

Foray into China



潤 迅 通 信 國 際 有 限 公 司  
**China Motion Telecom International Limited**

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

Stock Code 股份代號 : 989

Globalization

Interim Report 2010/11 中期報告

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## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors

TING Pang Wan, Raymond (*Chairman*)

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

ZHOU Lijuan (*Deputy Chief Executive Officer*)

#### Independent Non-executive Directors

SIN Ka Man

HUANG An Guo

WONG Fei Tat

### BOARD COMMITTEES

#### Audit Committee

SIN Ka Man (*Chairman*)

HUANG An Guo

WONG Fei Tat

#### Remuneration Committee

SIN Ka Man (*Chairman*)

HUANG An Guo

WONG Fei Tat

ZHOU Lijuan

#### Nomination Committee

WU Chi Chiu (*Chairman*)

SIN Ka Man

HUANG An Guo

### COMPANY SECRETARY

CHAN Siu Mei

### LEGAL ADVISOR

So Keung Yip & Sin, Solicitors & Notaries

### AUDITOR

Mazars CPA Limited

*Certified Public Accountants*

### REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2604-08, 26th Floor

Harbour Centre

25 Harbour Road

Wanchai

Hong Kong

Tel: (852) 2209 2888

Fax: (852) 2209 1888

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

### PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM08

Bermuda

### HONG KONG BRANCH

#### SHARE REGISTRAR

Tricor Abacus Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Hong Kong

### PRINCIPAL BANKERS

China Construction Bank

Corporation Hong Kong Branch

The Hongkong and Shanghai Banking

Corporation Limited

### STOCK CODE

989

## Condensed Consolidated Income Statement

For the six months ended 30 September 2010

The board of directors (the “Board”) of China Motion Telecom International Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2010 together with the comparative figures as follows:

	Note	Six months ended 30 September	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>Continuing operations</b>			
<b>Turnover</b>		<b>110,645</b>	90,487
Cost of sales and services		(69,503)	(51,011)
Gross profit		41,142	39,476
Other revenue	4	7,932	6,087
Other net income	5	23	6,479
Gain on disposal of a subsidiary		32	9,084
Distribution costs		(1,975)	(1,286)
Administrative expenses		(46,240)	(50,549)
Finance costs	6	(4)	(16)
<b>Profit before taxation</b>	7	<b>910</b>	9,275
Taxation	8	(1,596)	(1,490)
<b>(Loss) profit for the period from continuing operations</b>		<b>(686)</b>	7,785
<b>Discontinued operations</b>			
Profit from discontinued operations	9	–	8,699
<b>(Loss) profit for the period</b>		<b>(686)</b>	16,484

## Condensed Consolidated Income Statement

For the six months ended 30 September 2010

	Note	Six months ended 30 September	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>(Loss) profit attributable to:</b>			
Shareholders of the Company			
– continuing operations		(874)	7,792
– discontinued operations		–	8,699
		<u>(874)</u>	<u>16,491</u>
Non-controlling interests			
– continuing operations		188	(7)
– discontinued operations		–	–
		<u>188</u>	<u>(7)</u>
		<u>(686)</u>	<u>16,484</u>
<b>(Losses) earnings per share</b>	11		
<b>From continuing operations</b>			
– Basic and diluted		<u>(0.03) HK cents</u>	<u>0.28 HK cents</u>
<b>From discontinued operations</b>			
– Basic and diluted		<u>– HK cents</u>	<u>0.30 HK cents</u>

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2010

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>(Loss) profit for the period</b>	(686)	16,484
<b>Other comprehensive income (loss) for the period</b>		
Exchange difference on translation of foreign operations	439	(85)
<b>Total comprehensive (loss) income for the period</b>	<b>(247)</b>	<b>16,399</b>
<b>Total comprehensive (loss) income attributable to:</b>		
Shareholders of the Company		
– continuing operations	(436)	7,703
– discontinued operations	–	8,699
	<b>(436)</b>	<b>16,402</b>
Non-controlling interests		
– continuing operations	189	(3)
– discontinued operations	–	–
	<b>189</b>	<b>(3)</b>
	<b>(247)</b>	<b>16,399</b>

## Condensed Consolidated Statement of Financial Position

As at 30 September 2010

	Note	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties		178,000	178,000
Property, plant and equipment	12	5,697	6,707
Goodwill		119,756	119,756
Interests in associates		–	–
Premium for land lease		2,334	2,371
Other non-current assets		3,130	3,130
Deferred tax assets		1,233	1,233
		<u>310,150</u>	<u>311,197</u>
<b>Current assets</b>			
Inventories		14,511	8,051
Trade and other receivables	13	40,249	46,865
Bank balances and cash		91,694	103,591
		<u>146,454</u>	<u>158,507</u>
<b>Current liabilities</b>			
Trade and other payables	14	36,263	46,756
Obligations under finance leases	15	55	122
Taxation		1,757	4,050
		<u>38,075</u>	<u>50,928</u>
<b>Net current assets</b>		<u>108,379</u>	<u>107,579</u>
<b>Total assets less current liabilities</b>		<u>418,529</u>	<u>418,776</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		4,036	4,036
		<u>4,036</u>	<u>4,036</u>
<b>NET ASSETS</b>		<u>414,493</u>	<u>414,740</u>

