



*Interim Report* 中期報告  
**2011/12**



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



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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

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Enterprise Square Five  
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Kowloon Bay  
Hong Kong  
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### 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 2011

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 2011 together with the comparative figures as follows:

		<b>Six months ended</b>	
		<b>30 September</b>	
	Note	<b>2011</b>	2010
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
<b>Continuing operations</b>			
<b>Turnover</b>	4	<b>87,405</b>	88,842
Cost of sales and services		<b>(53,907)</b>	(53,460)
Gross profit		<b>33,498</b>	35,382
Other revenue	4	<b>8,361</b>	7,932
Other net income	5	<b>2,833</b>	23
Gain on disposal of a subsidiary		–	32
Distribution costs		<b>(1,537)</b>	(1,973)
Administrative expenses		<b>(46,888)</b>	(32,339)
Finance costs	6	–	(4)
<b>(Loss) profit before taxation</b>	7	<b>(3,733)</b>	9,053
Taxation	8	<b>(1,008)</b>	(1,596)
<b>(Loss) profit for the period from continuing operations</b>		<b>(4,741)</b>	7,457
<b>Discontinued operations</b>			
Loss from discontinued operations	9	–	(8,143)
<b>Loss for the period</b>		<b>(4,741)</b>	(686)

# Condensed Consolidated Income Statement

For the six months ended 30 September 2011

	Note	Six months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>(Loss) profit attributable to:</b>			
Shareholders of the Company			
– continuing operations		(4,519)	7,269
– discontinued operations		–	(8,143)
		<u>(4,519)</u>	<u>(874)</u>
Non-controlling interests			
– continuing operations		(222)	188
		<u>(222)</u>	<u>188</u>
		<u>(4,741)</u>	<u>(686)</u>
<b>(Loss) earnings per share</b>	11		
<b>From continuing and discontinued operations</b>			
– Basic and diluted		<u>(0.1602) HK cents</u>	<u>(0.0310) HK cents</u>
<b>From continuing operations</b>			
– Basic		<u>(0.1602) HK cents</u>	<u>0.2577 HK cents</u>
– Diluted		<u>(0.1602) HK cents</u>	<u>0.2572 HK cents</u>
<b>From discontinued operations</b>			
– Basic and diluted		<u>N/A</u>	<u>(0.2887) HK cents</u>

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2011

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>Loss for the period</b>	<b>(4,741)</b>	(686)
<b>Other comprehensive income for the period</b>		
Exchange difference on translation of foreign operations	780	439
<b>Total comprehensive loss for the period</b>	<b>(3,961)</b>	(247)
<b>Total comprehensive (loss) income attributable to:</b>		
Shareholders of the Company		
– continuing operations	(3,737)	7,707
– discontinued operations	–	(8,143)
	<b>(3,737)</b>	(436)
Non-controlling interests		
– continuing operations	(224)	189
	<b>(3,961)</b>	(247)

# Condensed Consolidated Statement of Financial Position

As at 30 September 2011

	Note	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties		212,500	212,500
Property, plant and equipment	12	4,547	4,352
Goodwill		80,585	80,585
Interests in associates		–	–
Prepaid premium for land lease		–	1,136
Other non-current assets		3,130	3,130
Deferred tax assets		1,233	1,233
		<u>301,995</u>	<u>302,936</u>
<b>Current assets</b>			
Inventories		6,395	2,403
Trade and other receivables	13	37,380	32,252
Bank balances and cash		92,907	104,760
		<u>136,682</u>	<u>139,415</u>
<b>Current liabilities</b>			
Trade and other payables	14	31,767	31,832
Taxation		878	526
		<u>32,645</u>	<u>32,358</u>
<b>Net current assets</b>		<u>104,037</u>	<u>107,057</u>
<b>Total assets less current liabilities</b>		<u>406,032</u>	<u>409,993</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		6,236	6,236
<b>NET ASSETS</b>		<u>399,796</u>	<u>403,757</u>



