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ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2011

RESULTS

The board of directors (the “Board”) of China Motion Telecom International Limited (the “Company”) announces the audited consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2011 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2011

	<i>Note</i>	2011 HK\$'000	2010 HK\$'000
Continuing operations			
Turnover	3	158,634	166,164
Cost of sales and services		<u>(92,152)</u>	<u>(98,967)</u>
Gross profit		66,482	67,197
Other revenue	3	14,115	12,681
Other net income	4	32	9,521
Gain on disposal of a subsidiary		32	8,393
Distribution costs		(4,056)	(2,762)
Administrative expenses		(64,839)	(68,599)
Impairment of goodwill		(39,171)	-
Change in fair value of investment properties		32,400	22,400
Finance costs		<u>(5)</u>	<u>(20)</u>
Profit before taxation	5	4,990	48,811
Taxation	6	<u>(2,762)</u>	<u>(4,722)</u>
Profit for the year from continuing operations		2,228	44,089
Discontinued operations			
Loss from discontinued operations	7	<u>(14,854)</u>	<u>(7,849)</u>
(Loss) profit for the year		<u>(12,626)</u>	<u>36,240</u>

	<i>Note</i>	2011 HK\$'000	2010 HK\$'000
(Loss) profit attributable to:			
Shareholders of the Company			
- continuing operations		1,887	44,719
- discontinued operations	7	<u>(14,854)</u>	<u>(7,849)</u>
		<u>(12,967)</u>	<u>36,870</u>
Non-controlling interests			
- continuing operations		<u>341</u>	<u>(630)</u>
		<u>(12,626)</u>	<u>36,240</u>
Dividend	8	<u>-</u>	<u>-</u>
(Loss) earnings per share	9		
From continuing and discontinued operations			
- Basic and diluted		<u>(0.4597) HK cents</u>	<u>1.3072 HK cents</u>
From continuing operations			
- Basic		<u>0.0669 HK cents</u>	<u>1.5855 HK cents</u>
- Diluted		<u>0.0668 HK cents</u>	<u>1.5855 HK cents</u>
From discontinued operations			
- Basic and diluted		<u>(0.5266) HK cents</u>	<u>(0.2783) HK cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2011

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
(Loss) profit for the year	(12,626)	36,240
Other comprehensive income (loss) for the year		
Exchange difference on translation of foreign operations	1,092	(14)
Surplus on property revaluation	551	-
Total comprehensive (loss) income for the year	<u>(10,983)</u>	<u>36,226</u>
Total comprehensive (loss) income attributable to:		
Shareholders of the Company		
- continuing operations	3,528	44,704
- discontinued operations	<u>(14,854)</u>	<u>(7,849)</u>
	<u>(11,326)</u>	<u>36,855</u>
Non-controlling interests		
- continuing operations	<u>343</u>	<u>(629)</u>
	<u>(10,983)</u>	<u>36,226</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	<i>Note</i>	2011 HK\$ '000	2010 <i>HK\$ '000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		212,500	178,000
Property, plant and equipment		4,352	6,707
Goodwill		80,585	119,756
Interests in associates		-	-
Premium for land lease		1,136	2,371
Other non-current assets		3,130	3,130
Deferred tax assets		1,233	1,233
		302,936	311,197
Current assets			
Inventories		2,403	8,051
Trade and other receivables	10	32,252	46,865
Bank balances and cash		104,760	103,591
		139,415	158,507
Current liabilities			
Trade and other payables	11	31,832	46,756
Obligations under finance leases		-	122
Taxation		526	4,050
		32,358	50,928
Net current assets		107,057	107,579
Total assets less current liabilities		409,993	418,776
Non-current liabilities			
Deferred tax liabilities		6,236	4,036
NET ASSETS		403,757	414,740

	2011 <i>HK\$ '000</i>	2010 <i>HK\$ '000</i>
CAPITAL AND RESERVES		
Issued capital	28,205	28,205
Reserves	<u>369,331</u>	<u>380,657</u>
Total capital and reserves attributable to shareholders of the Company	397,536	408,862
Non-controlling interests	<u>6,221</u>	<u>5,878</u>
TOTAL EQUITY	<u><u>403,757</u></u>	<u><u>414,740</u></u>

Notes :

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(1) Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) which collective term includes all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

(2) Adoption of new and revised HKFRSs

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

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

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

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group has reassessed the classification of land elements of unexpired leases at the date it adopts the amendment on the basis of information existing at the inception of the leases and concluded that the adoption of this amendment has had no significant financial effect on the consolidated financial statements.