## Condensed Consolidated Statement of Financial Position

As at 30 September 2010

	Note	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
<b>CAPITAL AND RESERVES</b>			
Issued capital	17	28,205	28,205
Reserves		380,221	380,657
<b>Total capital and reserves attributable to shareholders of the Company</b>		<b>408,426</b>	408,862
<b>Non-controlling interests</b>		<b>6,067</b>	5,878
<b>TOTAL EQUITY</b>		<b>414,493</b>	414,740



## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2010

	Reserves attributable to shareholders of the Company						
	Issued capital (Unaudited) HK\$'000	Non- distributable capital reserves (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Accumulated profits (losses) (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non- controlling interests (Unaudited) HK\$'000	Total capital and reserve (Unaudited) HK\$'000
Balance at 1 April 2010	28,205	128,709	210,587	41,361	380,657	5,878	414,740
Exchange difference	-	438	-	-	438	1	439
Release upon lapse of share options	-	(79)	-	79	-	-	-
Loss for the period	-	-	-	(874)	(874)	188	(686)
<b>Balance at 30 September 2010</b>	<b>28,205</b>	<b>129,068</b>	<b>210,587</b>	<b>40,566</b>	<b>380,221</b>	<b>6,067</b>	<b>414,493</b>
Balance at 1 April 2009	28,205	134,326	216,587	5,328	356,241	6,507	390,953
Exchange difference	-	(89)	-	-	(89)	4	(85)
Acquisition of subsidiaries	-	26	-	-	26	-	26
Disposal of subsidiaries	-	(11,498)	-	11,498	-	-	-
Proposed dividend	-	-	(6,000)	(14,026)	(20,026)	-	(20,026)
Grant of share options	-	6,896	-	-	6,896	-	6,896
Profit for the period	-	-	-	16,491	16,491	(7)	16,484
<b>Balance at 30 September 2009</b>	<b>28,205</b>	<b>129,661</b>	<b>210,587</b>	<b>19,291</b>	<b>359,539</b>	<b>6,504</b>	<b>394,248</b>

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2010

	Note	Six months ended 30 September	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>Continuing operations</b>			
Net cash used in operating activities		(11,914)	(218)
Net cash inflow (outflow) from investing activities		83	(45,018)
Net cash outflow from financing activities		(66)	(252)
Net decrease in cash and cash equivalents		(11,897)	(45,488)
<b>Discontinued operations</b>			
Decrease in cash and cash equivalents from discontinued operations	(a)	–	(766)
Cash and cash equivalents at 1 April		103,591	167,018
Cash and cash equivalents at 30 September		91,694	120,764
<b>Analysis of balances of cash and cash equivalents:</b>			
Bank balances and cash		91,694	120,764
Note (a):			
An analysis of the cash flows of the discontinued operations is as follows:			
Net cash used in operating activities		–	(353)
Net cash outflow from investing activities		–	(413)
Net cash inflow from financing activities		–	–
Decrease in cash and cash equivalents		–	(766)

## Notes to the Condensed Consolidated Financial Statements

### 1. BASIS OF PREPARATION

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

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Group for the year ended 31 March 2010.

### 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements of the Group for the year ended 31 March 2010, except for the impact of the adoption of the new and revised Hong Kong Accounting Standards, Hong Kong Financial Reporting Standards and interpretations described below.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are effective for the Group’s accounting period beginning on 1 April 2010.

HKFRSs (Amendments)	Improvements to HKFRSs (2008)
HKFRSs (Amendments)	Improvements to HKFRSs (2009)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations

As part of the Improvements to HKFRSs (2009) issued in May 2009, HKAS 17 Leases has been amended in relation to the classification of leases of land. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under “Premium for land lease”, and amortised over the lease term.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group has reassessed the classification of land elements of unexpired leases at the date it adopts the amendment on the basis of information existing at the inception of the leases and concluded that the classification of such land leases as operating leases continues to be appropriate.

## Notes to the Condensed Consolidated Financial Statements

HKFRS 3 (Revised) affects the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group for transactions on or after 1 April 2010. The Group did not have business combination on or after 1 April 2010. The adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) had no material effect on these unaudited condensed consolidated interim financial statements of the Group.

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

The Group has not early adopted the following new standards, amendments to standards and interpretations, which have been issued but are not effective for the financial year beginning on 1 April 2010.