	Note	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
<b>CAPITAL AND RESERVES</b>			
Issued capital	15	28,205	28,205
Reserves		365,594	369,331
<b>Total capital and reserves attributable to shareholders of the Company</b>		<b>393,799</b>	<b>397,536</b>
Non-controlling interests		5,997	6,221
<b>TOTAL EQUITY</b>		<b>399,796</b>	<b>403,757</b>



# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2011

	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 (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non- controlling interests (Unaudited) HK\$'000	Total capital and reserve (Unaudited) HK\$'000
Balance at 1 April 2011	28,205	128,440	210,587	30,304	369,331	6,221	403,757
Exchange difference	-	782	-	-	782	(2)	780
Loss for the period	-	-	-	(4,519)	(4,519)	(222)	(4,741)
<b>Balance at 30 September 2011</b>	<b>28,205</b>	<b>129,222</b>	<b>210,587</b>	<b>25,785</b>	<b>365,594</b>	<b>5,997</b>	<b>399,796</b>
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>

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2011

	Note	Six months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>Continuing operations</b>			
Net cash used in operating activities		(14,421)	(12,182)
Net cash inflow from investing activities		2,568	83
Net cash outflow from financing activities		–	(66)
Net decrease in cash and cash equivalents		(11,853)	(12,165)
<b>Discontinued operations</b>			
Increase in cash and cash equivalents from discontinued operations	(a)	–	268
Cash and cash equivalents at 1 April		104,760	103,591
Cash and cash equivalents at 30 September		92,907	91,694
<b>Analysis of balances of cash and cash equivalents:</b>			
Bank balances and cash		92,907	91,694
Note (a):			
An analysis of the cash flows of the discontinued operations is as follows:			
Net cash generated from operating activities		–	268
Net cash outflow from investing activities		–	–
Net cash inflow from financing activities		–	–
Increase in cash and cash equivalents		–	268



# 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 2011.

## 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 2011, except for 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 2011.

HKAS 24 (Revised)	Related Party Disclosures
HKFRSs (Amendments)	Improvements to HKFRSs (2010)

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.



The Group has not early adopted the following new standards, amendments to standard and interpretations, which have been issued but are not effective for the financial year beginning on 1 April 2011.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ( <i>Note a</i> )
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets ( <i>Note a</i> )
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ( <i>Note b</i> )
HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income ( <i>Note c</i> )
HKFRS 9	Financial Instruments ( <i>Note d</i> )
HKFRS 10	Consolidated Financial Statements ( <i>Note d</i> )
HKFRS 11	Joint Arrangements ( <i>Note d</i> )
HKFRS 12	Disclosure of Interests in Other Entities ( <i>Note d</i> )
HKFRS 13	Fair Value Measurement ( <i>Note d</i> )
HKAS 19 (2011)	Employee Benefits ( <i>Note d</i> )
HKAS 27 (2011)	Separate Financial Statements ( <i>Note d</i> )
HKAS 28 (2011)	Investments in Associates and Joint Ventures ( <i>Note d</i> )

*Notes:*

- a. Effective for annual periods beginning on or after 1 July 2011.
- b. Effective for annual periods beginning on or after 1 January 2012.
- c. Effective for annual periods beginning on or after 1 July 2012.
- d. Effective for annual periods beginning on or after 1 January 2013.

The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

# Notes to the Condensed Consolidated Financial Statements

## 3. SEGMENT INFORMATION

The Group is principally engaged in the provision of mobile communications services 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 2011	Continuing operations				Discontinued operations		
	Mobile communications services (Unaudited) HK\$'000	Retail sales and management services (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Distribution and retail sales (Unaudited) HK\$'000	Inter-segment elimination (Unaudited) HK\$'000	Group (Unaudited) HK\$'000
<b>Turnover</b>							
Revenue from external customers	46,295	41,110	-	87,405	-	-	87,405
Inter-segment revenue	-	-	-	-	-	-	-
<b>Segment turnover</b>	<b>46,295</b>	<b>41,110</b>	<b>-</b>	<b>87,405</b>	<b>-</b>	<b>-</b>	<b>87,405</b>
<b>Segment results</b>	<b>(4,527)</b>	<b>2,895</b>	<b>(2,432)</b>	<b>(4,064)</b>	<b>-</b>	<b>-</b>	<b>(4,064)</b>
Interest income				331	-	-	331
Loss before taxation				(3,733)	-	-	(3,733)
Taxation				(1,008)	-	-	(1,008)
<b>Loss for the period</b>				<b>(4,741)</b>	<b>-</b>	<b>-</b>	<b>(4,741)</b>

