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 FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2012

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 2012 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 March 2012

	Note	**2012** **HK$'000**	2011 HK$'000 (Restated)
Continuing operations			
Turnover	*3*	**171,623**	161,817
Cost of sales and services		**(101,890)**	(92,152)
Gross profit		**69,733**	69,665
Other revenue	*3*	**10,629**	10,932
Other net income	*4*	**2,614**	32
Gain on disposal of a subsidiary		**-**	32
Distribution costs		**(3,041)**	(4,056)
Administrative expenses		**(87,692)**	(64,839)
Impairment of goodwill		**(51,468)**	(39,171)
Change in fair value of investment properties		**15,300**	32,400
Finance costs	*5*	**-**	(5)
(Loss) profit before taxation	*6*	**(43,925)**	4,990
Taxation	*7*	**(2,978)**	(1,239)
(Loss) profit for the year from continuing operations		**(46,903)**	3,751
Discontinued operations			
Loss for the year from discontinued operations	*8*	**-**	(14,854)
Loss for the year		**(46,903)**	(11,103)

	Note	2012 HK$'000	2011 HK$'000 (Restated)
(Loss) profit attributable to:			
Shareholders of the Company			
- continuing operations		**(46,647)**	3,410
- discontinued operations	*8*	**-**	(14,854)
		(46,647)	(11,444)
Non-controlling interests			
- continuing operations		**(256)**	341
		(46,903)	(11,103)
Dividend	*9*	**-**	-
(Losses) earnings per share	*10*		
From continuing and discontinued operations			
- Basic and diluted		**(1.6539) HK cents**	(0.4057) HK cents
From continuing operations			
- Basic		**(1.6539) HK cents**	0.1209 HK cents
- Diluted		**(1.6539) HK cents**	0.1208 HK cents
From discontinued operations			
- Basic and diluted		**N/A**	(0.5266) HK cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2012

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Loss for the year	**(46,903)**	(11,103)
Other comprehensive income for the year		
Exchange difference on translation of foreign operations	**1,093**	1,092
Surplus on property revaluation	**-**	551
Total comprehensive loss for the year	**(45,810)**	(9,460)
Total comprehensive (loss) income attributable to:		
Shareholders of the Company		
- continuing operations	**(45,552)**	5,051
- discontinued operations	**-**	(14,854)
	(45,552)	(9,803)
Non-controlling interests		
- continuing operations	**(258)**	343
	(45,810)	(9,460)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Note	**31 March 2012** *HK$'000*	31 March 2011 *HK$'000* (Restated)	1 April 2010 *HK$'000* (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Investment properties		**227,800**	212,500	178,000
Property, plant and equipment		**3,913**	4,352	6,707
Goodwill		**29,117**	80,585	119,756
Interests in associates		**-**	-	-
Prepaid premium for land lease		**-**	1,136	2,371
Other non-current assets		**3,130**	3,130	3,130
Deferred tax assets		**1,233**	1,233	1,233
		265,193	302,936	311,197
Current assets				
Inventories		**7,966**	2,403	8,051
Trade and other receivables	*11*	**26,745**	32,252	46,865
Bank balances and cash		**102,684**	104,760	103,591
		137,395	139,415	158,507
Current liabilities				
Trade and other payables	*12*	**36,515**	31,832	46,756
Obligations under finance leases		**-**	-	122
Taxation		**82**	526	4,050
		36,597	32,358	50,928
Net current assets		**100,798**	107,057	107,579
Total assets less current liabilities		**365,991**	409,993	418,776
Non-current liabilities				
Deferred tax liabilities		**4,462**	2,654	1,977
NET ASSETS		**361,529**	407,339	416,799

	31 March 2012 HK$'000	31 March 2011 HK$'000 (Restated)	1 April 2010 HK$'000 (Restated)
CAPITAL AND RESERVES			
Issued capital	**28,205**	28,205	28,205
Reserves	**327,361**	372,913	382,716
Total capital and reserves attributable to shareholders of the Company	**355,566**	401,118	410,921
Non-controlling interests	**5,963**	6,221	5,878
TOTAL EQUITY	**361,529**	407,339	416,799

Notes:

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

(1) **Statement of compliance**

These consolidated 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 consolidated 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 and early adoption of new and revised HKFRSs**

(A) In the current year, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's accounting period beginning on 1 April 2011.

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

(i) HKAS 24 (Revised) – *Related Party Disclosures*

HKAS 24 was revised to include a new definition of related party and to provide a partial exemption from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with:

(a) a government that has control, joint control or significant influence over the reporting entity; and

(b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

The Group adopted the new definition in its accounting policies but such adoption does not have an effect on the disclosures made in the consolidated financial statements.

