潤迅通信國際有限公司*
China Motion Telecom International Limited
*(Incorporated in Bermuda with limited liability)*
**(Stock Code: 989)**

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

## RESULTS

The board of directors (the "Board") of China Motion Telecom International Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2009 together with the comparative figures as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**
*For the six months ended 30 September 2009*

| | | **Six months ended 30 September** | |
|---|---|---|---|
| | | **2009** | 2008 |
| | | **(Unaudited)** | (Unaudited) |
| | *Note* | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | | |
| **Turnover** | | **90,487** | 102,222 |
| Cost of sales and services | | **(51,011)** | (64,415) |
| Gross profit | | **39,476** | 37,807 |
| Other revenue | | **6,087** | 4,342 |
| Other net income | | **6,479** | 890 |
| Gain on disposal of subsidiaries | | **9,084** | - |
| Distribution costs | | **(1,286)** | (2,812) |
| Administrative expenses | | **(50,549)** | (39,495) |
| Finance costs | *4* | **(16)** | (1,016) |
| **Profit (loss) before taxation** | *5* | **9,275** | (284) |
| Taxation | *6* | **(1,490)** | - |
| **Profit (loss) for the period from continuing operations** | | **7,785** | (284) |
| **Discontinued operations** | | | |
| **Profit from discontinued operations** | *7* | **8,699** | 208,175 |
| **Profit for the period** | | **16,484** | 207,891 |

| | | | |
|---|---|---|---|
| **Profit (loss) attributable to**: | | | |
| Equity holders of the Company | | | |
| - continuing operations | | **7,792** | (18) |
| - discontinued operations | | **8,699** | 208,175 |
| | | **16,491** | 208,157 |
| Minority interests | | | |
| - continuing operations | | **(7)** | (266) |
| - discontinued operations | | **-** | - |
| | | **(7)** | (266) |
| | | **16,484** | 207,891 |
| **Earnings per share** | *9* | | |
| **From continuing operations** | | | |
| - Basic and diluted | | **0.28 HK cents** | - HK cents |
| **From discontinued operations** | | | |
| - Basic and diluted | | **0.30 HK cents** | 8.86 HK cents |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 September 2009*

| | Six months ended 30 September | |
|---|---|---|
| | **2009** | 2008 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Profit for the period** | **16,484** | 207,891 |
| **Other comprehensive loss for the period** | | |
| Exchange difference on translation of foreign operations | **(85)** | (57) |
| **Total comprehensive income for the period** | **16,399** | 207,834 |
| **Total comprehensive income (loss) attributable to**: | | |
| Equity holders of the Company | | |
| - continuing operations | **7,703** | 470 |
| - discontinued operations | **8,699** | 207,548 |
| | **16,402** | 208,018 |
| Minority interests | | |
| - continuing operations | **(3)** | (184) |
| - discontinued operations | **-** | - |
| | **(3)** | (184) |
| | **16,399** | 207,834 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*As at 30 September 2009*

| | Note | 30 September 2009 (Unaudited) HK$'000 | 31 March 2009 (Audited) HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Investment properties | | **155,600** | 155,600 |
| Property, plant and equipment | | **5,672** | 12,775 |
| Goodwill | | **119,756** | - |
| Premium for land lease | | **2,409** | 59,875 |
| Other non-current assets | | **3,100** | 3,815 |
| Deferred tax assets | | **1,888** | 1,888 |
| | | **288,425** | 233,953 |
| **Current assets** | | | |
| Inventories | | **11,579** | 4,447 |
| Trade and other receivables | *10* | **50,666** | 57,187 |
| Bank balances and cash | | **120,764** | 167,017 |
| | | **183,009** | 228,651 |
| **Current liabilities** | | | |
| Trade and other payables | *11* | **48,565** | 68,275 |
| Obligations under finance leases | | **144** | 309 |
| Taxation | | **7,161** | 1,690 |
| Dividend payable | | **20,026** | - |
| | | **75,896** | 70,274 |
| **Net current assets** | | **107,113** | 158,377 |
| **Total assets less current liabilities** | | **395,538** | 392,330 |
| **Non-current liabilities** | | | |
| Obligations under finance leases | | **55** | 142 |
| Deferred tax liabilities | | **1,235** | 1,235 |
| | | **1,290** | 1,377 |
| **NET ASSETS** | | **394,248** | 390,953 |

| | | |
|---|---|---|
| **CAPITAL AND RESERVES** | | |
| Issued capital | **28,205** | 28,205 |
| Reserves | **359,539** | 356,241 |
| **Total capital and reserves attributable to equity holders of the Company** | **387,744** | 384,446 |
| **Minority interests** | **6,504** | 6,507 |
| **TOTAL EQUITY** | **394,248** | 390,953 |

*Notes :*

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 2009.