Six months ended 30 September 2010	Continuing operations				Discontinued operations		
	Mobile communications services (Unaudited) HK\$'000	Retail sales and management services (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Distribution and retail sales (Unaudited) HK\$'000	Inter-segment elimination (Unaudited) HK\$'000	Group (Unaudited) HK\$'000
Turnover							
Revenue from external customers	51,231	37,611	-	88,842	21,803	-	110,645
Inter-segment revenue	-	-	-	-	301	(301)	-
Segment turnover	51,231	37,611	-	88,842	22,104	(301)	110,645
Segment results	3,609	5,474	(274)	8,809	(8,143)	-	666
Interest income				216	-	-	216
Finance costs				(4)	-	-	(4)
Gain on disposal of a subsidiary				32	-	-	32
Profit (loss) before taxation				9,053	(8,143)	-	910
Taxation				(1,596)	-	-	(1,596)
Profit (loss) for the period				7,457	(8,143)	-	(686)

# Notes to the Condensed Consolidated Financial Statements

## 4. TURNOVER AND REVENUE

The Group's turnover and revenue recognised by category are as follows:

	Note	Six months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>Continuing operations</b>			
Sale of telecommunications equipment and products		8,173	15,357
Commission income		1,307	1,329
Mobile communications services income		44,947	46,789
Retail sales and management services income		32,978	22,715
Trunked radio services income		–	2,652
<b>Turnover</b>		<b>87,405</b>	<b>88,842</b>
Rental income		3,560	3,736
Interest income		331	216
Others		4,470	3,980
<b>Other revenue</b>		<b>8,361</b>	<b>7,932</b>
<b>Total revenue from continuing operations</b>		<b>95,766</b>	<b>96,774</b>
<b>Discontinued operations</b>			
<b>Total revenue from discontinued operations</b>	9(a)	–	21,803
<b>Total revenue</b>		<b>95,766</b>	<b>118,577</b>

5. OTHER NET INCOME

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Gain on disposal of prepaid premium for land lease and buildings	2,609	–
Gain on disposal of property, plant and equipment	222	–
Sundry income	2	23
	<u>2,833</u>	<u>23</u>

6. FINANCE COSTS

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Finance charges on obligations under finance leases	–	4

7. (LOSS) PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Crediting:		
Rental income from investment properties less direct outgoings of HK\$Nil (2010: HK\$Nil)	(3,560)	(3,736)
Charging:		
Staff costs (include directors' emoluments)	23,717	24,596
Cost of inventories	9,054	15,357
Depreciation	930	989
Amortisation		
Prepaid premium for land lease	4	38
Operating lease charges		
Telecommunications equipment	775	950
Premises	6,339	6,367
Allowance for and write off of doubtful trade and other receivables	9,641	212
Write-down of inventories	2	583
	<u>2</u>	<u>583</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	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
<b>Continuing operations</b>		
Current tax		
PRC Enterprise Income Tax	1,008	1,596
Tax charge from continuing operations	1,008	1,596
<b>Discontinued operations</b>		
Current tax		
Hong Kong Profits Tax	-	-
Tax charge from discontinued operations	-	-
Total tax charge for the period	1,008	1,596

## 9. DISCONTINUED OPERATIONS

During the year ended 31 March 2011, the Group ceased its distribution and retail sales business in Hong Kong and classified it as discontinued operations. The comparative information of discontinued operations was re-presented to include the results of the business.