HKAS 24 (Revised)	Related Party Disclosures ( <i>Note a</i> )
HKFRSs (Amendments)	Improvements to HKFRSs (2010) ( <i>Note b</i> )
HKFRS 1 (Amendment)	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First time Adopters ( <i>Note c</i> )
HKFRS 7 (Amendment)	Disclosures – Transfer of Financial Assets ( <i>Note d</i> )
HKFRS 9	Financial Instruments ( <i>Note e</i> )

*Notes:*

- a. Effective for annual periods beginning on or after 1 January 2011.
- b. Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
- c. Effective for annual periods beginning on or after 1 July 2010.
- d. Effective for annual periods beginning on or after 1 July 2011.
- e. Effective for annual periods beginning on or after 1 January 2013.

## Notes to the Condensed Consolidated Financial Statements

### 3. SEGMENT INFORMATION

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

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

Six months ended 30 September 2010	Continuing operations				Discontinued operations		Group (Unaudited) HK\$'000
	Mobile communications services (Unaudited) HK\$'000	Distribution and retail sales and management services (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	International telecommuni- cations services (Unaudited) HK\$'000	Inter-segment elimination (Unaudited) HK\$'000	
<b>Turnover</b>							
Revenue from external customers	51,231	59,414	-	110,645	-	-	110,645
Inter-segment revenue	-	301	-	301	-	(301)	-
<b>Segment turnover</b>	<b>51,231</b>	<b>59,715</b>	<b>-</b>	<b>110,946</b>	<b>-</b>	<b>(301)</b>	<b>110,645</b>
<b>Segment results</b>	<b>3,286</b>	<b>(2,390)</b>	<b>(230)</b>	<b>666</b>	<b>-</b>	<b>-</b>	<b>666</b>
Interest income				216	-	-	216
Finance costs				(4)	-	-	(4)
Gain on disposal of a subsidiary				32	-	-	32
<b>Profit before taxation</b>				<b>910</b>	<b>-</b>	<b>-</b>	<b>910</b>
Taxation				(1,596)	-	-	(1,596)
<b>Loss for the period</b>				<b>(686)</b>	<b>-</b>	<b>-</b>	<b>(686)</b>

## Notes to the Condensed Consolidated Financial Statements

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

## 4. OTHER REVENUE

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Rental income	3,736	3,608
Interest income	216	648
Other management services income	2,051	1,015
Others	1,929	816
	<b>7,932</b>	<b>6,087</b>

## Notes to the Condensed Consolidated Financial Statements

### 5. OTHER NET INCOME

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Write back of allowance of trade and other receivables	–	561
Gain on disposal of premium for land lease and buildings	–	5,895
Sundry income	23	23
	<u>23</u>	<u>6,479</u>

### 6. FINANCE COSTS

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Finance charges on obligations under finance leases	4	16

## Notes to the Condensed Consolidated Financial Statements

## 7. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Crediting:		
Write back of allowance for trade and other receivables	–	(561)
Rental income from investment properties less direct outgoings of HK\$Nil (2009: HK\$Nil)	(3,736)	(3,608)
Charging:		
Staff costs (include directors' emoluments)	29,390	25,526
Share-based payment	–	6,896
	<u>29,390</u>	<u>32,422</u>
Cost of inventories	30,681	16,305
Depreciation	1,192	1,806
Amortisation		
Premium for land lease	38	536
Operating lease charges		
Telecommunications equipment	950	1,118
Premises	10,573	10,130
Allowance for doubtful trade and other receivables	212	188
Provision for inventories written-down (written-back)	566	(53)
Loss on disposal of property, plant and equipment	1	698
	<u>1</u>	<u>698</u>



## Notes to the Condensed Consolidated Financial Statements

### 8. TAXATION

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

PRC Enterprise income tax has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the subsidiaries in the PRC.

The major components of income tax charge are:

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>Continuing operations</b>		
Current tax		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	1,596	1,490
	<u>1,596</u>	<u>1,490</u>
Tax charge from continuing operations	<u>1,596</u>	<u>1,490</u>
<b>Discontinued operations</b>		
Current tax		
Overseas Profits Tax	–	–
	<u>–</u>	<u>–</u>
Tax charge from discontinued operations	<u>–</u>	<u>–</u>
Total tax charge for the period	<u>1,596</u>	<u>1,490</u>

### 9. DISCONTINUED OPERATIONS

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

## Notes to the Condensed Consolidated Financial Statements

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

	Note	Six months ended 30 September	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>Profit for the period from discontinued operations</b>			
Turnover		–	4,594
Cost of sales and services		–	(4,358)
Other revenue		–	232
Distribution costs		–	(46)
Administrative expenses		–	(1,351)
Loss before taxation	(a)	–	(929)
Taxation	8	–	–
Loss for the period from discontinued operations		–	(929)
Gain on disposal of discontinued operations		–	9,628
Profit from discontinued operations		–	8,699

Note:

- (a) **Loss before taxation**  
This is stated after charging:

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Charging:		
Staff costs (include directors' emoluments)	–	452
Depreciation	–	272
Operating lease charges		
Telecommunications equipment	–	1,293
Allowance for doubtful trade and other receivables	–	77
Loss on disposal of property, plant and equipment	–	17

## Notes to the Condensed Consolidated Financial Statements

### 10. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2010 (2009: Nil).

### 11. (LOSSES) EARNINGS PER SHARE

The calculation of basic (losses) earnings per share is based on the (loss) profit attributable to shareholders of the Company and the weighted average number of ordinary shares in issue during the six months ended 30 September 2010 and 2009.