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 2009, except for the impact of the adoption of the new and revised Hong Kong Accounting Standards, Hong Kong Financial Reporting Standards and interpretations described below.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are effective for the Group's accounting period beginning on 1 April 2009.

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs issued in October 2008 |
| HKAS 1 (Revised) | Presentation of Financial Statements |
| HKAS 23 (Revised) | Borrowing Costs |
| HKFRS 1 (Revised) & HKAS 27 (Amendments) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| HKFRS 7 (Amendment) | Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments |
| HKFRS 8 | Operating Segments |

HKAS 1 (Revised) has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised standard has had no impact on the reported results or financial position of the Group.

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

**Impact of new and revised HKFRSs not yet effective**

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs issued in October 2008 *(Note a)* |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in May 2009 *(Note b)* |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements *(Note c)* |
| HKFRS 3 (Revised) | Business Combinations *(Note c)* |

*Notes:*

a. *Amendments to HKFRS 5 effective for annual periods beginning on or after 1 July 2009.*

b. *Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 as appropriate.*

c. *Effective for transfer of assets from customers received on or after 1 July 2009.*

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

The Group is in the process of making an assessment of the impact of these new HKFRSs and anticipates that the application of these new HKFRSs will have no material impact on the results and the financial position of the Group and the Company.

3. **SEGMENT INFORMATION**

In the current period, the Group has adopted HKFRS 8 “Operating Segments”. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess then performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s “systems of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments.

In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has resulted in redesignation of the Group’s reportable segments as compared with the primary reportable segment determined in accordance with HKAS 14. The adoption of HKFRS 8 has not changed the basis of measurement of segment profit or loss.

The Group’s management assesses the performance of the operating segments based on a measure of adjusted operating profit. This measurement basis includes profit of the operating segments before share of results of associated companies, interest income, interest expenses and tax, but excludes material gain or loss which is of capital nature or non-recurring nature such as gain or loss on disposal or impairment provision on property, plant and equipment, investments, goodwill or other assets. Other information provided to the Group’s management is measured in a manner consistent with that in the accounts.

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

An analysis of the Group’s turnover and results for the period by business segments and geographical segments is as follows:

(a) ***Business segments***

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

## 3. SEGMENT INFORMATION (continued)

### (a) *Business segments (continued)*

| Six months ended 30 September 2008 | Continuing operations: Mobile communi-cations services (Unaudited) *HK$'000* | Continuing operations: Distribution and retail chain (Unaudited) *HK$'000* | Continuing operations: Others (Unaudited) *HK$'000* | Continuing operations: Total (Unaudited) *HK$'000* | Discontinued operations: International telecommuni-cations services (Unaudited) *HK$'000* | Inter-segment elimination (Unaudited) *HK$'000* | Group (Unaudited) *HK$'000* |
|---|---|---|---|---|---|---|---|
| Turnover | | | | | | | |
| Revenue from external customers | 54,118 | 48,104 | - | 102,222 | 232,255 | - | 334,477 |
| Inter-segment revenue | - | 1,101 | - | 1,101 | 9,878 | (10,979) | - |
| Segment turnover | 54,118 | 49,205 | - | 103,323 | 242,133 | (10,979) | 334,477 |
| Segment results | 7,137 | (7,145) | 691 | 683 | 104 | - | 787 |
| Interest income | | | | 49 | 14 | - | 63 |
| Finance costs | | | | (1,016) | (79) | - | (1,095) |
| Gain on disposal of subsidiaries | | | | - | 215,549 | - | 215,549 |
| (Loss) profit before taxation | | | | (284) | 215,588 | - | 215,304 |
| Taxation | | | | - | (7,413) | - | (7,413) |
| (Loss) profit for the period | | | | (284) | 208,175 | - | 207,891 |