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

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

1. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)**

(3) **Impact of new and revised HKFRSs not yet effective**

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

HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets (<i>Note a</i>)
HKAS 24 (Revised)	Related Party Disclosures (<i>Note b</i>)
HKFRSs (Amendments)	Improvements to HKFRSs (2010) (<i>Note c</i>)
HKFRS 1 (Amendment)	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First time Adopters (<i>Note d</i>)
HKFRS 7 (Amendment)	Disclosures – Transfer of Financial Assets (<i>Note e</i>)
HKFRS 9	Financial Instruments (<i>Note f</i>)
HKFRS 10	Consolidated Financial Statements (<i>Note f</i>)
HKFRS 12	Disclosure of Interests in Other Entities (<i>Note f</i>)
HKFRS 13	Fair Value Measurement (<i>Note f</i>)
HKAS 27 (2011)	Separate Financial Statements (<i>Note f</i>)
HKAS 28 (2011)	Investments in Associates and Joint Ventures (<i>Note f</i>)

Notes:

- a. Effective for annual periods beginning on or after 1 January 2012.*
- b. Effective for annual periods beginning on or after 1 January 2011.*
- c. Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.*
- d. Effective for annual periods beginning on or after 1 July 2010.*
- e. Effective for annual periods beginning on or after 1 July 2011.*
- f. Effective for annual periods beginning on or after 1 January 2013.*

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

2. SEGMENT INFORMATION

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

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

	Continuing operations				Discontinued operations				
	Mobile	Retail			International	Distribut-		Inter-	
	communi-	sales and			telecommuni-	ion and		segment	
For the year ended	cations	manage-			cations	retail		elimination	Group
31 March 2011	services	ment	Others	Total	services	sales	Total		
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
Turnover									
Revenue from external customers	97,952	60,682	-	158,634	-	28,681	28,681	-	187,315
Inter-segment revenue	-	-	-	-	-	417	417	(417)	-
Segment turnover	97,952	60,682	-	158,634	-	29,098	29,098	(417)	187,315
Segment results	6,040	7,252	30,369	43,661	-	(14,854)	(14,854)	-	28,807
Interest income				473	-	-	-	-	473
Finance costs				(5)	-	-	-	-	(5)
Gain on disposal of a subsidiary				32	-	-	-	-	32
Impairment of goodwill				(39,171)	-	-	-	-	(39,171)
Profit (loss) before taxation				4,990	-	(14,854)	(14,854)	-	(9,864)
Taxation				(2,762)	-	-	-	-	(2,762)
Profit (loss) for the year				2,228	-	(14,854)	(14,854)	-	(12,626)

	Continuing operations				Discontinued operations				
	Mobile	Retail			International	Distribut-		Inter-	
	communi-	sales and			telecommuni-	ion and		segment	
For the year ended	cations	manage-			cations	retail		elimination	Group
31 March 2010	services	ment	Others	Total	services	sales	Total		
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
Turnover									
Revenue from external customers	99,799	66,365	-	166,164	4,594	45,518	50,112	-	216,276
Inter-segment revenue	-	-	-	-	-	1,001	1,001	(1,001)	-
Segment turnover	99,799	66,365	-	166,164	4,594	46,519	51,113	(1,001)	216,276
Segment results	6,408	13,737	19,520	39,665	(1,102)	(15,845)	(16,947)	-	22,718
Interest income				773	-	-	-	-	773
Finance costs				(20)	-	(4)	(4)	-	(24)
Gain on disposal of subsidiaries				8,393	9,102	-	9,102	-	17,495
Profit (loss) before taxation				48,811	8,000	(15,849)	(7,849)	-	40,962
Taxation				(4,722)	-	-	-	-	(4,722)
Profit (loss) for the year				44,089	8,000	(15,849)	(7,849)	-	36,240