	Six months ended 30 September	
	2010 (Unaudited)	2009 (Unaudited)
Weighted average number of shares in issue	<u>2,820,500,000</u>	<u>2,820,500,000</u>
(Loss) profit from continuing operations attributable to shareholders of the Company (HK\$'000)	<u>(874)</u>	<u>7,792</u>
Basic (losses) earnings per share from continuing operations attributable to shareholders of the Company (HK cents)	<u>(0.03)</u>	<u>0.28</u>
Profit from discontinued operations attributable to shareholders of the Company (HK\$'000)	<u>–</u>	<u>8,699</u>
Basic earnings per share from discontinued operations attributable to shareholders of the Company (HK cents)	<u>–</u>	<u>0.30</u>
(Loss) profit attributable to shareholders of the Company (HK\$'000)	<u>(874)</u>	<u>16,491</u>
Basic (losses) earnings per share attributable to shareholders of the Company (HK cents)	<u>(0.03)</u>	<u>0.58</u>

Diluted (losses) earnings per share for the six months ended 30 September 2010 and 2009 are the same as the basic (losses) earnings per share as the conversion of potential ordinary shares to ordinary shares would have anti-dilutive effect.

## Notes to the Condensed Consolidated Financial Statements

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2010, the Group invested approximately HK\$367,000 (2009: HK\$3,087,000) on property, plant and equipment.

During the six months ended 30 September 2010, the Group disposed of a subsidiary which held property, plant and equipment with net carrying amount of HK\$203,000.

## 13. TRADE AND OTHER RECEIVABLES

		30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
	Note		
<b>Trade receivables</b>			
Trade receivables from third parties		44,488	48,977
Allowance for doubtful debts	(a)	(17,565)	(17,394)
		<u>26,923</u>	<u>31,583</u>
<b>Other receivables</b>			
Deposits, prepayments and other receivables	(b)	13,326	15,282
		<u>40,249</u>	<u>46,865</u>

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

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

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
0 – 30 days	16,681	17,722
31 – 60 days	5,290	4,115
61 – 90 days	1,714	2,711
Over 90 days	3,238	7,035
	<u>26,923</u>	<u>31,583</u>

## Notes to the Condensed Consolidated Financial Statements

### 13. TRADE AND OTHER RECEIVABLES (continued)

Notes:

#### (a) Allowance for doubtful debts

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Balance at beginning of period/year	17,394	18,296
Increase in allowance	171	371
Amount recovered	–	(104)
Amount written off	–	(932)
Disposal of subsidiaries	–	(237)
	<u>17,565</u>	<u>17,394</u>

Included in the Group's trade receivables balance are debtors with a carrying amount of HK\$9,193,000 (*31 March 2010: HK\$23,839,000*) which are past due at the end of the reporting period for which the Group has not impaired as there has not been a significant change in credit quality and the directors consider that the amounts are recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 30-60 days (*31 March 2010: 30-60 days*).

- (b) Included in deposits, prepayments and other receivables are consideration receivables of HK\$1,200,000 for disposal of a subsidiary.

## Notes to the Condensed Consolidated Financial Statements

## 14. TRADE AND OTHER PAYABLES

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
<b>Trade payables</b>	<b>10,058</b>	13,602
<b>Other payables</b>		
Accrued charges and other creditors	20,887	28,428
Advance subscription fees received	1,912	1,307
Deposits received	2,705	2,718
Due to associates	701	701
	<b>26,205</b>	33,154
	<b>36,263</b>	46,756

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

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
0 – 30 days	4,558	7,294
31 – 60 days	2,345	2,320
61 – 90 days	206	2,174
Over 90 days	2,949	1,814
	<b>10,058</b>	13,602

## Notes to the Condensed Consolidated Financial Statements

### 15. OBLIGATIONS UNDER FINANCE LEASES

The minimum lease payments are as follows:

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Amount payable:		
Within one year	56	126
Future finance charges	(1)	(4)
Present value of lease obligations	<u>55</u>	<u>122</u>

The present value of minimum lease payments is as follows:

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Within one year	<u>55</u>	<u>122</u>

The effective interest rate of the finance lease obligations is 4.45% (31 March 2010: 8.24%).

