

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

Interim Report
2013/14
中期報告



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

TING Pang Wan, Raymond (*Chairman*)
JI Zuguang (*Deputy Chief Executive Officer*)
CHAI Xiu

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
JI Zuguang

Nomination Committee

HUANG An Guo (*Chairman*)
SIN Ka Man
TING Pang Wan, Raymond

COMPANY SECRETARY

LUNG Yuet Kwan

LEGAL ADVISOR

Michael Li & Co.

AUDITOR

Mazars CPA Limited
Certified Public Accountants

REGISTERED OFFICE

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PRINCIPAL SHARE REGISTRAR

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26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited

STOCK CODE

989

Condensed Consolidated Income Statement

For the six months ended 30 September 2013

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 2013 together with the comparative figures as follows:

	Note	Six months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)
Continuing operations			
Turnover	4	28,535	43,290
Cost of sales and services		(9,056)	(23,046)
Gross profit		19,479	20,244
Other revenue	4	2,827	1,527
Other net income		3	2
Distribution costs		(48)	(47)
Administrative expenses		(35,386)	(21,047)
Impairment of goodwill		–	(6,622)
Loss before taxation	5	(13,125)	(5,943)
Taxation	6	(75)	(695)
Loss for the period from continuing operations		(13,200)	(6,638)
Discontinued operations			
Profit for the period from discontinued operations	7	–	3,163
Loss for the period		(13,200)	(3,475)

Condensed Consolidated Income Statement

For the six months ended 30 September 2013

	Note	Six months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)
(Loss) profit attributable to:			
Shareholders of the Company			
– continuing operations		(13,197)	(6,638)
– discontinued operations		–	3,005
		<u>(13,197)</u>	<u>(3,633)</u>
Non-controlling interests			
– continuing operations		(3)	–
– discontinued operations		–	158
		<u>(3)</u>	<u>158</u>
		<u>(13,200)</u>	<u>(3,475)</u>
Dividend	8	–	–
(Losses) earnings per share	9		
From continuing and discontinued operations			
– Basic and diluted		<u>(0.47) HK cents</u>	<u>(0.13) HK cents</u>
From continuing operations			
– Basic and diluted		<u>(0.47) HK cents</u>	<u>(0.24) HK cents</u>
From discontinued operations			
– Basic and diluted		<u>N/A</u>	<u>0.11 HK cents</u>

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2013

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)
Loss for the period	(13,200)	(3,475)
Other comprehensive income for the period		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of foreign operations	504	41
Total comprehensive loss for the period	(12,696)	(3,434)
Total comprehensive (loss) income attributable to:		
Shareholders of the Company		
– continuing operations	(12,693)	(6,597)
– discontinued operations	–	3,005
	(12,693)	(3,592)
Non-controlling interests		
– continuing operations	(3)	–
– discontinued operations	–	158
	(3)	158
	(12,696)	(3,434)

Condensed Consolidated Statement of Financial Position

As at 30 September 2013

	Note	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	10	304,000	304,000
Property, plant and equipment	11	924	1,419
Other non-current assets		3,130	3,130
		<u>308,054</u>	<u>308,549</u>
Current assets			
Inventories		1,923	2,435
Trade and other receivables	12	47,239	51,682
Bank balances and cash		99,118	102,099
		<u>148,280</u>	<u>156,216</u>
Current liabilities			
Trade and other payables	13	19,080	14,805
Taxation		39	49
		<u>19,119</u>	<u>14,854</u>
Net current assets		<u>129,161</u>	<u>141,362</u>
Total assets less current liabilities		<u>437,215</u>	<u>449,911</u>
Non-current liabilities			
Deferred tax liabilities		4,780	4,780
NET ASSETS		<u>432,435</u>	<u>445,131</u>

	Note	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
CAPITAL AND RESERVES			
Issued capital	14	28,205	28,205
Reserves		398,299	410,992
Total capital and reserves attributable to shareholders of the Company		426,504	439,197
Non-controlling interests		5,931	5,934
TOTAL EQUITY		432,435	445,131

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2013

	Reserves attributable to shareholders of the Company						Total equity (Unaudited) HK\$'000						
	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							
Balance at 1 April 2013	28,205	129,397	210,587	71,008	410,992	5,934	445,131						
Exchange difference	–	504	–	–	504	–	504						
Loss for the period	–	–	–	(13,197)	(13,197)	(3)	(13,200)						
Total comprehensive income (loss)	–	504	–	(13,197)	(12,693)	(3)	(12,696)						
Release upon lapse of share options	–	(1,752)	–	1,752	–	–	–						
Balance at 30 September 2013	28,205	128,149	210,587	59,563	398,299	5,931	432,435						
Balance at 1 April 2012	28,205	129,535	210,587	(12,761)	327,361	5,963	361,529						
Exchange difference	–	42	–	–	42	–	42						
Disposal of property	–	(551)	–	551	–	–	–						
(Loss) Profit for the period	–	–	–	(3,633)	(3,633)	158	(3,475)						
Total comprehensive income (loss)	–	(509)	–	(3,082)	(3,591)	158	(3,433)						
Balance at 30 September 2012	28,205	129,026	210,587	(15,843)	323,770	6,121	358,096						

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2013

	Note	Six months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)
Continuing operations			
Net cash (used in) from operating activities		(2,801)	138
Net cash (used in) from investing activities		(180)	2,501
		(2,981)	2,639
Discontinued operations			
Increase in cash and cash equivalents from discontinued operations	(a)	–	1,416
Cash and cash equivalents at 1 April		102,099	102,684
Cash and cash equivalents at 30 September		99,118	106,739
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		99,118	106,739
Note (a):			
An analysis of the cash flows of the discontinued operations is as follows:			
Net cash from operating activities		–	2,014
Net cash used in investing activities		–	(598)
		–	1,416
Increase in cash and cash equivalents		–	1,416

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 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 2013.