### (b)*(i)* *Geographical segments of the Group's turnover are as follows:*

| | **Continuing operations** | | **Discontinued operations** | | **Total** | |
|---|---|---|---|---|---|---|
| | **Six months ended 30 September** | | **Six months ended 30 September** | | **Six months ended 30 September** | |
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| The People's Republic of China ("PRC") | **17,945** | 1,654 | **-** | - | **17,945** | 1,654 |
| Hong Kong | **72,542** | 100,568 | **4,594** | 64,721 | **77,136** | 165,289 |
| Other Asia Pacific regions | **-** | - | **-** | 32,741 | **-** | 32,741 |
| North America and the United Kingdom | **-** | - | **-** | 134,793 | **-** | 134,793 |
| | **90,487** | 102,222 | **4,594** | 232,255 | **95,081** | 334,477 |

3. **SEGMENT INFORMATION (continued)**

(b)*(ii)* ***Geographical segments of the Group's results are as follows:***

| | Continuing operations | | Discontinued operations | | Total | |
|---|---|---|---|---|---|---|
| | Six months ended 30 September | | Six months ended 30 September | | Six months ended 30 September | |
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| PRC | **5,290** | (1,485) | **-** | - | **5,290** | (1,485) |
| Hong Kong | **(5,731)** | 2,168 | **(929)** | (3,644) | **(6,660)** | (1,476) |
| Other Asia Pacific regions | **-** | - | **-** | (3,704) | **-** | (3,704) |
| North America and the United Kingdom | **-** | - | **-** | 7,452 | **-** | 7,452 |
| | **(441)** | 683 | **(929)** | 104 | **(1,370)** | 787 |

4. **FINANCE COSTS**

| | Six months ended 30 September | |
|---|---|---|
| | **2009** | 2008 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Interest on bank and other borrowings: | | |
| Wholly repayable within five years | **-** | 746 |
| Not wholly repayable within five years | **-** | 240 |
| Finance charges on obligations under finance leases | **16** | 30 |
| | **16** | 1,016 |

5. **PROFIT (LOSS) BEFORE TAXATION**

This is stated after charging (crediting):

| | Six months ended 30 September | |
|---|---|---|
| | **2009** | 2008 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Crediting: | | |
| Write back of allowance for trade and other receivables | **(561)** | (609) |
| Rentals income from investment properties less direct outgoings of HK$Nil *(30 September 2008: HK$Nil)* | **(3,608)** | (3,515) |
| Charging: | | |
| Staff costs (include directors' emoluments) | **25,526** | 22,014 |
| Share-based payment | **6,896** | - |
| | **32,422** | 22,014 |
| Cost of inventories | **16,305** | 18,646 |
| Depreciation | **1,806** | 2,264 |
| Amortisation | | |
| Premium for land lease | **536** | 844 |
| Intangible assets | **-** | 791 |
| Operating lease charges: minimum lease payments | | |
| Telecommunications equipment | **1,118** | 1,647 |
| Premises | **10,130** | 9,227 |
| Allowance for doubtful trade and other receivables | **188** | 179 |
| (Reversal of) provision for inventories write-down | **(53)** | 36 |
| Loss on disposal of property, plant and equipment | **698** | 249 |

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 has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the subsidiaries in the PRC. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

The major components of income tax expense are:

| | **Six months ended 30 September** | |
|---|---|---|
| | **2009** | 2008 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | |
| Current tax | | |
| Hong Kong Profits Tax | **-** | - |
| PRC Enterprise Income Tax | **1,490** | - |
| Tax charge from continuing operations | **1,490** | - |
| **Discontinued operations** | | |
| Current tax | | |
| Overseas Profits Tax | **-** | 7,413 |
| Tax charge from discontinued operations | **-** | 7,413 |
| Total tax charge for the period | **1,490** | 7,413 |