## Notes to the Condensed Consolidated Financial Statements

## 16. DISPOSAL OF A SUBSIDIARY

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000 (Note)
Net assets (liabilities) disposed of:		
Property, plant and equipment	203	3,105
Other non-current assets	–	715
Inventories	75	312
Trade and other receivables	1,522	6,377
Cash and cash equivalents	–	789
Trade and other payables	(184)	(18,523)
	<u>1,616</u>	<u>(7,225)</u>
Gain on disposal of a subsidiary	32	18,712
	<u>1,648</u>	<u>11,487</u>
Satisfied by:		
Net consideration received	500	10,670
Consideration receivables	1,200	–
Deferred consideration receivables	–	1,000
Less: Costs related to disposal	(52)	(183)
	<u>1,648</u>	<u>11,487</u>
Net cash inflow arising on disposal:		
Net consideration received, net of related costs	448	10,487
Less: Cash and cash equivalents disposed of	–	(789)
	<u>448</u>	<u>9,698</u>

*Note:* The comparative figures represent the disposal of several subsidiaries during the six months ended 30 September 2009.



## Notes to the Condensed Consolidated Financial Statements

### 17. ISSUED CAPITAL

	30 September 2010		31 March 2010	
	Number of shares	(Unaudited) HK\$'000	Number of shares	(Audited) HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	78,000,000,000	780,000	78,000,000,000	780,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	2,820,500,000	28,205	2,820,500,000	28,205

### 18. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
(i) <b>Key management personnel</b>		
Compensation for key management personnel, including amount paid to the Company's directors and certain of the highest paid employees is as follows		
– Salaries, allowances and benefit in kinds	4,183	5,306
– Discretionary bonus	425	139
– Share-based payment	–	5,397
– Retirement scheme contributions	48	48
	<u>4,656</u>	<u>10,890</u>
(ii) <b>Associate of controlling shareholders of the Company</b>		
Rental expenses paid	1,890	630
(iii) <b>Non-controlling shareholders of subsidiaries</b>		
Service fees paid	930	873
(iv) <b>Non-controlling shareholders of subsidiaries</b>		
Service fees income received	<u>(13)</u>	<u>(127)</u>

## Notes to the Condensed Consolidated Financial Statements

## 19. COMMITMENTS

## (a) Commitments under operating leases – the Group as lessee

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
In respect of leased properties, including transmission sites:		
Within one year	12,559	16,098
In the second to fifth years inclusive	10,842	14,962
After five years	3,559	4,226
	<u>26,960</u>	<u>35,286</u>
In respect of leased lines:		
Within one year	301	370
In the second to fifth years inclusive	16	59
	<u>317</u>	<u>429</u>

## (b) Commitments under operating leases – the Group as lessor

At the end of the reporting period, the Group had future aggregate minimum lease income under non-cancellable operating leases, which are receivable as follows:

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Within one year	7,694	7,788
In the second to fifth years inclusive	7,965	11,793
	<u>15,659</u>	<u>19,581</u>

**MAZARS CPA LIMITED****瑪澤會計師事務所有限公司**42<sup>nd</sup> Floor, Central Plaza,  
18 Harbour Road, Wanchai, Hong Kong  
香港灣仔港灣道 18 號中環廣場 42 樓

**To the Audit Committee of  
China Motion Telecom International Limited**  
*(incorporated in Bermuda with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 25, which comprises the condensed consolidated statement of financial position of China Motion Telecom International Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 September 2010 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended and explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Report on Review of Interim Financial Information

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

#### **Mazars CPA Limited**

*Certified Public Accountants*

Hong Kong

25 November 2010

#### **Chan Wai Man**

Practising Certificate number: P02487

## RESULTS AND OPERATIONS REVIEW

The Group continued to restructure its business portfolio and streamlined its business operation in the first half of this fiscal year. The acquisition of the Shanghai-based retail sales and management services business in last fiscal year contributed positively to the financial performance of the Group. As a result, during the period under review the Group managed to increase its turnover by 16% to HK\$110,645,000 over the last corresponding period. Despite a lower gross margin at 37% down from 42% a year earlier, the Group managed to record an operating profit of HK\$878,000. For the period under review, the Group incurred an after tax loss of HK\$686,000 as compared to a net profit after tax of HK\$16,484,000 in the last corresponding period. This decline was largely attributed to the absence of one-off gain from disposal of the fixed line and the prepaid calling card business in the last period.

### Mobile Communications Services

Turnover for the mobile communications services segment, which includes both the Mobile Virtual Network Operators (“MVNO”) and Trunked Radio businesses, increased by 2% to HK\$51,231,000 for the period under review. This turnover accounted for 46% of Group’s total turnover for the continuing operations. Gross margin was 32% and operating profit amounted to HK\$2,908,000.

During the period under review, MVNO business had stepped up its aggressive marketing and sales effort resulted in a significant increase in the overall subscriber base. At the end of the period under review, MVNO increased its post-paid subscriber base by more than 19% versus the same period last year. This increase, which provided an important growth engine in the future, was attributed primarily to the additional new channels established last year to broaden its reach to the target market segment. Despite this strong subscriber growth, MVNO continued to suffer the aftermath effect from the financial meltdown and competitive pricing pressure in the past year resulting in a lower call volume for the cross border service and higher rebate given to customer, both of which had negatively impacted the financial performance of MVNO. During the period, MVNO business recorded a turnover of HK\$48,174,000, 4% increase versus the same period a year ago with an operating profit of HK\$3,884,000.