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

		Six months ended 30 September	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
	Note		
<b>Loss for the period from discontinued operations</b>			
Turnover	(a)	–	21,803
Cost of sales and services		–	(16,043)
Distribution costs		–	(2)
Administrative expenses		–	(13,901)
		<hr/>	<hr/>
Loss before taxation	(b)	–	(8,143)
Taxation	8	–	–
		<hr/>	<hr/>
Loss for the period from discontinued operations		–	(8,143)

# Notes to the Condensed Consolidated Financial Statements

## 9. DISCONTINUED OPERATIONS (continued)

Notes:

### (a) Turnover

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Sale of telecommunications equipment and products	–	18,740
Commission income	–	3,015
Retail sales and management services income	–	48
	<u>–</u>	<u>21,803</u>

### (b) Loss before taxation

This is stated after charging:

	Six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Charging:		
Staff costs (include directors' emoluments)	–	4,794
Cost of inventories	–	15,324
Depreciation	–	203
Operating lease charges		
Premises	–	4,206
	<u>–</u>	<u>4,206</u>

## 10. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2011 (2010: Nil).

## 11. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share is based on the following data:

		Six months ended 30 September	
		2011 (Unaudited)	2010 (Unaudited)
<b>A.</b>	<b>Number of shares:</b>		
	Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	2,820,500,000	2,820,500,000
	Effect of dilutive potential ordinary shares:		
	Share options issued by the Company	–	5,165,268
	Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>2,820,500,000</u>	<u>2,825,665,268</u>
<b>B.</b>	<b>(Loss) earnings for operations:</b>		
(i)	For continuing and discontinued operations		
	Loss attributable to shareholders of the Company (HK\$'000)	<u>(4,519)</u>	<u>(874)</u>
	Diluted loss per share for the six months ended 30 September 2011 and 2010 are the same as the basic loss per share because the conversion of potential ordinary shares would have anti-dilutive effect.		
(ii)	For continuing operations		
	(Loss) profit from continuing operations attributable to shareholders of the Company (HK\$'000)	<u>(4,519)</u>	<u>7,269</u>
	Diluted loss per share from continuing operations for the six months ended 30 September 2011 is the same as the basic loss per share because the conversion of potential ordinary shares would have anti-dilutive effect.		
(iii)	For discontinued operations		
	Loss from discontinued operations attributable to shareholders of the Company (HK\$'000)	<u>–</u>	<u>(8,143)</u>
	Diluted loss per share from discontinued operations for the six months ended 30 September 2011 and 2010 are the same as the basic loss per share because the conversion of potential 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 2011, the Group invested approximately HK\$1,579,000 (2010: HK\$367,000) on property, plant and equipment.

During the six months ended 30 September 2011, the Group disposed of property, plant and equipment with net carrying amount of HK\$497,000 (2010: HK\$225,000).

## 13. TRADE AND OTHER RECEIVABLES

	Note	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
<b>Trade receivables</b>			
Trade receivables from third parties		28,398	14,248
Allowance for doubtful debts	(a)	(803)	(809)
		<u>27,595</u>	<u>13,439</u>
<b>Other receivables</b>			
Deposits, prepayments and other receivables		19,111	18,983
Allowance for doubtful debts	(b)	(9,326)	(170)
		<u>9,785</u>	<u>18,813</u>
		<u>37,380</u>	<u>32,252</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 90 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) from the date of invoices as at the end of reporting period is as follows:

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
0 – 30 days	13,517	7,849
31 – 60 days	5,908	3,232
61 – 90 days	5,800	422
Over 90 days	2,370	1,936
	<u>27,595</u>	<u>13,439</u>

Notes:

(a) Allowance for doubtful debts – Trade receivables

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Balance at beginning of period/year	809	17,394
Increase in allowance	139	244
Amount recovered	(145)	–
Amount written off	–	(16,829)
	803	809

Included in the Group's trade receivables balance are debtors with a carrying amount of HK\$12,036,000 (31 March 2011: HK\$2,514,000) 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 30-120 days (31 March 2011: 30-150 days).