7. **DISCONTINUED OPERATIONS**

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

Details of the assets and liabilities disposed of are disclosed in note 13. The results of the discontinued operations for the current period and the prior period are summarised as follows:

| | | **Six months ended 30 September** | |
|---|---|---|---|
| | | **2009** | 2008 |
| | | **(Unaudited)** | (Unaudited) |
| | *Note* | ***HK$'000*** | *HK$'000* |
| **Profit for the period from discontinued operations** | | | |
| Turnover | | **4,594** | 232,255 |
| Cost of sales and services | | **(4,358)** | (203,402) |
| Other revenue | | **232** | 350 |
| Other net income | | **-** | 643 |
| Distribution costs | | **(46)** | (1,171) |
| Administrative expenses | | **(1,351)** | (28,557) |
| Finance costs | *(a)* | **-** | (79) |
| (Loss) profit before taxation | *(b)* | **(929)** | 39 |
| Taxation | *6* | **-** | (7,413) |
| Loss for the period from discontinued operations | | **(929)** | (7,374) |
| Gain on disposal of discontinued operations | | **9,628** | 215,549 |
| Profit from discontinued operations | | **8,699** | 208,175 |

*Note:*

(a) Finance costs

| | **Six months ended 30 September** | |
|---|---|---|
| | **2009** | 2008 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Interest on bank and other borrowings: | | |
| Wholly repayable within five years | - | 55 |
| Finance charges on obligations under finance leases | - | 24 |
| | - | 79 |

## 7. DISCONTINUED OPERATIONS (continued)

(b) (Loss) profit before taxation

This is stated after charging (crediting):

| | Six months ended 30 September | |
|---|---|---|
| | **2009** | 2008 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Crediting: | | |
| Write back of allowance for trade receivables | **-** | (25) |
| Charging: | | |
| Staff costs (include directors' emoluments) | **452** | 15,423 |
| Depreciation | **272** | 3,431 |
| Operating lease charges | | |
| Telecommunications equipment | **1,293** | 9,961 |
| Premises | **-** | 7,184 |
| Allowance for doubtful trade and other receivables | **77** | 381 |
| Loss on disposal of property, plant and equipment | **17** | 37 |

## 8. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2009 *(2008: Nil).*

9. **EARNINGS PER SHARE**

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

| | **Six months ended 30 September** | |
|---|---|---|
| | **2009** | 2008 |
| | **(Unaudited)** | (Unaudited) |
| Weighted average number of shares in issue | **2,820,500,000** | 2,350,475,573 |
| Profit (loss) from continuing operations attributable to equity holders of the Company (HK$'000) | **7,792** | (18) |
| Basic earnings per share from continuing operations attributable to equity holders of the Company (HK cents) | **0.28** | - |
| Profit from discontinued operations attributable to equity holders of the Company (HK$'000) | **8,699** | 208,175 |
| Basic earnings per share from discontinued operations attributable to equity holders of the Company (HK cents) | **0.30** | 8.86 |
| Profit attributable to equity holders of the Company (HK$'000) | **16,491** | 208,157 |
| Basic earnings per share attributable to equity holders of the Company (HK cents) | **0.58** | 8.86 |

Diluted earnings per share for the six months ended 30 September 2009 and 2008 is the same as the basic earnings per share as the conversion of potential ordinary shares to ordinary shares would have anti-dilutive effect.

10. **TRADE AND OTHER RECEIVABLES**

| | | **30 September** | 31 March |
|---|---|---|---|
| | | **2009** | 2009 |
| | | **(Unaudited)** | (Audited) |
| | *Note* | ***HK$'000*** | *HK$'000* |
| **Trade receivables** | | | |
| Trade receivables from third parties | | **47,975** | 40,104 |
| Allowance for doubtful debts | *(a)* | **(17,485)** | (18,296) |
| | | **30,490** | 21,808 |
| **Other receivables** | | | |
| Deposits, prepayments and other receivables | *(b)* | **20,175** | 35,370 |
| Due from associates | | **1** | 9 |
| | | **20,176** | 35,379 |
| | | **50,666** | 57,187 |

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

10. **TRADE AND OTHER RECEIVABLES (continued)**

The ageing analysis of the trade receivables (net of allowance for doubtful debts) as at the balance sheet date is as follows:

| | **30 September 2009 (Unaudited)** ***HK$'000*** | 31 March 2009 (Audited) *HK$'000* |
|---|---|---|
| 0 – 30 days | **17,820** | 8,826 |
| 31 – 60 days | **2,468** | 2,682 |
| 61 – 90 days | **1,757** | 1,637 |
| Over 90 days | **8,445** | 8,663 |
| | **30,490** | 21,808 |