Since last year, MVNO had begun working on a number of new initiatives with the objective to enhance its services and broaden its product portfolio. The first of which would be the delivery of and upgrade of its service in Hong Kong to 3G for all its subscribers in the second half of the fiscal year which represents the most significant service introduction since the MVNO launched its dual number service in 2002. It also plans to introduce a number of additional cross border communications services to business customers in an effort to reverse the continual downward pricing pressure.

The Trunked Radio business, which holds one of the few licensed Public Radiocommunications Services (“PRS”) in Hong Kong, had become a drag to the Group’s operating performance in the first half of the year. As competition stepped up its pressure in sales and marketing with new digital platforms that offer superior services, the Trunked Radio business was deteriorating in an accelerated rate with a much higher customer churn during the period. Turnover for the business declined 20% to HK\$3,057,000 when compared to the same period last year with a gross profit margin of 38% and an operating loss of HK\$916,000. As part of the restructuring effort, the Group had made a decision and reached an agreement with an independent third party during the period to eventually exit the business.

#### **Distribution and Retail Sales and Management Services**

During the period under review, turnover for the segment, which reflected the inclusion of both the Hong Kong retail operation and the Shanghai retail sales and management services, increased about 45% to HK\$59,715,000 which accounted for 54% of the Group’s turnover for the continuing operations. This substantial increase was primarily attributed to the full six months effect and the additional handset wholesale business of the Shanghai operation but partially offset by the underperformance of the Hong Kong retail business. Gross margin declined slightly to 42% with an operating loss of HK\$2,355,000 reflecting the deteriorating situation with the Hong Kong retail business.

The newly acquired Shanghai-based retail sales and management service business (“Shanghai Operation”) became a bright spot within the Group. At the end of the period under review, the Shanghai Operation maintained a total of 29 service stores and remained one of the lead partners of one of the telecom carriers in Shanghai. The increasing competitive environment among the three national telecom carriers and the highly penetrated Shanghai telecom market had forced the operators to continue adjusting their marketing strategy and thus the remuneration to their partners as a result. This change, although posing a threat to our continual stable income stream, provided opportunities for us to broaden our relationship with the carrier by offering additional services and expanding geographically. Turnover for the Shanghai Operation during the period under review reached HK\$37,611,000 compared to three month turnover of HK\$17,375,000 in the corresponding period last year. Operating profit amounted to HK\$5,487,000 with a gross margin of 50%.

## Management Discussion and Analysis

### RESULTS AND OPERATIONS REVIEW (continued)

#### Distribution and Retail Sales and Management Services (continued)

Even though the economy continued to pick up its steam during the period, our Hong Kong retail operation remained relatively sluggish. The overwhelming popularity of the high end smart phone devices, which we were unable to offer, had stalled the sales of other mobile devices during the first half of the year. In addition, the extra-long contract commitment with higher rebate and incentive offered by mobile carriers to keep subscribers had substantially reduced the addressable churn market and thus our overall dealer business. Both of these factors continued to threaten our ability to compete effectively as an independent telecom retailer. For the six month period under review, we managed to raise the handset unit sales by 4% but the dealer service plan sold were substantially down by 56%. As a result, turnover declined 4% to HK\$22,104,000 versus the same period last year. Gross margin declined to 27% from 38% reflecting a higher mix of low margin handset business. Operating loss unfavourably increased to HK\$7,842,000 from HK\$6,728,000 for the same period last year. As the market continues to shift away from our traditional business model, the Group has adopted various measures to scale back its operations and pare its loss. By the end of the period under review, the Group maintained a total of 12 retail shops, down from 18 six months ago.

### PROSPECTS

Notwithstanding the world economy begins to improve, the road to a full recovery for the Group's existing business continues to be bumpy. The telecom market remains one of the most challenging industries in Hong Kong with continuing downward pricing pressure and narrowing margin. The Group continues to critically review its existing business portfolio and may exit certain businesses if it does not meet a certain performance standard. MVNO business, facing the changing market dynamic driven by smart phone and data application, will need to invest in the access and applications platform to compete effectively in the market place. The Hong Kong retail market continues to pose challenges and will be critically reviewed in the near future to determine its appropriate strategy going forward.

Despite the difficult competitive landscape in China, the scale of the market and the new regulatory framework presents an immense opportunity. The Shanghai Operation provides a stable income stream to the Group and a base where we can build from. The recent proposed convergence across telecommunications, internet and television broadcasting networks in China by the country's regulatory body will further fuel the growth for years to come. The Group will continue to actively explore different potential investment opportunities to strengthen and expand its businesses portfolio beyond Hong Kong in the future.