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 2013, except for the adoption of the new and revised Hong Kong Accounting Standards (“HKASs”) and Hong Kong Financial Reporting Standards (“HKFRSs”) described below.

Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income (<i>Note a</i>)
HKAS 19 (2011)	Employee Benefits (<i>Note b</i>)
HKAS 27 (2011)	Separate Financial Statements (<i>Note b</i>)
HKAS 28 (2011)	Investments in Associates and Joint Ventures (<i>Note b</i>)
HKFRS 10	Consolidated Financial Statements (<i>Note b</i>)
HKFRS 12	Disclosure of Interests in Other Entities (<i>Note b</i>)
HKFRS 13	Fair Value Measurement (<i>Note b</i>)
Amendments to HKFRSs	Annual Improvements 2009-2011 Cycle (<i>Note b</i>)
Amendments to HKFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities (<i>Note b</i>)

Notes:

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

The application of the above had no material effect on the results and financial positions of the Group for the current or prior accounting periods except for the additional disclosure requirements in accordance with Amendments to HKAS 1 (Revised) and HKFRS 13.

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

3. SEGMENT INFORMATION

The Group is principally engaged in the provision of retail sales and management services and property investment since its mobile communications services business was disposed of in March 2013. Subsequent to the disposal, the Company's executive directors regularly review the operating results of the Group's investment in properties and make decisions about resources to be allocated to the segment and assess its performance. Hence, the Group's investment in properties is presented as a business segment and the comparative information has been re-presented.

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

For the six months ended 30 September 2013	Continuing operations				Discontinued operations	
	Retail sales and management services (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Mobile communi- cations services (Unaudited) HK\$'000	Group (Unaudited) HK\$'000
Segment turnover						
Revenue from external customers	23,040	5,495	–	28,535	–	28,535
Segment results	(727)	2,135	(16,508)	(15,100)	–	(15,100)
Interest income				1,975	–	1,975
Loss before taxation				(13,125)	–	(13,125)
Taxation				(75)	–	(75)
Loss for the period				(13,200)	–	(13,200)

Notes to the Condensed Consolidated Financial Statements

3. SEGMENT INFORMATION (continued)

	Continuing operations				Discontinued operations	
	Retail sales and management services	Property investment	Others	Total	Mobile communications services	Group
For the six months ended 30 September 2012 (Restated)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment turnover						
Revenue from external customers	39,791	3,499	–	43,290	48,304	91,594
Segment results	1,866	987	(2,711)	142	3,162	3,304
Interest income				537	1	538
Impairment of goodwill				(6,622)	–	(6,622)
(Loss) Profit before taxation				(5,943)	3,163	(2,780)
Taxation				(695)	–	(695)
(Loss) Profit for the period				(6,638)	3,163	(3,475)

4. TURNOVER AND REVENUE

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

		Six months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)
	Note		
Continuing operations			
Sale of telecommunications equipment and products		6,321	15,757
Rental income		5,495	3,499
Retail sales and management services income		16,719	24,034
		<hr/>	<hr/>
Turnover		28,535	43,290
		<hr/>	<hr/>
Interest income		1,975	537
Others		852	990
		<hr/>	<hr/>
Other revenue		2,827	1,527
		<hr/>	<hr/>
Total revenue from continuing operations		31,362	44,817
		<hr/>	<hr/>
Discontinued operations			
Total revenue from discontinued operations	7(a)	–	48,465
		<hr/>	<hr/>
Total revenue		31,362	93,282
		<hr/>	<hr/>

Notes to the Condensed Consolidated Financial Statements

5. LOSS BEFORE TAXATION

Continuing operations

This is stated after charging (crediting):

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)
Rental income from investment properties less direct outgoings	(4,406)	(3,499)
Staff costs (include directors' emoluments)	17,163	17,300
Cost of inventories	5,948	18,589
Depreciation	446	626
Operating lease charges		
Premises	4,402	3,518
Write off of trade receivables	139	–
Loss on disposal of property, plant and equipment	243	1
Loss on disposal of investment property	–	83

6. 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 ("EIT") 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 statutory EIT rate in the PRC is 25% (2012: 25%).

The major component of income tax charge is:

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)
Continuing operations		
Current tax		
PRC Enterprise Income Tax	75	695
	<hr/>	<hr/>
Tax charge from continuing operations	75	695
	<hr/>	<hr/>
Discontinued operations		
Current tax		
Hong Kong Profits Tax	–	–
	<hr/>	<hr/>
Tax charge from discontinued operations	–	–
	<hr/>	<hr/>
Total tax charge for the period	75	695
	<hr/>	<hr/>

Notes to the Condensed Consolidated Financial Statements

7. DISCONTINUED OPERATIONS

In March 2013, the Group disposed of its mobile communications services business and classified it as discontinued operations.

