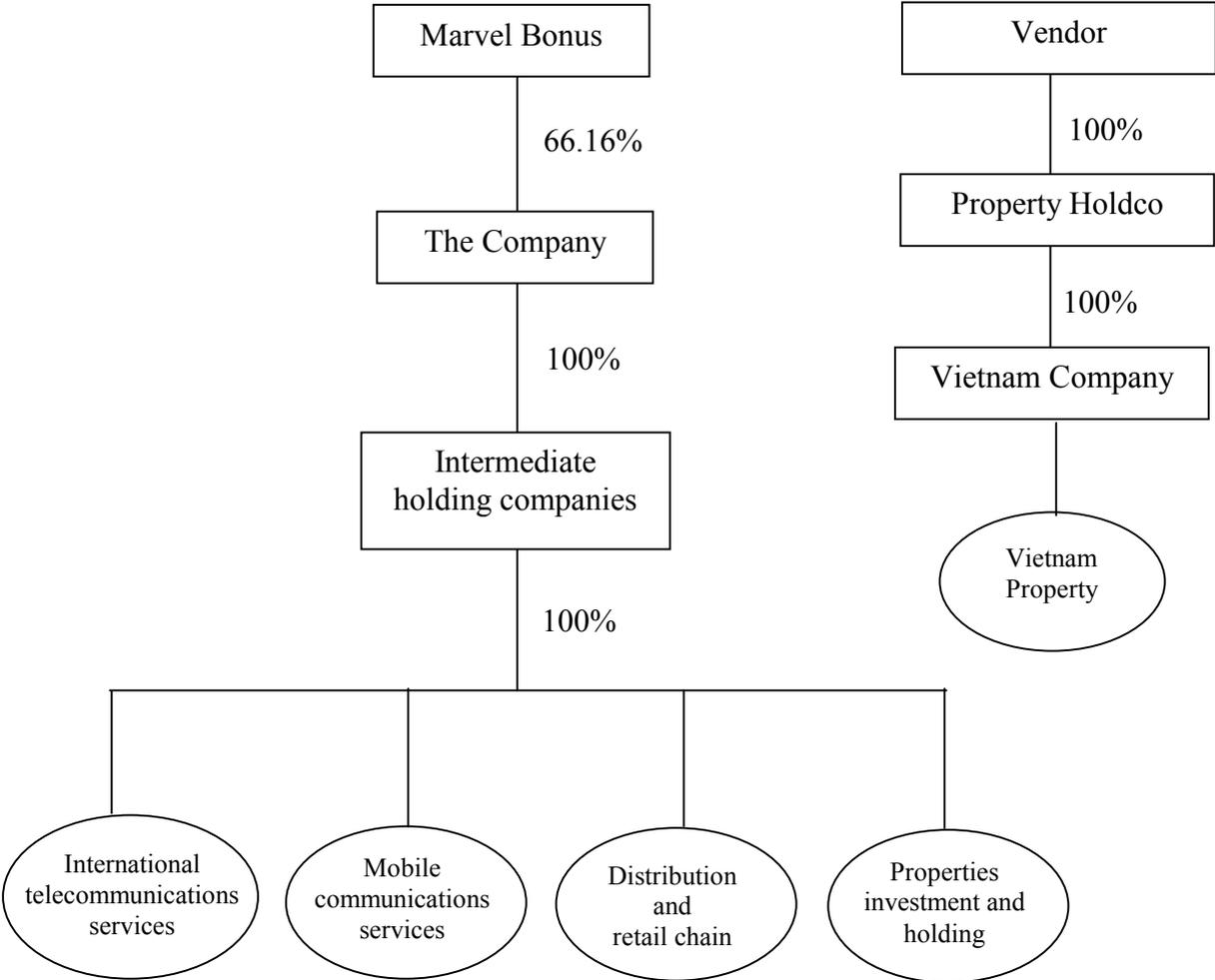
Looking ahead, the Directors are optimistic about the development potentials and prospects of the Vietnam economy, and believe that the Acquisition will not only allow the Group to acquire and develop a first grade property project in Vietnam, but also provide the Company with a platform to make foray into the international telecommunications services market in Vietnam, through the extensive business network of the Vendor and its beneficial owner.