(b) Allowance for doubtful debts – Other receivables

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Balance at beginning of period/year	170	170
Increase in allowance	9,326	–
Amount written off	(170)	–
	9,326	170

# Notes to the Condensed Consolidated Financial Statements

## 14. TRADE AND OTHER PAYABLES

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
<b>Trade payables</b>	<b>6,929</b>	6,928
<b>Other payables</b>		
Accrued charges and other creditors	16,519	17,549
Advance subscription fees received	5,053	3,828
Deposits received	3,266	2,826
Due to an associate	–	701
	<b>24,838</b>	24,904
	<b>31,767</b>	31,832

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

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
0 – 30 days	5,587	5,235
31 – 60 days	1,014	1,458
61 – 90 days	294	107
Over 90 days	34	128
	<b>6,929</b>	6,928

## 15. ISSUED CAPITAL

	30 September 2011		31 March 2011	
	Number of shares	(Unaudited) HK\$'000	Number of shares	(Audited) HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>78,000,000,000</u>	<u>780,000</u>	<u>78,000,000,000</u>	<u>780,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	<u>2,820,500,000</u>	<u>28,205</u>	<u>2,820,500,000</u>	<u>28,205</u>

## 16. RELATED PARTY TRANSACTIONS

The Group had the following 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	
	2011 (Unaudited) HK\$'000	2010 (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	3,934	4,183
– Discretionary bonus	–	425
– Retirement scheme contributions	42	48
	<u>3,976</u>	<u>4,656</u>
(ii) <b>Associate of controlling shareholders of the Company</b>		
Rental expenses paid	620	1,890
(iii) <b>Non-controlling shareholders of subsidiaries</b>		
Service fees paid	72	930
(iv) <b>Non-controlling shareholders of subsidiaries</b>		
Service fees income received	<u>(11)</u>	<u>(13)</u>



# Notes to the Condensed Consolidated Financial Statements

## 17. 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 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
In respect of leased properties:		
Within one year	5,207	5,059
In the second to fifth years inclusive	2,861	1,420
	<u>8,068</u>	<u>6,479</u>
In respect of leased lines:		
Within one year	157	226
	<u>157</u>	<u>226</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 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Within one year	7,656	7,694
In the second to fifth years inclusive	309	4,137
	<u>7,965</u>	<u>11,831</u>



# Report on Review of Interim Financial Information



**MAZARS CPA LIMITED**

**瑪澤會計師事務所有限公司**

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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 24, 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 2011 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 2011

**Chan Wai Man**

Practising Certificate number: P02487

# Management Discussion and Analysis

## RESULTS AND OPERATIONS REVIEW

With the discontinuation of certain non-performing assets and businesses in the last fiscal year, the Group began to focus its resources behind its existing mobile-related services and explored new business opportunities in the first half of the year. During the period under review, the Group's turnover declined 21% to HK\$87,405,000 largely due to the discontinuation of its Hong Kong retail and two-way trunked radio businesses. Excluding the effect of the discontinued operations, the Group's turnover decreased 2% as compared to the last corresponding period. Despite an improved gross margin to 38%, the Group reported an operating loss of HK\$6,342,000 and an after tax loss of HK\$4,741,000. This compared to an operating profit of HK\$878,000 and a net loss of HK\$686,000 in the last corresponding period. The increased loss was largely attributed to an one-off allowance of HK\$9,326,000 for certain doubtful debts due from a Group's debtor.