The results of the discontinued operations are summarised as follows:

	Notes	Six months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Turnover	(a)	–	48,304
Cost of sales and services		–	(29,461)
Other revenue	(a)	–	161
Distribution costs		–	(1,384)
Administrative expenses		–	(14,457)
		<hr/>	<hr/>
Profit before taxation	(b)	–	3,163
Taxation	6	–	–
		<hr/>	<hr/>
Profit for the period from discontinued operations		–	3,163
		<hr/>	<hr/>

Notes:

(a) Turnover and revenue

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Sales of telecommunications equipment and products	–	300
Commission income	–	1,164
Mobile communications services income	–	46,840
Turnover	–	48,304
Interest income	–	1
Others	–	160
Other revenue	–	161
Total revenue from discontinued operations	–	48,465

(b) Profit before taxation

This is stated after charging:

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Charging:		
Staff costs (include directors' emoluments)	–	7,442
Cost of inventories	–	1,297
Depreciation	–	312
Operating lease charges		
Telecommunications equipment	–	734
Premises	–	1,548
Allowance for doubtful trade and other receivables	–	78

Notes to the Condensed Consolidated Financial Statements

8. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2013 (2012: Nil).

9. (LOSSES) EARNINGS PER SHARE

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

	Six months ended 30 September	
	2013 (Unaudited)	2012 (Unaudited)
A. Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (losses) earnings per share	2,820,500,000	2,820,500,000
Effect of dilutive potential ordinary shares: Share options issued by the Company	–	–
Weighted average number of ordinary shares for the purpose of diluted (losses) earnings per share	2,820,500,000	2,820,500,000

		Six months ended 30 September	
		2013 (Unaudited)	2012 (Unaudited) (Restated)
B.	(Losses) earnings for operations:		
(i)	For continuing and discontinued operations Losses attributable to shareholders of the Company (HK\$'000)	(13,197)	(3,633)
Diluted losses per share for the six months ended 30 September 2013 and 2012 are the same as the basic losses per share because the share options in issue have no dilutive effect and there are no dilutive potential ordinary shares in existence.			
(ii)	For continuing operations Losses attributable to shareholders of the Company (HK\$'000)	(13,197)	(6,638)
Diluted losses per share for the six months ended 30 September 2013 and 2012 are the same as the basic losses per share because the share options in issue have no dilutive effect and there are no dilutive potential ordinary shares in existence.			
(iii)	For discontinued operations Profit attributable to shareholders of the Company (HK\$'000)	N/A	3,005
Diluted earnings per share for the six months ended 30 September 2012 are the same as the basic earnings per share because the share options in issue have no dilutive effect and there are no dilutive potential ordinary shares in existence.			

Notes to the Condensed Consolidated Financial Statements

10. INVESTMENT PROPERTIES

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Medium-term lease	304,000	304,000

Investment properties of the Group are situated in Hong Kong and are held under medium-term lease.

As at 30 September 2013 and 31 March 2013, the investment properties were revalued by the directors of the Company and DTZ Debenham Tie Leung Limited, an independent professional qualified valuer, respectively. The fair value measurement information for these investment properties in accordance with HKFRS 13 are given below.

	Quoted prices in active markets for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000
Recurring fair value measurements			
Investment properties	–	304,000	–

There were no transfers among Level 1, Level 2 and Level 3 during the period.

Level 2 fair values of investment properties have been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot. There were no changes in the valuation techniques during the period.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2013, the Group invested approximately HK\$182,000 (2012: HK\$814,000) on property, plant and equipment.

During the six months ended 30 September 2013, the Group disposed of property, plant and equipment with net carrying amount of HK\$245,000 (2012: HK\$1,000).

12. TRADE AND OTHER RECEIVABLES

	Note	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Trade receivables			
Trade receivables from third parties		6,375	8,877
Allowance for doubtful debts	(a)	—	—
		<u>6,375</u>	<u>8,877</u>
Other receivables			
Consideration receivables for disposal of discontinued operations	(b)	34,341	37,491
Deposits, prepayments and other receivables		15,849	14,640
Allowance for doubtful debts		(9,326)	(9,326)
		<u>40,864</u>	<u>42,805</u>
		<u>47,239</u>	<u>51,682</u>

The Group has established credit policies for customers in each of its core businesses. No credit period has been granted to the tenant. Other than that, 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.

Notes to the Condensed Consolidated Financial Statements

12. TRADE AND OTHER RECEIVABLES (continued)

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 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
0 – 30 days	4,115	2,964
31 – 60 days	1,454	2,661
61 – 90 days	806	2,628
Over 90 days	–	624
	<u>6,375</u>	<u>8,877</u>

Notes:

- (a) Allowance for doubtful debts – Trade receivables

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Balance at beginning of period/year	–	519
Amount recovered	–	(72)
Disposal of discontinued operations	–	(447)
	<u>–</u>	<u>–</u>

Included in the Group's trade receivables balance are debtors with a carrying amount of HK\$1,428,000 (31 March 2013: HK\$3,252,000) 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 31-60 days (31 March 2013: 60-90 days).