(a) Allowance for doubtful debts

| | **30 September 2009 (Unaudited)** ***HK$'000*** | 31 March 2009 (Audited) *HK$'000* |
|---|---|---|
| Balance at beginning of year | **18,296** | 49,532 |
| Increase in allowance | **280** | 1,608 |
| Amount recovered | **(104)** | (442) |
| Amount written off | **(863)** | (2,978) |
| Disposal of subsidiaries | **(158)** | (29,424) |
| Acquisition of subsidiaries | **34** | - |
| | **17,485** | 18,296 |

Included in the Group's trade receivables balance are debtors with a carrying amount of HK$14,011,000 *(31 March 2009: HK$13,408,000)* which are past due at the balance sheet date for which the Group has not impaired as there has not been a significant change in credit quality and the directors consider that the amounts are recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 30-60 days *(31 March 2009: 30-60 days).*

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

11. **TRADE AND OTHER PAYABLES**

| | **30 September 2009 (Unaudited)** | 31 March 2009 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Trade payables** | **17,937** | 36,194 |
| **Other payables** | | |
| Accrued charges and other creditors | **24,317** | 19,049 |
| Advance subscription fees received | **2,474** | 9,284 |
| Deposits received | **3,136** | 3,024 |
| Due to associates | **701** | 724 |
| | **30,628** | 32,081 |
| | **48,565** | 68,275 |

The ageing analysis of trade payables as at the balance sheet date is as follows:

| | **30 September 2009 (Unaudited)** | 31 March 2009 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **13,853** | 6,123 |
| 31 – 60 days | **1,551** | 4,710 |
| 61 – 90 days | **465** | 1,985 |
| Over 90 days | **2,068** | 23,376 |
| | **17,937** | 36,194 |

## 12. ACQUISITION OF SUBSIDIARIES

On 1 June 2009, the Group entered into a conditional sale and purchase agreement with Mr. Ting Pang Wan, Raymond, the Chairman of the Company, and Mr. Yam Tak Cheung (both being the connected person of the Group) for the acquisition of the entire issued shares of Victory Marker Limited whose subsidiaries were engaged in provision of retail sales and management services in Shanghai and the assignment of loans due by Victory Marker Limited and it subsidiaries at the consideration of HK$127,000,000, of which HK$67,100,000 was satisfied by taking over certain properties of the Group on a dollar for dollar basis pursuant to a conditional sale and purchase agreement dated 1 June 2009 and the remaining balance was paid by cash (the "Acquisition"). The Acquisition and disposal of properties were both completed in July 2009.

The fair value of the identifiable assets and liabilities of the business as at the date of acquisition and their carrying value determined in accordance with HKFRS immediately before combination are as follows:

| | **Carrying value and fair value** *HK$'000* |
|---|---|
| Property, plant and equipment | **1,709** |
| Cash and cash equivalents | **6,106** |
| Trade and other receivables | **19,112** |
| Inventories | **2,711** |
| Trade and other payables | **(18,304)** |
| Tax payables | **(4,090)** |
| | **7,244** |
| Goodwill arising on acquisition | **119,756** |
| Total consideration | **127,000** |
| Consideration | |
| Cash paid | **59,900** |
| Disposal of premium for land lease and buildings | **67,100** |
| | **127,000** |
| Net cash acquired from the subsidiaries | **6,106** |
| Cash paid | **(59,900)** |
| Net cash outflow | **(53,794)** |

Since acquisition, the acquired business has contributed HK$17,375,000 and HK$4,499,000 to the revenue and profit of the Group respectively.

If the business combinations effected during the period had been taken place at the beginning of the period, the revenue and profit for the Group would have been HK$32,006,000 and HK$4,589,000 respectively.

Goodwill is attributable to the acquired workforces, the profitability and customers relationship synergies expected to arise from the acquired subsidiaries.