In light of the above, the Directors (including independent non-executive Directors) consider that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition is in the interests of the Company and the Shareholders as a whole.

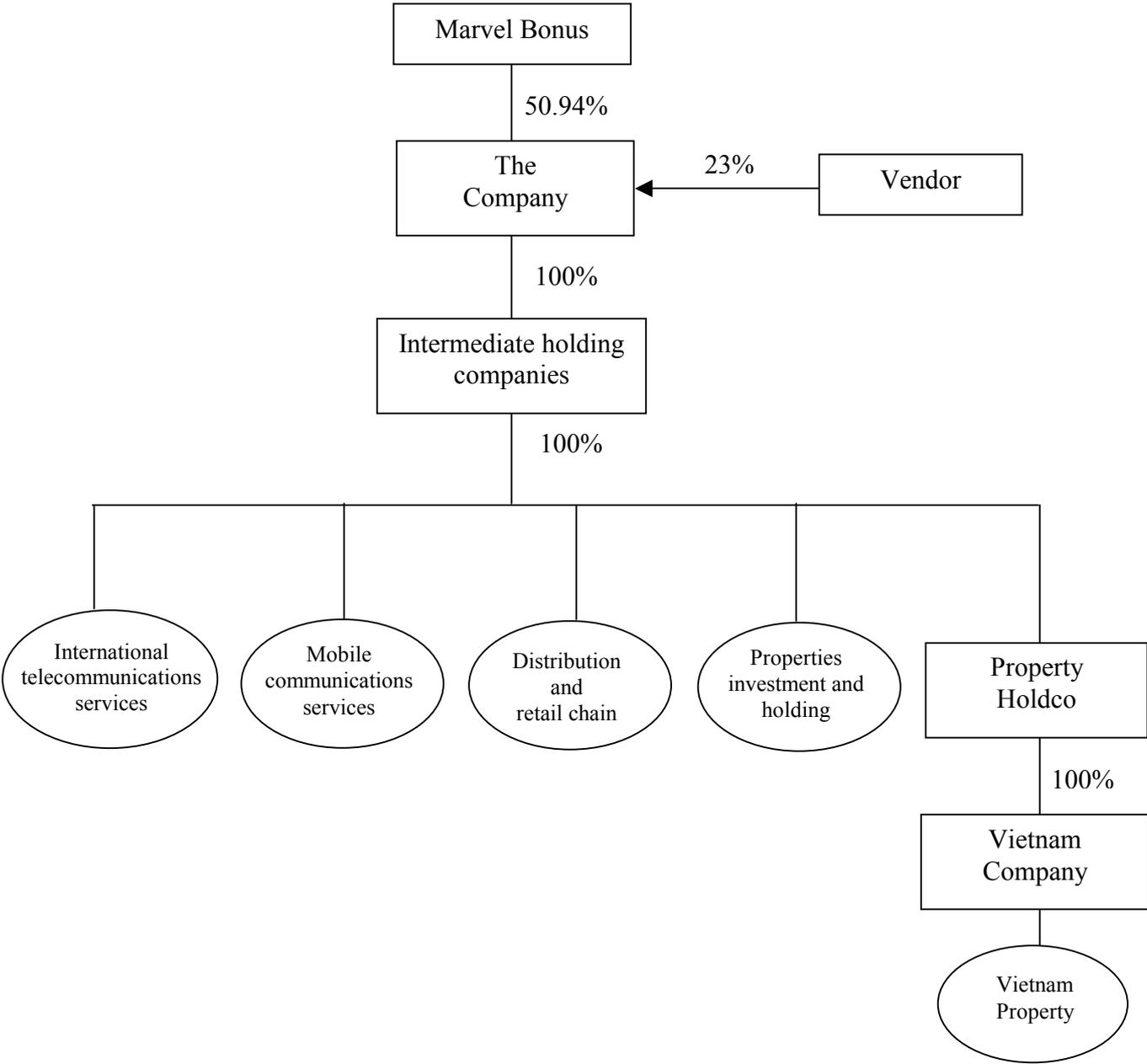
**CORPORATE STRUCTURE**

Set out below is the corporate structure of the Company and Property Holdco before and after the Completion:

**Before Completion**



Immediately after Completion



## **LISTING RULES IMPLICATIONS**

The Agreement constitutes a very substantial acquisition pursuant to Rule 14.06(5) of the Listing Rules and a connected transaction of the Company pursuant to Rule 14A.13(1)(b)(i) of the Listing Rules by reason of the proposed nomination of three Directors to the Board by the Vendor. The Agreement and the transactions contemplated therein are therefore subject to the approval by Independent Shareholders at the SGM by poll. Neither the Vendor, Mr. Chu nor any of their associates holds any Shares as at the date of this announcement. As the Vendor is a third party independent of the Company and its connected persons and no Shareholder has a material interest in the Agreement which is different from the other Shareholders, no Shareholder is required to abstain from voting in respect of the proposed ordinary resolution to approve the Agreement and the transactions contemplated therein at the SGM under the Listing Rules.

The Independent Board Committee will be established to advise and give recommendation to the Independent Shareholders regarding the Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee on the Agreement. A circular containing, among other things, (i) further details of the Acquisition; (ii) financial and other information on the Group; (iii) financial information on the Property Holdco Group (including accountants' report on the Property Holdco Group (prepared in compliance with the requirements of Chapter 4 of the Listing Rules)); (iv) the letter of the Independent Board Committee setting out its opinion on the Agreement and its recommendation to Independent Shareholders; (v) the letter of the independent financial adviser to the Independent Board Committee setting out its opinion on the Agreement; and (vi) the notice convening the SGM will be sent to the Shareholders as soon as practicable.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 31 July 2007 pending the release of this announcement. On 30 July 2007, the Company issued an announcement noting the unusual price and trading volume on that day and confirming that there was no intended acquisition or disposal of assets by the Company.

Transaction that led to the Acquisition was first contemplated by the Company on 31 July 2007 when it received an offer in the morning from the legal representative of the Vendor to co-develop the Vietnam Property with the Company. The legal representative of the Vendor had introduced the Company to the Vendor in mid July 2007 with a view to finding a business partner for the Vendor in respect of the Vietnam Property. No serious discussions had taken place between the Company and the Vendor until the aforesaid offer was made on behalf of the Vendor on 31 July 2007 by the Vendor's legal representative. The offer was stated to be firm and included allotment and issue of new Shares by the Company to the Vendor as part of the

consideration for the Company to participate in the Vietnam Property project. In view of the possible issue of new Shares under the proposed offer, the Directors considered it to be price-sensitive and therefore requested suspension of trading in the Shares on the Stock Exchange pending the release of this announcement. Subsequent to the suspension in trading of the Shares on the Stock Exchange, the Company and the Vendor have conducted in-depth negotiations on the terms and conditions of the Acquisition. Principal terms of the Agreement were agreed between both parties by 8 August 2007, pending the finalisation of the drafting of the Agreement and the preparation of the management accounts of the Vietnam Company for inclusion in the Agreement. The Agreement were executed on 14 August 2007. Subsequent to the Agreement, the parties to the Agreement have reviewed the payment mode for the Consideration under the Agreement and have mutually agreed to amend the payment terms to the manner set out herein. To this end, the Supplemental Agreement was entered into between the parties on 19 September 2007.

Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 2:30 p.m. on 20 September 2007.