- (b) The amount has been settled in October 2013.

13. TRADE AND OTHER PAYABLES

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Trade payables	454	1,482
Other payables		
Accrued charges and other creditors	15,115	13,228
Deposits received	3,511	95
	18,626	13,323
	19,080	14,805

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

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
0 – 30 days	250	748
31 – 60 days	52	67
61 – 90 days	67	108
Over 90 days	85	559
	454	1,482

Notes to the Condensed Consolidated Financial Statements

14. ISSUED CAPITAL

	30 September 2013		31 March 2013	
	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

15. RELATED PARTY TRANSACTIONS

The Group had the following material related party transactions 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	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Key management personnel		
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	4,097	4,024
– Retirement scheme contributions	38	50
	<u>4,135</u>	<u>4,074</u>

16. 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 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
In respect of leased properties:		
Within one year	2,813	3,009
In the second to fifth years inclusive	1,587	1,648
	<u>4,400</u>	<u>4,657</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 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Within one year	13,610	–
In the second to fifth years inclusive	7,334	–
	<u>20,944</u>	<u>–</u>

17. COMPARATIVE FIGURES

Conforming to current period's presentation, rental income of the property investment segment of HK\$3,499,000 that was included in other revenue has been reclassified under turnover. Moreover, the turnover and financial results of mobile communications services have been reclassified as discontinued operations since it was disposed of during the financial year ended 31 March 2013. The revised presentation reflects more appropriately the nature of these items. These reclassifications have no effect on the reported financial position, results or cash flows of the Group.

Report on Review of Interim Financial Information



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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 2013 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 period 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 “HKICPA”). 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.

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 HKICPA. 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

28 November 2013

Chan Chi Ming Andy

Practising Certificate number: P05132

Management Discussion and Analysis

RESULTS AND OPERATIONS REVIEW

Rapid changes in the telecommunications landscape coupled with the intense market competition has presented multiple challenges to China telecom operators. Amidst the changes in the industry, the Group has determined to broaden its business to include the property investment and management services, and to actively explore potential investment opportunities. In October 2013, the Group has completed the acquisition of a 35% equity interests in a property project in Changbaishan, Jilin Province, the People's Republic of China ("PRC"). As part of the acquisition, it has secured the management rights of the project, through which the Group can effectively tap into the booming property market in the PRC and broaden its income sources.

During the period under review, the Group's turnover declined significantly when compared to the corresponding period last year. Excluding the mobile telecommunications services business, which the Group has divested in early 2013, and the representation of the leasing income of the property investment as a separate business segment, turnover of the Group's continuing operations decreased by 34.1% to approximately HK\$28,535,000 as compared to the restated turnover of HK\$43,290,000 in the same period last year. The decline was primarily due to reductions in the sales of mobile handsets and prepaid mobile services, and fewer promotional campaigns initiated by Shanghai telecommunications operator. Gross profit decreased slightly from the restated gross profit of HK\$20,244,000 in the same period last year to approximately HK\$19,479,000 in the period under review. However, gross profit margin improved from 46.8% in the last corresponding period to 68.3% as a result of the smaller mix of low margin products. Net loss after tax for the Group was HK\$13,200,000 as compared to net loss after tax of HK\$3,475,000 in the last corresponding period. The increase in loss was mainly attributable to the increase in legal and professional service fees of approximately HK\$7,180,000 associated with the acquisition and the absence of management fee income and profit generated from the mobile communications services business, which the Group has divested in March 2013, but the effect of which were partially offset by the absence of impairment loss of goodwill relating to the retail sales and management services business in Shanghai ("Retail Business").

Retail Sales and Management Services

Facing the already saturated telecom market condition, the Shanghai telecommunications operator has adjusted its marketing strategy including shifting its handset bundled services to prepaid services, requiring customers to make a substantial upfront payment. This posed huge challenges for the Group to attract new subscribers and thus income generated from it. As a result, the Group has re-examined its business strategy with the aim of creating a long-term sustainable business model rather than an overreliance on expansion of market share. Turnover from the Shanghai operations during the period under review was approximately HK\$23,040,000, a decline from HK\$39,791,000 in the last corresponding period. Gross profit also dropped from approximately HK\$16,744,000 to HK\$15,074,000. This drop was mainly attributable to the reduction in the sales of mobile handsets, and prepaid mobile services as well as fewer promotional campaigns initiated by Shanghai telecommunications operator. However, gross profit margin increased notably from 42.1% to 65.4% as a result of the smaller proportion of low margin mobile handset business. Net loss after tax of the Shanghai operations was approximately HK\$539,000 as compared to the net profit after tax of HK\$1,620,000 in the same period last year.