3. TURNOVER AND REVENUE

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Sale of telecommunications equipments and products	19,159	9,108
Commission income	2,659	2,151
Mobile communications services income	92,165	90,350
Retail sales and management services income	42,000	57,538
Trunked radio services income	2,651	6,447
Repair and maintenance services income	-	570
Turnover	158,634	166,164
Rental income	7,552	7,341
Interest income	473	773
Others	6,090	4,567
Other revenue	14,115	12,681
Revenue	172,749	178,845

4. OTHER NET INCOME

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Allowance for doubtful debts written back	-	561
Gain on disposal of investment properties / premium for land lease and buildings	-	5,895
Gain on deemed disposal of shares in a subsidiary	-	3,000
Reversal of impairment loss on other non-current assets	-	30
Sundry income	32	35
	32	9,521

5. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Staff costs (include directors' emoluments)		
Salaries, wages and other benefits	43,081	39,953
Contributions to defined contribution plans	4,334	2,808
Share-based payment	-	6,896
	<u>47,415</u>	<u>49,657</u>
Auditor's remuneration	1,370	1,090
Cost of inventories	19,822	8,874
Depreciation	1,954	2,558
Amortisation		
Premium for land lease	53	574
Operating lease charges		
Telecommunications equipment	1,581	2,142
Premises	12,683	10,811
Allowance for doubtful trade and other receivables	284	1,553
Write-down of inventories	596	-
Rental income from investment properties less direct outgoings of HK\$Nil (2010: HK\$Nil)	(7,552)	(7,341)
Loss on disposal of property, plant and equipment	22	651
Reversal of write-down of inventories	<u>-</u>	<u>(60)</u>

6. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2010: 16.5%) on the Group's estimated assessable profits arising in or derived from Hong Kong for the year.

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 tax rate in the PRC is 25% (2010: 25%).

Pursuant to the PRC EIT Law, a 10% withholding tax is levied on dividends distributed to foreign investors by the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings accumulated after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between PRC and jurisdiction of the foreign investors. A lower 5% withholding tax rate may be applied when the immediate holding company of the PRC subsidiaries is a resident company in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

In the opinion of the directors, these retained earnings, at the present time, are required for financing the continuing operations of the PRC subsidiaries and no distribution would be made in the foreseeable future. Accordingly, no provisions for additional deferred taxation have been made.

The major components of income tax charge are:

	Note	2011 HK\$'000	2010 HK\$'000
Continuing operations			
Current tax			
Hong Kong Profits Tax			
Current year		-	95
PRC Enterprise Income Tax			
Current year		2,365	3,506
Over provision in prior years		(1,803)	(2,335)
		<u>562</u>	<u>1,266</u>
Deferred taxation			
Origination and reversal of temporary difference		2,108	2,774
Utilisation of tax losses recognised		<u>92</u>	<u>682</u>
		<u>2,200</u>	<u>3,456</u>
Tax charge from continuing operations		<u>2,762</u>	<u>4,722</u>
Discontinued operations			
Current tax			
Hong Kong Profits Tax		-	-
Tax charge from discontinued operations	7	-	-
Total tax charge for the year		<u>2,762</u>	<u>4,722</u>

7. DISCONTINUED OPERATIONS

During this year, the Group ceased its distribution and retail sales business in Hong Kong and classified it as 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.