## 13. DISPOSAL OF SUBSIDIARIES

| | Six months ended 30 September 2009 (Unaudited) *HK$'000* |
|---|---|
| **Net liabilities disposed of:** | |
| Property, plant and equipment | **3,105** |
| Other non-current assets | **715** |
| Inventories | **312** |
| Trade and other receivables | **6,377** |
| Cash and cash equivalents | **789** |
| Trade and other payables | **(18,523)** |
| | **(7,225)** |
| Gain on disposal of subsidiaries | **18,712** |
| | **11,487** |
| Satisfied by: | |
| Net consideration received | **10,670** |
| Deferred consideration receivables | **1,000** |
| Less: Costs related to disposal | **(183)** |
| | **11,487** |
| Net cash inflow arising on disposal: | |
| Net consideration received, net of related costs | **10,487** |
| Less: Cash and cash equivalents disposed of | **(789)** |
| | **9,698** |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results and Operations Review

The meltdown of the financial industry and the deteriorating global market conditions that began in late 2008 continued to impact the business negatively in the first half of the fiscal year. During the period under review, the Group recorded a total turnover of HK$95,081,000 of which HK$90,487,000 was from the continuing operations. This represents a 72% decline when compared the total turnover to the last corresponding period reflecting the divestiture of the wholesales voice business. The overall gross profit margin improved substantially to 42% from 20% a year earlier as a result of exiting the low margin wholesales voice business. During the period, the Group managed to record a net profit after tax of HK$16,484,000, representing a substantial decrease against HK$207,891,000 in the last corresponding period. This was largely due to a smaller extraordinary gain from the disposal of the discontinued operations during the period. Excluding the effect of disposal and the discontinued operations, the Group recorded a net loss of HK$1,299,000 from the continuing operations.

During the period, the Group continued to restructure its business portfolio focusing in the fast growing segments that would lay a foundation for the Group moving forward. In July 2009, the Group had successfully completed the acquisition of a Shanghai-based retail sales and management service business making it the first entry into the fast growing China telecom value-added service market. This acquisition sets up a new milestone in the Group's transformation into the next generation service provider in Greater China. The Group also completed the divestiture of the Hong Kong prepaid calling card and fixed line businesses resulting in one time disposal gain of approximately HK$18,712,000 during the review period.

***Mobile Communications Services***

Turnover for the mobile segment, which includes both the Mobile Virtual Network Operators ("MVNO") and Trunked Radio businesses, decreased by 8% to HK$50,075,000 for the period under review. This turnover accounted for 55% of Group's continuing operations. Gross margin stood at 37% and operating profit amounted to HK$5,485,000.

During the period under review, MVNO business continued to face declining call volume, downward pricing pressure and increasing churn. The most significant impact was the financial turmoil that began in late 2008 and continued into first half of the 2009 fiscal year resulting in the reduction of travel by business executives for local manufacturers and multinational corporations. This slowdown in business travel across the border had a profound negative impact on usage and churn of MVNO's cross border mobile service. In addition, major mobile operators were stepping up their aggressive marketing efforts during this downturn period and increasingly using price as a marketing tool, resulting in a higher churn rate. Despite the economic and competitive pressure, MVNO business managed to increase the total post paid subscribers by more than 6%. During the period, MVNO business recorded a turnover of $46,258,000, down 8% versus the same period a year ago.

***Mobile Communications Services (continued)***

The Trunked Radio business, is one of the few licensed Public Radiocommunications Services (”PRS”) operators in Hong Kong. Although the demand of the PRS continues to shrink over the period taken over by the traditional mobile services, Trunked Radio business had managed to protect and maintain its customer base. Turnover for the business was HK$3,817,000, a decrease of 5% versus the same period last year with a gross profit margin of 31%. The Group continued to explore options to upgrade its network to digital platform in order to expand the capability and new call features to better meet the demand of customers in the PRS market.

As competition continues to heat up in the cross border mobile segment, the Group will explore to broaden its service portfolio in the cross border data communication services to protect and support its core customers.

***Distribution and Retail Chain***

During the period under review, turnover for the segment, which reflected the divestiture of prepaid calling card business and the addition of Shanghai-based service business, decreased by 16% to HK$40,412,000. This turnover accounted for 45% of the Group’s turnover for the continuing operations. The decrease was primarily attributed to the slowdown of the Hong Kong retail market as a result of the global financial industry meltdown and the increasing competitiveness of the mobile service business. Gross margin improved substantially to 52% from 35% a year ago due to a higher gross margin received from the Shanghai-based retail service business. Excluding one-time gain from the sales of prepaid card business and the loss of disposal of investment, the segment incurred an operating loss of HK$4,532,000 reflecting a lower turnover and a higher corporate overhead cost.