As market competition of the telecommunications industry in Shanghai intensified and operating costs continue to increase, the Group began the review of its store locations. During the period under review, the Group has strategically closed its entire smaller specialty stores and chosen to open new stores in newly developed districts with considerable potential for development as a way to optimize its store network. As at 30 September 2013, the Shanghai operations managed a total of 21 retail service stores (*30 September 2012: 24 stores*). In the near term, the Group will continue to collaborate with the Shanghai telecommunications operator to enhance the management services of its existing retail network, add new services and optimize its service portfolio. The Group also plans to expand its business into other geographic regions in order to further leverage its store network and enhance its business performance.

Property Investment

Acknowledging the increasing importance of the property investment business, the Group has positioned its major businesses, designating property investment as a separate business segment. During the period under review, leasing income from property investment was HK\$5,495,000, a significant increase from HK\$3,499,000 recorded in the last corresponding period, mainly due to the increase in rent.

Management Discussion and Analysis

PROSPECTS

The 3rd Plenary Session of 18th CPC Central Committee (The Third Plenum) issued a communiqué which called for a comprehensive deepening of reform, in which it outlined a clear path for reform of business and the economy in the PRC during the next decade, emphasizing the importance of “market forces”. This macroeconomic direction is expected to revitalize Chinese economy while creating greater opportunities for the Group’s development.

The changing and highly competitive telecom market has generated many challenges for the Group’s business development. Nevertheless, China will soon issue its 4G licenses, and the Group expects that the Shanghai telecommunications operator will be able to leverage first-mover advantage and create strong momentum as new networks are deployed. The Group’s collaboration of its Retail Business with the Shanghai telecommunications operator positions it well to capture the opportunities and improve its business performance.

Looking ahead, the Group will leverage its experience in property investment and management to explore business developments outside of the telecom business. As the Chinese economy continues its rapid development, Jilin Province is one of its top performers. Its GDP grew at a CAGR of 16.7% from 2008 to 2012, higher than 13.2% of other provinces for the same period, and it is expected to rise even further in the future. Seeking to tap the opportunities from economic growth in Jilin Province, the Group completed the acquisition of a 35% equity interests in the Changbaishan property project in October 2013 including its management rights. The project is strategically situated in a prime location, neighbouring “Wanda Resort”, a new tourist spot, and the National Scenic Area of Tianchi as well as the Changbaishan airport. It is well-positioned to meet the enormous demand for hotels, sight-seeing spots and other facilities, as well as huge business opportunities. The project occupies more than 1,000,000 square metres and will be built into a high-end resort comprising a six-star hotel, theme park, villa and residential apartments, expecting to contribute strong potential income opportunity to and creating bright prospects for the Group.

The construction of Phase 1 at this high-end resort will start in mid-2014 with pre-sale commencing in the third quarter of 2014, expecting the results to be reflected in share of the results in the associates for the Group. The fees from the management contract will also offer a new revenue source for the Group.

The Group is determined to facilitate the development of the project, as it becomes the foundation for the Group to expand into the property investment and management market in the PRC. The Group will continue to seek investment opportunities with high growth potential in order to diversify its business and maximize the returns for shareholders.

ACQUISITION OF PROPERTY DEVELOPMENT AND MANAGEMENT BUSINESS AND DISPOSAL OF CERTAIN ASSETS

- (i) On 25 April 2013, the Company and Mr. Wei Cheng Si (the “Vendor”), an independent third party, entered into a conditional sale and purchase agreement (as amended and restated by a supplemental agreement dated 10 July 2013), pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell (i) the entire issued share capital of Ace Plus Global Limited (“Ace Plus”) which principal asset is a 35% effective interests of 吉林省廣澤旅遊開發有限公司 (Jilin Ground Tourism Investment Co., Ltd.) (“Jilin Ground”), a company established in the PRC, which in turn holds contractual rights under (a) fourteen 國有建設用地使用權出讓合同 (Contracts for the Transfer of the Land Use Right of State-owned Land) entered into between 撫松縣國土資源局 (Fusong Land Resources Bureau) (“Fusong Land Resources Bureau”) and Jilin Ground on 8 November 2012 pursuant to which Fusong Land Resources Bureau agreed to transfer and Jilin Ground conditionally agreed to acquire the land located at Zone 1, Gusong Village, Fusongxingcheng, Baishan, Jilin Province, the PRC with a total site area of approximately 652,608 square meters; and (b) four 國有建設用地劃撥決定書 (Written Decision of State-owned Construction Land Allocation) issued by Fusong Land Resources Bureau on 8 November 2012 pursuant to which Fusong Land Resources Bureau agreed to allocate and Jilin Ground agreed to acquire the land located at Zone 1, Gusong Village, Fusongxingcheng, Baishan, Jilin Province, the PRC with a total site area of approximately 9,592 square meters; and (ii) the shareholder’s loan owing by Ace Plus to the Vendor as at the completion, at the consideration of HK\$385,000,000 (the “Acquisition Consideration”) (the “Acquisition”); and
- (ii) On 10 July 2013, Biara Investments Limited (“Biara Investments”), a wholly-owned subsidiary of the Company, and Marvel Bonus Holdings Limited (“Marvel Bonus”), the then controlling shareholder of the Company, entered into a conditional sale and purchase agreement, pursuant to which (i) Biara Investments conditionally agreed to sell and Marvel Bonus conditionally agreed to purchase the entire issued share capital of Express Lane Investment Limited (“Express Lane”), a former wholly-owned subsidiary of the Company; (ii) Biara Investments agreed to procure the Company to transfer the club membership of the Company to Marvel Bonus; and (iii) any intra group balance between Express Lane and its subsidiary on the one hand and the Group on the other would be waived (the “Disposal”). The consideration for the Disposal amounts to HK\$5,660,000.