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

	Notes	2011 HK\$'000	2010 HK\$'000
Loss for the year from discontinued operations			
Turnover		28,681	50,112
Cost of sales and services		(21,022)	(34,094)
Other revenue		16	553
Distribution costs		(7)	(97)
Administrative expenses		(22,522)	(33,421)
Finance costs		-	(4)
Loss before taxation	(a)	(14,854)	(16,951)
Taxation	6	-	-
Loss for the year from discontinued operations		(14,854)	(16,951)
Gain on disposal of discontinued operations		-	9,102
Loss from discontinued operations		<u>(14,854)</u>	<u>(7,849)</u>

Note:

- (a) Loss before taxation

This is stated after charging (crediting):

	2011 HK\$'000	2010 HK\$'000
Staff costs (include directors' emoluments)		
Salaries, wages and other benefits	7,472	9,715
Contributions to defined contribution plans	318	430
	<u>7,790</u>	<u>10,145</u>
Auditor's remuneration	90	110
Cost of inventories	20,386	28,677
Depreciation	314	835
Operating lease charges		
Telecommunications equipment	-	1,293
Premises	5,902	11,244
Allowance for doubtful trade and other receivables	-	77
Write-down of inventories	4	-
Loss on disposal of property, plant and equipment	187	17
Reversal of write-down of inventories	-	(91)
	<u>-</u>	<u>(91)</u>

8. **DIVIDEND**

The directors do not recommend the payment of any dividend for the year ended 31 March 2011 (2010: HK\$Nil).

9. **(LOSS) EARNINGS PER SHARE**

The calculation of basic and diluted (loss) earnings per share for the year ended 31 March 2011 and 2010 is based on the following data:

	2011	2010
A. Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	2,820,500,000	2,820,500,000
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	<u>1,673,272</u>	<u>-</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>2,822,173,272</u>	<u>2,820,500,000</u>
B. (Loss) earnings for operations:		
(i) For continuing and discontinued operations		
(Loss) profit attributable to Shareholders of the Company (HK\$'000)	<u>(12,967)</u>	<u>36,870</u>
Diluted (loss) earnings per share for the year ended 31 March 2011 and 2010 are the same as the basic (loss) earnings per share because the conversion of potential ordinary shares would have anti-dilutive effect.		
(ii) For continuing operations		
Profit from continuing operations attributable to Shareholders of the Company (HK\$'000)	<u>1,887</u>	<u>44,719</u>
Diluted earnings per share from continuing operations for the year ended 31 March 2010 was the same as the basic earnings per share because the conversion of potential ordinary shares would have anti-dilutive effect.		
(iii) For discontinued operations		
Loss from discontinued operations attributable to Shareholders of the Company (HK\$'000)	<u>(14,854)</u>	<u>(7,849)</u>
Diluted loss per share from discontinued operations for the year ended 31 March 2011 and 2010 are the same as the basic loss per share because the conversion of potential ordinary shares would have anti-dilutive effect.		

10. **TRADE AND OTHER RECEIVABLES**

	Note	2011 HK\$'000	2010 HK\$'000
Trade receivables			
Trade receivables from third parties		14,248	48,977
Allowance for doubtful debts	(a)	(809)	(17,394)
		<u>13,439</u>	<u>31,583</u>
Other receivables			
Deposits, prepayments and other receivables		<u>18,813</u>	<u>15,282</u>
		<u>32,252</u>	<u>46,865</u>

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

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

	2011 HK\$'000	2010 HK\$'000
0 – 30 days	7,849	17,722
31 – 60 days	3,232	4,115
61 – 90 days	422	2,711
Over 90 days	<u>1,936</u>	<u>7,035</u>
	<u>13,439</u>	<u>31,583</u>

Notes:

(a) Allowance for doubtful debts

	2011 HK\$'000	2010 HK\$'000
Balance at beginning of year	17,394	18,296
Increase in allowance	244	371
Amount recovered	-	(104)
Amount written off	(16,829)	(932)
Disposal of subsidiaries	<u>-</u>	<u>(237)</u>
	<u>809</u>	<u>17,394</u>

Included in the Group's trade receivables balance are debtors with a carrying amount of HK\$2,514,000 (2010: HK\$23,839,000) which are past due at the end of the reporting period for which the Group has not impaired as there has not been a significant change in credit quality and the directors consider that the amounts are recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 30-150 days (2010: 30-60 days).