## CESSATION OF TRUNKED RADIO BUSINESS

China Motion United Telecom Limited, a subsidiary of the Company, had entered into an agreement with an independent third party on 1 September 2010 for exiting the Group's trunked radio business (the "Trunked Radio Business") by the independent third party's assuming the operation of the Trunked Radio Business under Townlink Limited, a subsidiary of the Company, and all its ongoing liabilities and obligations. The consideration shall be HK\$1,700,000, which included the refundable deposits under the operating leases of the Trunked Radio Business. Completion is pending for the regulatory approval in respect of business restructure.

## FINANCIAL POSITION

As at 30 September 2010, the Group's bank balances and cash substantially held in HKD currency amounted to approximately HK\$91,694,000 (*31 March 2010: HK\$103,591,000*). Obligations under finance leases made in HKD currency at fixed interest rate amounted to approximately HK\$55,000 (*31 March 2010: HK\$122,000*). The Group's obligations under finance leases are repayable monthly and the last monthly installment will be in March 2011. The gearing ratio of total borrowings as a percentage of the total capital and reserves attributable to shareholders of the Company was approximately 0.01 % (*31 March 2010: 0.03%*).

As regards the cessation of the Trunked Radio Business, there was net cash inflow of approximately HK\$448,000 during the six months ended 30 September 2010.

It is anticipated that the Group's bank balances and cash as at 30 September 2010, together with the stable rental income will be sufficient to fund its operations. As at 30 September 2010, the Group had no banking facilities.

## SHARE CAPITAL

As at 30 September 2010, the Company had 2,820,500,000 shares in issue with total shareholders' fund of the Group amounting to approximately HK\$408,426,000 (*31 March 2010: HK\$408,862,000*).

## FINANCIAL GUARANTEES

As at 30 September 2010, the Group had contingent liabilities amounting to approximately HK\$2,000,000 (*31 March 2010: HK\$9,067,000*) in respect of guarantee given to a third party against non-performance of contractual obligations by a subsidiary.



## Management Discussion and Analysis

### CHARGE ON ASSETS

As at 30 September 2010, the Group did not have any charge on its assets (*31 March 2010: Nil*).

### EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES

The majority of the Group's transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi. The Group is exposed to the fluctuations in Renminbi as certain receipts and payments are settled by Renminbi. However, the management will continue to monitor its foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2010, the Group had 466 full-time staff. Total staff costs (including directors' emoluments) incurred by both continuing and discontinued operations for the period amounted to approximately HK\$29,390,000 (*2009: HK\$32,874,000*). The Group's remuneration policy is in line with prevailing market practice and performance of individual staff. In addition to salaries, the Group also offers other benefits to its staff, including discretionary bonus, training allowance and provident fund.

## DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2010, the directors and chief executive of the Company or their respective associates had the following interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which such director or chief executive was taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange:

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

Name of director	Nature of interest	Position	No. of ordinary shares held	Approximate percentage of shareholding
Mr. TING Pang Wan, Raymond	Corporate (Note)	Long	1,555,000,000	55.13%

*Note:* The corporate interest of Mr. Ting Pang Wan, Raymond is beneficially owned by Marvel Bonus Holdings Limited ("Marvel Bonus"), the entire issued share capital of which is owned as to 50% by Integrated Asset Management (Asia) Limited ("Integrated Asset") and as to the remaining 50% by Shanghai Assets (BVI) Limited ("Shanghai Assets"). Shanghai Assets is wholly and beneficially owned by Mr. Ting. Mr. Ting is therefore deemed to be interested in the 1,555,000,000 shares held by Marvel Bonus. Mr. Ting is also a director of Marvel Bonus and a director of Shanghai Assets.

**DIRECTORS' INTERESTS IN SECURITIES (continued)****(b) Interests in share options of the Company**

Name of director	Nature of interest	Position	No. of share options held	Approximate percentage of issued shares
Mr. WU Chi Chiu	Personal (Note)	Long	20,000,000	0.71%
Ms. FAN Wei	Personal (Note)	Long	20,000,000	0.71%

*Note:* The share options were granted under the share option scheme adopted by the Company on 6 September 2002 with scheme limit refreshed on 23 September 2009 to subscribe for shares of the Company, further details of which are set out in the section of "Share Option Scheme" below.

**(c) Interests in shares of associated corporation of the Company**

Name of director	Name of associated corporation	Relationship with the Company	Nature of interest	Position	No. of share held	Approximate percentage of shareholding
Mr. TING Pang Wan, Raymond	Marvel Bonus	Holding company of the Company	Corporate (Note)	Long	1	50.00%

*Note:* The corporate interest of Mr. Ting Pang Wan, Raymond in Marvel Bonus is beneficially owned by Shanghai Assets. Shanghai Assets is wholly and beneficially owned by Mr. Ting. Mr. Ting is therefore deemed to be interested in the 1 share held by Shanghai Assets in Marvel Bonus.

All interests disclosed above represent long positions.