In July 2009, the Group had acquired the Shanghai-based retail sales and management service business. The business primarily provides sales and management services to 27 retail shops and distributes prepaid mobile cards for China Mobile in Shanghai. This was the Group’s first foray into the telecom management service business in China and provided a solid foundation from which the Group can grow. Turnover for the Shanghai business for the three months since the acquisition was HK$17,375,000 with a gross margin of 70%.

During the period, the Group had divested the local prepaid calling card business which consisted of IDD and mobile prepaid calling card services resulted in a disposal gain of approximately HK$8,668,000. The divestiture allowed the Group’s MVNO business more flexibility to develop other wholesales business and sales channels which otherwise would create issues in channel management.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

***Distribution and Retail Chain (continued)***

Since late last year, the dynamics of the Hong Kong mobile market had changed. Mobile operators had aligned their brand strategy resulted in a reduction of branded service plans available via the CM Concept ("CMC") stores. As such, CMC had experienced a gradual decline in customer traffic and businesses. During the period, turnover was HK$23,107,000, down 28% versus the same period last year. Gross margin remained relatively stable at an approximately 38%. In view of the uncertainty in the economy and changing market condition, the Group has adopted various measures to enhance competitiveness and efficiency in its operation. It had begun to swap out the high cost retail outlets with the objective to align the overall rental cost with the turnover. During the period, it had opened two new stores in Wong Tai Sin and Ma On Shan, reaching a total of 20 stores. In addition, the Group is exploring to broaden its product portfolio to reposition itself in the growing multimedia services space allowing CMC to attract new customers and improve its turnover.

### Prospects

As the world economy begins to improve, the road to a full recovery for the Group's existing business continues to be bumpy. The dip in the fiscal climate coupled with the challenging industry environment will continue putting pressure on the operations of the Group. The MVNO business has seen sign of improvement with churn rate beginning to stabilize. The Hong Kong retail business continues to face the challenge in the foreseeable future. The entry into the China market provides an excellent opportunity for the Group to participate in the fast growing 3G business. With the issuance of 3G licenses in China, the Group's new entity in China will benefit from the substantial investments made by all China mobile carriers in developing value-added services to differentiate their basic voice telephony service as competition begins to heat-up.

Going forward, the Group will make the appropriate step to contain its cost and to align its cost with the turnover. It will continue to actively explore different potential investment opportunities to strengthen and expand its businesses portfolio in the fast growing telecommunications market in China.

## Disposal of Businesses

***Long Distance Call Services and Retail Sales of International Calling Cards***

On 9 April 2009, the Group completed the disposal of Digital Pacific Limited ("Digital Pacific") which was engaged in the provision of long distance call services and retail sales of international calling cards pursuant to a sale and purchase agreement dated 7 April 2009 between Eagle Heights Limited, a wholly-owned subsidiary of the Company, and an independent third party. The disposal resulted in a substantial disposal gain of approximately HK$8,668,000.

***Fixed Network Services***

Upon completion of disposal of CM Tel (HK) Limited ("CM Tel (HK)") which was engaged in provision of fixed network services at a cash consideration of HK$10,000,000 (subject to adjustments) on 31 July 2009 pursuant to a sale and purchase agreement dated 20 July 2009 between ChinaMotion NetCom Holdings Limited, a wholly-owned subsidiary of the Company, and CITIC 1616 Holdings Limited, net proceeds of approximately HK$9,570,000 were raised for the Group and a disposal gain of approximately HK$9,628,000 was recorded.

***Maintenance Services and Telecommunications Related Services***

On 31 August 2009, CM Concept Limited, a wholly-owned subsidiary of the Company, as vendor, and an independent third party, as purchaser, entered into a sale and purchase agreement in relation to the disposal of all the entire issued share capital of CM Concept Holdings (China) Limited ("CMCHC") which together with its subsidiaries were engaged in maintenance services and provision of telecommunications related services at a consideration of HK$2,100,000. Such disposal was completed on 10 September 2009 and as a result, net proceeds of approximately HK$2,100,000 were raised for the Group and a disposal gain of approximately HK$416,000 was recorded.