The Acquisition and the Disposal were both approved by the independent shareholders of the Company at the special general meeting of the Company held on 18 October 2013 and completed on 29 October 2013.

Details of the Acquisition and the Disposal were disclosed in the Company’s announcements dated 26 April 2013, 10 May 2013, 13 May 2013, 7 June 2013, 17 June 2013, 10 July 2013, 22 July 2013, 30 August 2013, 19 September 2013, 25 September 2013, 30 September 2013, 9 October 2013, 18 October 2013, 24 October 2013 and 29 October 2013 and the circular dated 30 September 2013 respectively.

Management Discussion and Analysis

DISPOSAL OF MOBILE COMMUNICATIONS SERVICES BUSINESS

On 27 November 2012, the Group with the Company as guarantor entered into a stock purchase agreement (as amended by the supplemental agreements dated 4 February 2013 and 3 March 2013 respectively) (the “MVNO Disposal Agreement”) with Gulfstream Capital Partners Ltd., an independent third party (the “Purchaser”), pursuant to which the Group conditionally agreed to sell and the Purchaser conditionally agreed to purchase (i) the existing issued shares of China Motion Telecom (HK) Limited (“CMTHK”), a former subsidiary of the Company, principally engaged in the provision of mobile communications services, (the “CMTHK Shares”) and (ii) the capitalised shares of CMTHK, being the shares of CMTHK issued in respect of the capitalisation of the shareholders’ loans owing by CMTHK to the Group at an issue price of HK\$1 per capitalised share at the closing (the “CMTHK Capitalised Shares”, together with the CMTHK Shares collectively the “MVNO Sale Shares”, representing 100% of the issued share capital of CMTHK at the closing) for the revised consideration of HK\$49,500,000 (subject to adjustments) under the terms and conditions as set out in the MVNO Disposal Agreement (the “MVNO Disposal”).

The MVNO Disposal was completed on 1 March 2013 and the remaining balance of the consideration together with interest in a total sum of approximately HK\$34.3 million (the “Balance”) under the promissory note dated 1 March 2013 issued by VelaTel Global Communications, Inc., the holding company of the Purchaser, was settled by the Purchaser on 29 October 2013. Accordingly, the Group had release the MVNO Sales Shares to the Purchaser pursuant to the stock pledge deed and stock escrow agreement dated 3 March 2013 entered into between the Group and the Purchaser. The net proceeds from the MVNO Disposal, after deducting expenses attributable to the MVNO Disposal of approximately HK\$4,017,000, were estimated to be approximately HK\$35,330,000. The Company had applied the Balance for payment of the Acquisition Consideration on completion of the Acquisition.

Details of the MVNO Disposal were disclosed in the Company’s announcements dated 27 November 2012, 4 February 2013, 4 March 2013, 1 August 2013, 13 September 2013 and 29 October 2013 and the circular dated 18 December 2012 respectively.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has consistently maintained sufficient working capital during the period. As at 30 September 2013, the Group has current assets of HK\$148,280,000 (*31 March 2013: HK\$156,216,000*), including cash and bank balances and time deposits in an aggregate of HK\$99,118,000 (*31 March 2013: HK\$102,099,000*). The Group's current liabilities as at 30 September 2013 were HK\$19,119,000 (*31 March 2013: HK\$14,854,000*). The liquidity ratio of the Group as at 30 September 2013 remained healthy at 7.75 times (*31 March 2013: 10.52 times*).

As at 30 September 2013, the Group has no outstanding loans or borrowings from banks or financial institutions (*31 March 2013: Nil*). The Group has no gearing as at 30 September 2013 (*31 March 2013: Nil*).

SHARE CAPITAL

As at 30 September 2013, the Company had 2,820,500,000 shares in issue with total shareholders' fund of the Group amounting to approximately HK\$426,504,000 (*31 March 2013: HK\$439,197,000*).

FINANCIAL GUARANTEES

As at 30 September 2013, the Group did not have any contingent liabilities (*31 March 2013: Nil*).

CHARGE ON ASSETS

As at 30 September 2013, the Group did not have any charge on its assets (*31 March 2013: 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.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2013, the Group had 296 full-time staff. Total staff costs (including directors' emoluments) for the period amounted to approximately HK\$17,163,000 (2012: HK\$24,742,000). 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 2013, 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 by the Company 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 <i>(Note)</i>	Long	1,555,000,000	55.13%
Mr. JI Zuguang	Personal	Long	1,300,000	0.05%

Note: The corporate interest of Mr. Ting Pang Wan, Raymond (“Mr. Ting”) 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”) respectively. Shanghai Assets is wholly and beneficially owned by Mr. Ting. Mr. Ting is therefore deemed to be interested in 1,555,000,000 shares held by Marvel Bonus. Mr. Ting is also a director of Marvel Bonus and Shanghai Assets.