#### **TERMS USED IN THE ANNOUNCEMENT**

In this announcement, the following terms have the following meanings:

“Acquisition”	the proposed acquisition by the Company of the Property Holdco Shares pursuant to the Agreement
“Agreement”	the share purchase agreement dated 14 August 2007 (as amended by the Supplemental Agreement) entered into between the Company and the Vendor in respect of the Property Holdco Shares
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“CBRE”	CB Richard Ellis (Vietnam) Co. Ltd., a firm of professional property surveyors
“Company”	China Motion Telecom International Limited, a company incorporated in Bermuda with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Property Holdco Shares

“Completion Date”	the date on which Completion will take place, being the 3 <sup>rd</sup> business day after all conditions to the Agreement have been fulfilled or waived or such other date as the Company and the Vendor may agree in writing
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of HK\$2,589,600,000 payable by the Company for the Property Holdco Shares under the Agreement
“Consideration Shares”	the 702,000,000 Shares to be allotted and issued at the price of HK\$0.355 per Share, credited as fully paid, to the Vendor (or its nominee) on Completion
“Conversion Shares”	the 5,348,420,000 to be issued by the Company upon conversion in full by the holders of the Convertible Bond of the conversion rights attaching to the Convertible Bond at the initial conversion price of HK\$0.355 per Share (subject to adjustment)
“Convertible Bond”	the convertible bond in the principal amount of HK\$1,898,689,100 to be issued on Completion
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries, and following completion of the Agreement means the Group and its then subsidiaries which will include the Property Holdco Group
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	a committee of the Board comprising the three non-executive directors of the Company to be formed for the purpose of advising and giving recommendation to the Independent Shareholders regarding the Agreement
“Independent Shareholders”	Shareholders other than the Vendor, Mr. Chu and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Marvel Bonus”	Marvel Bonus Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Mr. Chu”	Mr. Chu Nap Kee, Eric, the beneficial owner of the Vendor
“PRC”	the People’s Republic of China
“Promissory Note”	the promissory note in the principal amount of HK\$441,700,900 to be issued by the Company on Completion
“Property Holdco”	Larkhall Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and which is wholly owned by the Vendor
“Property Holdco Group”	Property Holdco and Vietnam Property
“Property Holdco Shares”	the 38,000,000 ordinary shares of US\$1.00 each in the share capital of Property Holdco, representing the entire issued share capital of Property Holdco
“SGM”	the special general meeting of the Company to be convened to approve the Agreement and transactions contemplated therein
“SGM Circular”	the circular relating to the Agreement to be despatched to the Shareholders, together with a notice of the SGM
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 19 September 2007 entered into between the Company and the Vendor relating to the Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor”	Asia Castle Development Limited, a company incorporated in the British Virgin Islands with limited liability

“Vietnam”	the Socialist Republic of Vietnam
“Vietnam Company”	Time Square (Vietnam) Investment Joint Stock Company, a wholly foreign owned joint stock company established in Vietnam
“Vietnam Property”	the property comprising a parcel of land located at 22-36 Nguyen Hue Avenue and 57-69F Dong Khoi Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam
“VND”	Vietnamese Dong(s), the lawful currency of Vietnam
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
sq.m.	square meter
“%”	per cent.

*This announcement contains translation between US\$ and HK\$ at US\$1.00 = HK\$7.80; and VND and HK\$ at VND1.00 = HK\$0.000481648. The translation should not be taken as a representation that the relevant currency could actually be converted into HK\$ at that rate or at all.*

By Order of the Board  
**China Motion Telecom International Limited**  
**Ting Pang Wan, Raymond**  
*Chairman*

Hong Kong, 19 September 2007

*As at the date of this announcement, the executive Directors are Mr. Ting Pang Wan, Raymond, Mr. Wu Chi Chiu and Ms. Fan Wei and the independent non-executive Directors are Mr. Lo Chi Ho, William, Mr. Huang An Guo and Ms. Wong Fei Tat.*

*\* For identification purpose only*