11. TRADE AND OTHER PAYABLES

	2011 HK\$'000	2010 HK\$'000
Trade payables	6,928	13,602
Other payables		
Accrued charges and other creditors	17,549	28,428
Advance subscription fees received	3,828	1,307
Deposits received	2,826	2,718
Due to an associate	701	701
	24,904	33,154
	31,832	46,756

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

	2011 HK\$'000	2010 HK\$'000
0 – 30 days	5,235	7,294
31 – 60 days	1,458	2,320
61 – 90 days	107	2,174
Over 90 days	128	1,814
	6,928	13,602

12. DISPOSAL OF A SUBSIDIARY

	2011 HK\$'000
Net assets disposed of:	
Property, plant and equipment	203
Inventories	75
Trade and other receivables	1,522
Trade and other payables	(184)
	1,616
Gain on disposal of a subsidiary	32
	1,648
Satisfied by:	
Consideration received	1,700
Less: Costs related to disposal	(52)
	1,648
Net cash inflow arising on disposal:	
Net consideration received, net of related costs	1,648

13. **COMPARATIVE FIGURES**

During the year, the Group ceased its distribution and retail sales business in Hong Kong. Accordingly, the operating segment of distribution and retail sales business was classified as discontinued operations and the comparative information of this segment was re-classified from continuing operations to discontinued operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Operations Review

Over the past year, the Group continued to restructure its business portfolio and streamline the operating structure. As a result, it had divested certain non-core and non-profitable businesses and focused its resources on building business that would enhance the shareholder value in the longer term. Excluding the impairment of goodwill made during the year, the Group recorded a net profit after tax of HK\$41,399,000 from continuing operations, a decrease of 6% when compared to a net profit after tax of HK\$44,089,000 a year earlier which had been re-classified for comparison purpose.

During the year under review, the Group which included the divested two-way trunked radio business and Hong Kong distribution and retail chain business, recorded a turnover of HK\$187,315,000, a decline of 13% from last year. Excluding the divested businesses, the Group had a turnover of HK\$158,634,000 and a gross margin of 42% from continuing operations, a decline of 4% and an improvement of 2 points respectively from a year earlier. For the year, the Group recorded a net loss after tax of HK\$12,626,000, representing a decline from last year's net profit after tax of HK\$36,240,000. The decline was primarily due to the impairment of goodwill arising from the Shanghai retail sales and management services business and the deteriorating financial conditions of the Hong Kong distribution and retail chain business.

During the year, the Group continued to critically review its operation and business potential. Two of the existing businesses, namely the two-way trunked radio business and the Hong Kong distribution and retail chain business, were facing deteriorating market environment and increasing loss of customers resulting in declining gross margin and increasing net losses. As a result, the Group made a strategic decision during the year to exit both of these businesses and concentrate its resources on its mobile communications services and the Shanghai retail sales and management services businesses.

Mobile Communications Services

The mobile communications services segment remained the Group's main source of revenue and profit. During the year under review, the segment (including the Mobile Virtual Network Operators business ("MVNO Business") and the divested two-way trunked radio business) recorded a slight drop in turnover of 2% to HK\$97,952,000 and a drop in operating profit of 12% to HK\$5,640,000. This turnover amounted for 52% of the Group's turnover with a gross margin of 32%. The results reflected the continuous net loss associated with the two-way trunked radio business, the negative impact arisen from the appreciation of Renminbi and the increase in discount and rebate to retain existing customers and acquire new customers.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Mobile Communications Services (continued)

During the year, MVNO Business had stepped up its aggressive marketing efforts and developed new channels resulting in a significant increase in the overall subscribers. At the end of the fiscal year under review, the number of post-paid subscribers for MVNO Business was 17% more than a year ago which provided a base from which we can grow. Although the number of subscribers grew markedly, the MVNO Business was negatively impacted by a number of key market factors. First, the intense competitive pressure had forced us to lower our price and give a higher discount so as to keep the customers or to attract new ones. Second, the appreciation of Renminbi and the inflation had raised our cost and expenses. Third, because of the continuous losses incurred, the CM Concept retail shops had all been closed during the year, depriving us the opportunity to serve the mass markets and our customers. During the year, despite MVNO Business's turnover went up by 3% to HK\$94,895,000, its operating profit lowered 16% to HK\$6,945,000 with a decline of 3% in gross margin to 32%.