Other Information

DIRECTORS' INTERESTS IN SECURITIES (continued)

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

Note: (continued)

On 25 April 2013, Marvel Bonus, Mr. Yam Tak Cheung (“Mr. Yam”) and Mr. Ting entered into a conditional sale and purchase agreement (as amended and restated by the supplemental agreements dated 10 July 2013 and 25 September 2013 respectively) with Charm Success Group Limited (“Charm Success”) and Ms. Chai Xiu (“Ms. Chai”), pursuant to which Charm Success has conditionally agreed to purchase and Marvel Bonus has conditionally agreed to sell 1,555,000,000 shares of the Company at a consideration of HK\$244,135,000 (“Share Disposal”). The Share Disposal was completed on 29 October 2013. Since then, neither Marvel Bonus nor Mr. Ting own any share of the Company.

Following the completion of the Share Disposal, Charm Success was required to make the unconditional mandatory cash offers for all other then shares of the Company (other than those already owned by Charm Success) (the “Share Offer”) and for cancellation of all the outstanding share options of the Company (the “Option Offer”, together with the Share Offer collectively the “Offers”) under the Hong Kong Code on Takeovers and Mergers (the “Takeovers Code”). The Offers were closed on 26 November 2013, details of which are set out in the section headed “Subsequent Event” below.

(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. Ji Zuguang	Personal	Long	15,000,000	0.53%
	<i>(Note)</i>			

Note: The share options were granted to subscribe for shares of the Company under the share option scheme adopted by the Company on 6 September 2002 with scheme limit refreshed on 23 September 2009 but was subsequently terminated on 5 September 2012 (the “2002 Share Option Scheme”), details of which are set out in the section headed “Share Option Schemes” below.

According to the 2002 Share Option Scheme and the Option Offer made by Charm Success under the Takeovers Code, the share options remaining unexercised will lapse and become null and void and of no further effect on 6 May 2014 (i.e. 6 calendar months after the date on which the Option Offer was made).

(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 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 2013, none of the directors, chief executive of the Company or their respective associates had or were deemed to have 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 by the Company 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.

Other Information

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2013, 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 <i>(Notes 1&2)</i>	Long	1,555,000,000	55.13%
Integrated Asset	Corporate <i>(Notes 1&2)</i>	Long	1,555,000,000	55.13%
Shanghai Assets	Corporate <i>(Notes 1&2)</i>	Long	1,555,000,000	55.13%
Marvel Bonus	Beneficial owner	Long	1,555,000,000	55.13%
Charm Success	Beneficial owner <i>(Note 3)</i>	Long	1,555,000,000	55.13%

Notes:

- Marvel Bonus is owned as to 50% by Integrated Asset and as to the remaining 50% by Shanghai Assets respectively. Integrated Asset and Shanghai Assets are therefore deemed to be interested in 1,555,000,000 shares held by Marvel Bonus. Integrated Asset is in turn wholly and beneficially owned by Mr. Yam. Mr. Yam is therefore also deemed to be interested in 1,555,000,000 shares held by Marvel Bonus.

On 25 April 2013, Marvel Bonus, Mr. Yam and Mr. Ting entered into a conditional sale and purchase agreement (as amended and restated by the supplemental agreements dated 10 July 2013 and 25 September 2013 respectively) with Charm Success and Ms. Chai, pursuant to which Charm Success has conditionally agreed to purchase and Marvel Bonus has conditionally agreed to sell 1,555,000,000 shares of the Company at a consideration of HK\$244,135,000. The Share Disposal was completed on 29 October 2013. Since then, Marvel Bonus did not own any share of the Company.

Following the completion of the Share Disposal, Charm Success was required to make the Offers under the Takeovers Codes which were closed on 26 November 2013, details of which are set out in the section headed “Subsequent Event” below.

2. The interests disclosed herein represent the same interests as the corporate interest of Mr. Ting as disclosed under the section headed “Directors’ interests in securities” above.
3. Charm Success was wholly and beneficially owned by Ms. Chai, a director of the Company. Upon the close of the Offers, taking into account the valid acceptances in respect of 772,894 shares of the Company under the Share Offer, Charm Success is interested in an aggregate of 1,555,772,894 shares of the Company, representing approximately 55.16% of the entire issued share capital of the Company.

Save as disclosed above, the Company has not been notified of any persons who, as at 30 September 2013, 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 SCHEMES

The 2002 Share Option Scheme adopted on 6 September 2002 with scheme limit refreshed on 23 September 2009, which was due to expire on 6 September 2012 was terminated on 5 September 2012. A new share option scheme (the “2012 Share Option Scheme”) was adopted by the shareholders of the Company at the annual general meeting held on 5 September 2012.

Upon termination of the 2002 Share Option Scheme, no further share options would be granted by the Company under the 2002 Share Option Scheme but the share options granted and not yet exercised thereunder would however remain valid and exercisable and are bound by the terms therein until the end of the relevant exercise period.

The 2012 Share Option Scheme shall be valid and effective for 10 years from the date of adoption, i.e. 5 September 2012. As at 30 September 2013, there were no share options granted by the Company thereunder.