(The disposal of the businesses referred herein, collectively the "Business Disposal")

Following the Business Disposal, Digital Pacific, CM Tel (HK) and CMCHC had no longer been the wholly-owned subsidiaries of the Company. The net proceeds of approximately HK$11,670,000 in total were raised for the Group and disposal gain of approximately HK$18,712,000 in total was recorded.

## Acquisition of Shanghai-based Retail Sales and Management Services and Disposal of Properties

On 1 June 2009, the Group entered into a conditional sale and purchase agreement with Mr. Ting Pang Wan, Raymond ("Mr. Ting"), the Chairman of the Company, and Mr. Yam Tak Cheung ("Mr. Yam") (both being the connected person of the Group) for the acquisition of the entire issued shares of Victory Marker Limited which together with its subsidiaries were engaged in provision of retail sales and management services in Shanghai and the assignment of loans due by Victory Marker Limited and its subsidiaries at the consideration of HK$127,000,000, of which HK$67,100,000 was satisfied by taking over certain properties of the Group on a dollar for dollar basis pursuant to a conditional sale and purchase agreement dated 1 June 2009 and the remaining balance was paid by cash (the "Acquisition"). The Acquisition and disposal of properties were both completed in July 2009. Upon the completion of the said disposal of properties, the Group entered into a tenancy agreement with the nominee of Mr. Ting and Mr. Yam for leasing back the properties at rental of HK$315,000 per month (exclusive of Government rent, rates and management fees) for office use for a term of three (3) years. Details of the transactions were disclosed in the announcements dated 1 June 2009 and 14 July 2009 and circular dated 22 June 2009 respectively.

## Financial Position

As at 30 September 2009, the Group's bank balances and cash substantially held in HKD currency amounted to approximately HK$120,764,000 *(31 March 2009: HK$167,017,000)*. Obligations under finance leases made in HKD currency at fixed interest rate amounted to approximately HK$199,000 *(31 March 2009: HK$451,000)*. The Group's obligations under finance leases are repayable monthly and the last monthly installment will be in March 2011. The gearing ratio of total borrowings as a percentage of the total capital and reserves attributable to equity holders of the Company was approximately 0.05 % *(31 March 2009: 0.12%)*.

Following the completion of the Business Disposal and the Acquisition, there was net cash outflow of approximately HK$44,096,000.

It is anticipated that the Group's bank balances and cash as at 30 September 2009, together with the stable rental income will be sufficient to fund its operations. As at 30 September 2009, the Group had no banking facilities.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Share Capital

As at 30 September 2009, the Company had 2,820,500,000 shares in issue with total shareholders' fund of the Group amounting to approximately HK$387,744,000.

### Financial Guarantees

As at 30 September 2009, the Group had contingent liabilities amounting to approximately HK$10,763,000 *(31 March 2009: HK$18,748,000)* in respect of guarantees given to third parties against non-performance of contractual obligations by subsidiaries and former subsidiaries.

### Charge on Assets

As at 30 September 2009, the Group did not have any charge on its assets *(31 March 2009: HK$220,370,000).*

### 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 2009, the Group had 437 full-time staff. Total staff costs (including directors' emoluments) incurred by both continuing and discontinued operations for the period amounted to approximately HK$32,874,000 *(2008: HK$37,437,000)*. The Group's remuneration policy is in line with prevailing market practice on 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 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 2009, other than those disclosed in this announcement.

## 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 2009.

## 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 2009.

## 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (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 23 September 2009 due to other business commitments.

## CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules on 21 July 2009 to replace its own Code for Securities Transactions by Directors adopted on 20 July 2005 (the "Code") 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 and the Code during the period.

## PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of the Company *(www.chinamotion.com)* and the Stock Exchange *(www.hkex.com.hk)*. An interim report for the six months ended 30 September 2009 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and available on the same websites in due course.

By Order of the Board
**Ting Pang Wan, Raymond**
*Chairman*

Hong Kong, 15 December 2009

*As at the date hereof, the executive Directors are Mr. Ting Pang Wan, Raymond, Mr. Wu Chi Chiu and Ms. Fan Wei and the independent non-executive Directors are Mr. Sin Ka Man, Mr. Huang An Guo and Ms. Wong Fei Tat.*

** for identification purpose only*