Save as disclosed above, as at 30 September 2010, none of the directors, chief executive of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which such director or chief executive was taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

### **SUBSTANTIAL SHAREHOLDERS**

As at 30 September 2010, so far as being known to the directors and chief executive of the Company, the following parties (other than the directors and chief executive of the Company) had or were deemed to have the following interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company:

**SUBSTANTIAL SHAREHOLDERS (continued)**

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

*Notes:*

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

Save as disclosed above, the Company has not been notified of any persons who, as at 30 September 2010, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company.

**SHARE OPTION SCHEME**

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

During the period, the movement in the share options under the Share Option Scheme is as follows:

Grantee	Number of share options				Outstanding as at 30 September 2010	Date of grant	Exercise period	Exercise price per share option HK\$	Approximate percentage of issued shares
	Outstanding as at 1 April 2010	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period					
Directors:									
Wu Chi Chiu	12,000,000	-	-	-	12,000,000	10/08/2009	10/08/2009 – 09/08/2019	0.182	0.43%
	8,000,000	-	-	-	8,000,000	29/09/2009	29/09/2009 – 28/09/2019	0.160	0.28%
	20,000,000	-	-	-	20,000,000				0.71%
Fan Wei (Note)	12,000,000	-	-	-	12,000,000	10/08/2009	10/08/2009 – 09/08/2019	0.182	0.43%
	8,000,000	-	-	-	8,000,000	29/09/2009	29/09/2009 – 28/09/2019	0.160	0.28%
	20,000,000	-	-	-	20,000,000				0.71%
Sub-total	40,000,000	-	-	-	40,000,000				1.42%
Employees and Others:	26,000,000	-	-	(600,000)	25,400,000	10/08/2009	10/08/2009 – 09/08/2019	0.182	0.90%
	17,000,000	-	-	(400,000)	16,600,000	29/09/2009	29/09/2009 – 28/09/2019	0.160	0.59%
Sub-total	43,000,000	-	-	(1,000,000)	42,000,000				1.49%
Total	83,000,000	-	-	(1,000,000)	82,000,000				2.91%

Note: 20,000,000 share options granted to Ms. Fan Wei lapsed on 15 October 2010 as a result of her resignation.

There was no vesting period for the share options granted.

1,000,000 share options lapsed and no share options were granted, exercised or cancelled during the period.

### **AUDIT COMMITTEE**

The Audit Committee has reviewed with management and the auditor of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including the review of the Group's interim results for the six months ended 30 September 2010.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30 September 2010.

### **CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Board, the Company has applied the principles in and complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the period.

### **CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules on 21 July 2009 as the Company's code of conduct for dealings in securities of the Company by directors. All directors have confirmed, following specific enquiries by the Company, that they have complied with the required standard as set out in the Model Code during the period.

## CHANGE OF INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in the information of directors subsequent to the publication of the 2009/10 annual report in July 2010 are set out below:

- (a) Ms. Fan Wei resigned as an executive director of the Company and a member of Remuneration Committee on 15 October 2010.
- (b) Ms. Zhou Lijuan (“Ms. Zhou”) was appointed as an executive director of the Company on 15 October 2010. Ms. Zhou was also appointed as a member of Remuneration Committee and a director of various subsidiaries of the Company on 15 October 2010.

Ms. Zhou has over 13 years of experience in legal practice in the People’s Republic of China (the “PRC”). Prior to joining the Group, Ms. Zhou served as a PRC legal counsel in a leading law firm in Hong Kong from 2008 to 2010 and a lawyer in Zhong Xin Law Firm Shanghai Office, the PRC from 2001 to 2008. She had worked for Shanghai Pudong Development Bank from 1997 to 2001, mainly participating in credit risk management. Ms. Zhou holds a bachelor of laws degree in economic law and a master of laws degree in economic law from East China University of Political Science and Law, the PRC and a master of laws degree in international finance law from University of Essex, the United Kingdom. Ms. Zhou possesses a PRC lawyer qualification. As at the date of this report, Ms. Zhou did not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company for the purpose of the Listing Rules. She is entitled to receive a monthly income of HK\$90,000 (including rental reimbursement, if any), subject to annual review.



## OTHER DISCLOSURE

The directors of the Company are not aware of any material changes from the information disclosed in the annual report of the Company for the year ended 31 March 2010, other than those disclosed in this report.

## BOARD OF DIRECTORS

As at the date of this report, the executive directors are Mr. Ting Pang Wan, Raymond, Mr. Wu Chi Chiu and Ms. Zhou Lijuan and the independent non-executive directors are Mr. Sin Ka Man, Mr. Huang An Guo and Ms. Wong Fei Tat.

By order of the Board

**Wu Chi Chiu**

*Director*

Hong Kong, 25 November 2010



Quest for diversification



潤迅通信國際有限公司  
**China Motion Telecom International Limited**

Room 2604-08, 26/F., Harbour Centre,  
25 Harbour Road, Wanchai, Hong Kong  
香港灣仔港灣道 25 號海港中心 26 樓 2604-08 室  
Tel 電話: (852) 2209 2888 Fax 傳真: (852) 2209 1888  
[www.chinamotion.com](http://www.chinamotion.com)



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