Facing the challenges, the Group has initiated a number of new measures to upgrade services and expand product portfolio so as to maintain Group's leading position in the cross-border communications services. The Group began in the second half of the year to provide and upgrade its services to 3G in Hong Kong for all existing subscribers. This was the most significant service enhancement since the launch of the MVNO's "dual number single SIM" mobile services in 2002. These new initiatives enhance the service quality that we need to compete effectively in the market place without solely dependence on price and discount.

The trunked radio business was one of Hong Kong's few licensed operators of Public Radiocommunications Services ("PRS"). As competitors stepped up their pressure in sales and marketing efforts with new digital platforms that offer superior services, the two-way trunked radio business was deteriorating in an accelerated rate with a much higher customer churn over the year. The business had become a drag to the Group's operating performance. As such, the Group had reached an agreement with a third party to exit the business in September 2010. During the year under review, the turnover for five months encompassed by the business was HK\$3,057,000 with a gross margin of 38% and an operating loss of HK\$1,241,000.

Retail Sales and Management Services

The Shanghai retail sales and management services business ("Shanghai Business") was a major contributor of turnover and net income for the Group during the year. Turnover for the Shanghai Business declined 8% to HK\$60,682,000 with an operating profit of HK\$7,288,000 and gross margin of 58%. The decline was mainly due to the adjustments of the Shanghai's business model in response to the changing landscape in the Shanghai's retail and consumer mobile telecommunications market.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Retail Sales and Management Services (continued)

We managed 28 retail services stores at end of the fiscal year for one of the major mobile telecommunications operators in Shanghai (“Shanghai Telecommunications Operator”). Due to renovation of certain shopping malls and the government’s redevelopment projects, two retail services stores were temporarily closed as a result. The Shanghai Business had been impacted negatively by the increasing competitiveness in the Shanghai mobile telecommunications market. The high penetration in the Shanghai mobile market coupled with the heavily subsidized program for the 3G handset forced Shanghai Telecommunications Operator to tightly control marketing costs and expenses and this affected our service income during the year. With the changing of the market and consumer landscape in the mobile segment, the retail business was undergoing some fundamental changes in its structure and purpose, evolving from a traditional service-oriented outlet to a sales and marketing-oriented retail store in order to cater the need of the consumer in the growing popularity of the smartphone and mobile applications. In anticipation of the changes, we had invested heavily in a comprehensive and in-depth training program to upgrade their staff’s professional skills and productivity. This investment in human resources seems to generate initial success. The Shanghai Business had been recognized as and awarded with the “Best Co-operative Partner” in 2010 by the Shanghai Telecommunications Operator. Although the changing competitive landscape in the Shanghai market continues to pose challenges to our continuous and stable income, it opens up opportunities to create new market and services to enhance our relationships with the Shanghai Telecommunications Operators. We also began exploring market opportunities outside of Shanghai to leverage our experience and expertise in the retail sector as part of plan to expand our business nationwide.

Distribution and Retail Chain

CM Concept is one of Hong Kong’s retail chain operators. Although the economy was picking up during the year, the Hong Kong CM Concept retail chain business was still relatively sluggish. With the property prices and rents continued to spiral upward, the business moved towards the opposite direction and there was no end in sight. The Group had made a strategic and decisive move to exit the business during the year with all shops closed in early 2011. During the year under review, the turnover dropped significantly by 37% to HK\$29,098,000 with a gross margin of 26% and an operating loss of HK\$14,854,000, reflecting the continual loss of customers in the dealer sector.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Prospects

The telecommunications industry remains one of the most challenging industries in Hong Kong. While the global economy has improved significantly over the year, competitive pricing pressures and escalating operating costs continue to pose a significant threat to our profit margins. The Group has basically completed the initial phase of restructuring our businesses including divesting and exiting non-profitable and non-core businesses and will continue to review the operation with the goal to improve efficiency and focus resources on higher margin and profitable businesses. With the growing popularity of and the changing market landscape generated by smartphones and data usages, the MVNO Business will have to invest in new platform to improve its service quality and expand its offerings in order to enhance its competitiveness. The Group will continue to review its investment in this segment to develop and expand the range of new value-added services, leveraging its expertise in the cross-border communications business.