During the period, the movement in the share options under the 2002 Share Option Scheme is as follows:

Grantee	Number of share options				Outstanding and exercisable as at 30 September 2013	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 2013	Granted during the period	Exercised during the period	Cancelled/lapsed during the period						
Director:										
Mr. Ji Zuguang	9,000,000	-	-	-	9,000,000	10/08/2009	10/08/2009 – 09/08/2019	0.182	0.176	0.32%
	6,000,000	-	-	-	6,000,000	29/09/2009	29/09/2009 – 28/09/2019	0.160	0.155	0.21%
	15,000,000	-	-	-	15,000,000					0.53%
Former Director:										
Mr. Wu Chi Chiu (Note 1)	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%
	20,000,000	-	-	(20,000,000)	-					0.71%
Sub-total	35,000,000	-	-	(20,000,000)	15,000,000					1.24%
Employees:										
	15,800,000	-	-	-	15,800,000	10/08/2009	10/08/2009 – 09/08/2019	0.182	0.176	0.56%
	10,200,000	-	-	-	10,200,000	29/09/2009	29/09/2009 – 28/09/2019	0.160	0.155	0.36%
Sub-total	26,000,000	-	-	-	26,000,000					0.92%
Total	61,000,000	-	-	(20,000,000)	41,000,000 ^(Note 2)					2.16%

Notes:

1. Mr. Wu Chi Chiu (“Mr. Wu”) resigned as a director of the Company on 31 March 2013. The 20,000,000 share options granted to Mr. Wu lapsed on 30 September 2013 (i.e. 6 months following the date of cessation as qualified person) as a result of his resignation pursuant to the 2002 Share Option Scheme.
2. According to the 2002 Share Option Scheme and the Option Offer made by Charm Success under the Takeovers Code, the share options remaining unexercised will lapse and become null and void and of no further effect on 6 May 2014 (i.e. 6 calendar months after the date on which the Option Offer was made).

Other Information

SHARE OPTION SCHEMES (continued)

There was no vesting period for the share options granted.

Apart from as disclosed above, no share options were granted, exercised, cancelled or lapsed under the 2002 Share Option Scheme and the 2012 Share Option Scheme during the period.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the auditor of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters. The Group's interim results for the six months ended 30 September 2013 have been reviewed by the Audit Committee and the Group's external auditor.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the six months ended 30 September 2013.

CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has applied the principles in and complied with the applicable code provisions of the Corporate Governance Code 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 made by the Company, that they have complied with the required standard as set out in the Model Code during the period.

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 2012/13 annual report in June 2013 is set out below:

- (a) Ms. Chai was appointed as an executive director of the Company and a director of various subsidiaries of the Company on 6 November 2013.

Ms. Chai, aged 48, obtained an EMBA degree from Cheung Kong Graduate School of Business (長江商學院) in 2008. She is the sole director of the Charm Success, the substantial shareholder of the Company. Ms. Chai is a businesswoman with over 22 years of working experience primarily in the property and dairy product industries in the PRC. Since 2010, she has been the chief executive of Ground Investment Holding (Group) Limited (廣澤投資控股集團有限公司), where she is primarily in charge of the overall operation of its property development and management business in Jilin Province, the PRC. From 2005 to 2010, she served as the chief executive of Jilin Guangze Group Limited (吉林省廣澤集團有限公司) where she was responsible for the overall operation and management of the group, including dairy business and the real estate development and management business. From 2001 to 2005, she served as the general manager of Jilin Dairy Group Guangze Limited (吉林省乳業集團廣澤有限公司), where she was responsible for the overall operation and management of the company, including administration, product development, sales and after sales service. From 1996 to 2001, she served as general manager in Jilin Damin Property Development Company Limited (吉林省大民房地產開發有限責任公司), where she was in charge of its property development business in Jilin Province, the PRC.

Other Information

SUBSEQUENT EVENT

On 25 April 2013, Marvel Bonus, Mr. Yam and Mr. Ting, a director of the Company, entered into a conditional sale and purchase agreement (as amended and restated by the supplemental agreements dated 10 July 2013 and 25 September 2013 respectively) with Charm Success and Ms. Chai, pursuant to which Charm Success has conditionally agreed to purchase and Marvel Bonus has conditionally agreed to sell 1,555,000,000 shares of the Company at a consideration of HK\$244,135,000. The Share Disposal was completed on 29 October 2013. Since then, Charm Success which owned 1,555,000,000 shares of the Company has become the controlling shareholder of the Company.

Following the completion of the Share Disposal, Charm Success was required to make the unconditional mandatory cash offers for all other then shares of the Company (other than those already owned by Charm Success and parties acting in concert with it) at HK\$0.157 per share and for cancellation of all the outstanding share options of the Company at a nominal price of HK\$0.01 per 100,000 share options pursuant to the Takeovers Code. Immediately after the closing of the Offers on 26 November 2013, taking into account the valid acceptances in respect of 772,894 shares of the Company under the Share Offer, Charm Success and parties acting in concert with it were interested in 1,555,772,894 shares of the Company, representing approximately 55.16% of the existing issued share capital of the Company.

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 2013, 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. Ji Zuguang and Ms. Chai Xiu 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
Ting Pang Wan, Raymond
Chairman

Hong Kong, 28 November 2013

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