### Mobile Communications Services

The mobile communications services segment comprised of a licensed Mobile Virtual Network Operators ("MVNO") business in Hong Kong only during the period. The turnover of MVNO business declined by 4% to HK\$46,295,000 for the period under review. This turnover accounted for 53% of the Group's total turnover for the continuing operations. The decline was primarily due to the discontinuation of certain low margin revenues and non-profitable customers. As a result, the MVNO business's gross margin improved to 34% from 32% in the same period last year. MVNO business reported an operating loss of HK\$4,379,000 during the period compared to an operating profit of HK\$3,884,000 in the last corresponding period. The loss was attributed to an one-off allowance of HK\$9,326,000 made for certain doubtful debts which were not settled by a debtor according to the agreed schedule. Such doubtful debts related to debts due by a former owner of a business partner who had personally assumed certain outstanding trade receivables of such business partner at the time of its disposal. However, the Group is continuously pursuing to recover the debts and reserves the right to take legal action in due course. Excluding this one-off allowance, the MVNO business would have reported an operating profit of HK\$4,718,000, an improvement of 21% versus the same period last year.



# Management Discussion and Analysis


## Mobile Communications Services (continued)

During the period under review, the MVNO business continued to face major challenge in the extremely competitive market, particularly in the data access services with competition offering heavy subsidies on smartphone devices. This competitive pressure forced MVNO business to continue providing higher rebate to customers which had negatively impacted the financial performance of the business. With the exit of the CM Concept retail business in January 2011, MVNO business also lost a major distribution channel and retail presence in competing in the mass market. As such, MVNO business made a conscious move to discontinue certain low margin services and unprofitable customers and re-focused its resources on and strengthened its operation behind its high-value customers and new market segments in an effort to protect and broaden its revenue base. The strategy began to pay off as the overall revenue and contribution for key market segments were showing signs of improvement. At the end of the period, MVNO business also managed to increase its overall subscriber base with its post-paid subscribers increased by 3% versus last corresponding period.

During the period, MVNO business began working on a number of new initiatives with the objective to enhance its services and broaden its product portfolio. In addition to the new 3G services, which introduced last year, MVNO business expects to introduce certain product enhancements and other new value-added marketing services in the near future to provide the driving force to grow the revenue and contribution in the cross-border communications market segment.

## Retail Sales and Management Services

During the period under review, turnover for the segment, which represented the Shanghai retail sales and management services (“Shanghai Operation”), increased 9% to HK\$41,110,000 which accounted for 47% of the Group’s turnover for the continuing operations. This increase was primarily attributed to the additional prepaid card business and the handset bundling services initiated by the Shanghai Operation to broaden its revenue base. Gross margin declined to 43% with an operating profit of HK\$3,261,000 reflecting the higher portion of the lower margin service fee associated with both the prepaid card business and the handset bundling services.



The changing competitive landscape in the 3G telecommunications market and the highly penetrated Shanghai telecom market had forced the mobile operators to continuously adjust their marketing strategy to support the acquisition of 3G subscribers and thus the remuneration to their partners as a result. This had negatively impacted the income derived from all sources of revenue and in particular, the prepaid SIM card as the new requirement for registration of actual names and addresses added another layer of barrier to the process. To counter this impact, Shanghai Operation had expanded its effort in the handset wholesales and bundling services by partnering with handset manufacturers and the operator's regional district sales offices to expand its offering in an effort to generate more revenue and service fee.

At the end of the period under review, the Shanghai Operation maintained a total of 27 service stores and remained one of the lead partners of a telecom carrier in Shanghai. During the period, in support of the local Government in property re-development, some stores had to be relocated and thus created temporary impact on and disruption to the operation. As stores will be closed and re-opened due to the expiry of the store's leases in the coming months, Shanghai Operation and customers would continuously be impacted negatively. This disruption, although posing a threat to our continual stable income stream, provides us with the opportunities to freshen up the store image and benefits us in the longer term.

## PROSPECTS

Notwithstanding the world economy begins to improve, the road to a full recovery for the Group's business continues to be a challenge. The inflation risk in both Hong Kong and China as we faced in the past year continues to be major issue for us in the future. Cost of operation will continue to be disproportionately increased across the organisation. In the extremely competitive telecommunications market with continuing downward pricing pressure and narrowing margin, this is becoming a significant concern and threat to the profitability of the business.