Despite the increasing competitive landscape in China, the scale of the market and the new regulatory framework present an immense opportunity. Higher profit margin, established development effort and huge market potential make Shanghai the ideal base of where we can grow in China. The proposed convergence across telecommunications, internet, and television broadcasting networks in China by the country regulatory body will further fuel the growth for years to come. The Group will continue to actively explore investment opportunities and broaden our business portfolio and services beyond Hong Kong.

Cessation of Trunked Radio Business

China Motion United Telecom Limited, a non wholly-owned subsidiary of the Company, had entered into an agreement with an independent third party on 1 September 2010 for exiting the Group's trunked radio business (the "Trunked Radio Business") by the independent third party's assuming the operation of the Trunked Radio Business under Townlink Limited, a subsidiary of the Company, and all its ongoing liabilities and obligations. The consideration shall be HK\$1,700,000, which included the refundable deposits under the operating leases of the Trunked Radio Business. The cessation of the Trunked Radio Business was completed in March 2011.

Financial Position

As at 31 March 2011, the Group's cash and cash equivalent amounted to approximately HK\$104,760,000 (2010: HK\$103,591,000). There were no obligations under finance leases (2010: HK\$122,000). The gearing ratio of total borrowings as a percentage of the total capital and reserves attributable to shareholders of the Company was 0% (2010: 0.03%).

As regards the cessation of the Trunked Radio Business, there are net cash inflow of approximately HK\$1,648,000 during the year ended 31 March 2011.

It is anticipated that the Group's bank balances and cash as at 31 March 2011, together with the stable rental income will be sufficient to fund its operations. As at 31 March 2011, the Group had no banking facilities.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Share Capital

As at 31 March 2011, the Company had 2,820,500,000 shares in issue with total shareholders' fund of the Group amounting to approximately HK\$397,536,000 (2010: HK\$408,862,000).

Financial Guarantees

As at 31 March 2011, the Group had no contingent liabilities (2010: approximately HK\$9,067,000) in respect of guarantees given to third parties against non-performance of contractual obligations by any subsidiary.

Charge on Assets

As at 31 March 2011, the Group did not have any charge on its assets (2010: Nil).

Exposures to Fluctuations in Exchange Rates

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

Employees and Remuneration Policies

As at 31 March 2011, the Group had 374 full-time staff. Total staff costs (including directors' emoluments) incurred by both continuing and discontinued operations for the year amounted to approximately HK\$55,205,000 (2010: HK\$59,802,000). 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.

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 auditing, internal controls and financial reporting matters. The Group's final results for the year ended 31 March 2011 have been reviewed by the Audit Committee and agreed by the Group's external auditor.

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 year ended 31 March 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has applied the principles in and complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the year.

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 as the Company’s code of conduct for dealings in securities of the Company by directors. All directors have confirmed, following specific enquiries by the Company, that they have complied with the required standard as set out in the Model Code during the year.

SUBSEQUENT EVENT

On 25 February 2011, a wholly-owned subsidiary of the Company, as vendor, entered into an agreement for sale and purchase with an independent third party, as purchaser, in relation to the sale of a premise with a net book value of HK\$1,321,000 as at 31 March 2011 at a price of HK\$3,950,000. Such disposal was completed on 13 May 2011.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.chinamotion.com) and The Stock Exchange of Hong Kong Limited (www.hkex.com.hk). An annual report for the year ended 31 March 2011 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
Wu Chi Chiu
Director

Hong Kong, 29 June 2011

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

** for identification purpose only*