Despite the difficult market environment and competitive landscape, the scale of the market and the new regulatory framework still present an immense opportunity, particularly in China. The increasing popularity of the mobile broadband data and smartphone devices gives rise to a wide range of new mobile applications that cater towards to different segment of the market. The 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 continues to seek additional investment opportunities to strengthen and expand its business portfolio in the future.



# Management Discussion and Analysis

## DISPOSAL OF PROPERTY

The Group completed the disposal of a premise with a net book value of HK\$1,321,000 as at 31 March 2011 at a price of HK\$3,950,000 in May 2011. Such disposal provided a profit of HK\$2,609,000 and cash inflow of HK\$3,925,000 during the period.

## FINANCIAL POSITION

As at 30 September 2011, the Group maintained cash and cash equivalent of approximately HK\$92,907,000 (*31 March 2011: HK\$104,760,000*) with no borrowings (*31 March 2011: Nil*) and no obligations under finance leases (*31 March 2011: Nil*). The Group had no gearing as at 30 September 2011 (*31 March 2011: Nil*).

It is anticipated that the Group's bank balances and cash as at 30 September 2011, together with the stable rental income, will be sufficient to fund its operations. As at 30 September 2011, the Group had no banking facilities.

## SHARE CAPITAL

As at 30 September 2011, the Company had 2,820,500,000 shares in issue with total shareholders' fund of the Group amounting to approximately HK\$393,799,000 (*31 March 2011: HK\$397,536,000*).

## FINANCIAL GUARANTEES

As at 30 September 2011, the Group did not have any contingent liabilities (*31 March 2011: Nil*).

## CHARGE ON ASSETS

As at 30 September 2011, the Group did not have any charge on its assets (*31 March 2011: 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 2011, the Group had 370 full-time staff. Total staff costs (including directors' emoluments) incurred by both continuing and discontinued operations for the period amounted to approximately HK\$23,717,000 (2010: HK\$29,390,000). 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.



## Other Information

### DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2011, 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.

(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%

*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, 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.



## Other Information

### **DIRECTORS' INTERESTS IN SECURITIES (continued)**

Save as disclosed above, as at 30 September 2011, 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, 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 2011, 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:

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 2011, 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.

## Other Information

### 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 their discretion grant share options to any employee; any 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 and exercisable as at 1 April 2011	Date of grant	Exercise period	Exercise price per share option HK\$	Closing price immediately before the date of grant HK\$	Approximate percentage of issued shares
	Outstanding and exercisable as at 1 April 2011	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period						
<b>Director:</b>										
Mr. Wu Chi Chiu	12,000,000	-	-	-	12,000,000	10/08/2009	10/08/2009 – 09/08/2019	0.182	0.176	0.43%
	8,000,000	-	-	-	8,000,000	29/09/2009	29/09/2009 – 28/09/2019	0.160	0.155	0.28%
<b>Sub-total</b>	<b>20,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,000,000</b>					<b>0.71%</b>
<b>Employees:</b>										
	24,800,000	-	-	-	24,800,000	10/08/2009	10/08/2009 – 09/08/2019	0.182	0.176	0.88%
	16,200,000	-	-	-	16,200,000	29/09/2009	29/09/2009 – 28/09/2019	0.160	0.155	0.57%
<b>Sub-total</b>	<b>41,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,000,000</b>					<b>1.45%</b>
<b>Total</b>	<b>61,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61,000,000</b>					<b>2.16%</b>

There was no vesting period for the share options granted.

No share options were granted, exercised, cancelled or lapsed 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 2011.

## 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 2011.

## 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, except that under code provision E.1.2, Mr. Ting Pang Wan, Raymond, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 24 August 2011 due to other business commitments.

## 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.



## Other Information

### CHANGE OF DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in the information of director subsequent to the publication of the 2010/11 annual report in June 2011 is set out below:

- (a) Mr. Sin Ka Man, an independent non-executive director of the Company, was appointed as an independent non-executive director of Fornton Group Limited, a company listed on the Main Board of the Stock Exchange, on 11 October 2011.

### 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 2011, 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 2011



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**China Motion Telecom International Limited**

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