(ii) HKFRSs (Amendments) – *Improvement to HKFRSs (2010)*

The improvements comprise a number of improvements to HKFRSs including the following that are considered to be relevant to the Group:

Amendments to HKAS 1 (Revised) – *Presentation of Financial Statements: Clarification of statement of changes in equity*

The Amendments clarify that the reconciliation of each components of other comprehensive income may be presented either in the consolidated statement of changes in equity or in the notes to the consolidated financial statements. The Group has decided to continue presenting the reconciliation on the face of the consolidated statement of changes in equity.

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

(2) **Adoption and early adoption of new and revised HKFRSs (continued)**

(B) Amendments to HKAS 12 – *Deferred Tax: Recovery of Underlying Assets*

The Amendments introduce a rebuttable presumption that, if a deferred tax liability or asset arises from investment property carried at fair value under HKAS 40: *Investment Property*, the carrying amount of the investment property will be recovered through sale. This presumption is rebutted when there is clear evidence that the entity will consume substantially all economic benefits embodied in the investment property over time, rather than through sale. In addition, the Amendments incorporate the guidance in HK(SIC) – Interpretation 21: *Income Taxes – Recovery of Revalued Non-Depreciable Assets*.

The Group has early adopted the Amendments before their effective date (annual periods beginning on or after 1 January 2012) retrospectively. As a result of this change in policy, the Group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset's value through use.

The effect of the adoption of this revised standard is as follows:

	31 March 2012	31 March 2011	1 April 2010
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of financial position			
Decrease in deferred tax liabilities	**(4,407)**	(3,582)	(2,059)
Decrease in accumulated losses/increase in accumulated profits	**4,407**	3,582	2,059

	Year ended 31 March 2012	Year ended 31 March 2011
	HK$'000	*HK$'000*
Consolidated income statement		
Decrease in taxation	**(825)**	(1,523)
Decrease in loss for the year	**825**	1,523
Decrease in loss per share		
- basic	**(0.0292) HK cents**	(0.0540) HK cents
- diluted	**(0.0292) HK cents**	(0.0540) HK cents

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

(2) **Adoption and early adoption of new and revised HKFRSs (continued)**

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

HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets *(Note a)*
HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income *(Note b)*
HKFRS 10	Consolidated Financial Statements *(Note c)*
HKFRS 11	Joint Arrangements *(Note c)*
HKFRS 12	Disclosure of Interests in Other Entities *(Note c)*
HKFRS 13	Fair Value Measurement *(Note c)*
HKAS 19 (2011)	Employee Benefits *(Note c)*
HKAS 27 (2011)	Separate Financial Statements *(Note c)*
HKAS 28 (2011)	Investments in Associates and Joint Ventures *(Note c)*
HKFRS 7 (Amendments)	Disclosure – Offsetting Financial Assets and Financial Liabilities *(Note c)*
HKFRSs (Amendments)	Annual Improvements 2009 - 2011 Cycle *(Note c)*
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities *(Note d)*
HKFRS 9	Financial Instruments *(Note e)*

Notes:

a. *Effective for annual periods beginning on or after 1 July 2011.*

b. *Effective for annual periods beginning on or after 1 July 2012.*

c. *Effective for annual periods beginning on or after 1 January 2013.*

d. *Effective for annual periods beginning on or after 1 January 2014.*

e. *Effective for annual periods beginning on or after 1 January 2015.*

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		
For the year ended 31 March 2012	**Mobile communi- cations services**	**Retail sales and management services**	**Others**	**Total**	**Distribution and retail sales**	**Inter- segment elimination**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover							
Revenue from external customers	**95,299**	**76,324**	**-**	**171,623**	**-**	**-**	**171,623**
Inter-segment revenue	-	-	-	-	-	-	-
Segment turnover	**95,299**	**76,324**	**-**	**171,623**	**-**	**-**	**171,623**
Segment results	**(5,315)**	**2,472**	**9,599**	**6,756**	**-**	**-**	**6,756**
Interest income				**787**	**-**	**-**	**787**
Finance costs				**-**	**-**	**-**	**-**
Gain on disposal of a subsidiary				**-**	**-**	**-**	**-**
Impairment of goodwill				**(51,468)**	**-**	**-**	**(51,468)**
Loss before taxation				**(43,925)**	**-**	**-**	**(43,925)**
Taxation				**(2,978)**	**-**	**-**	**(2,978)**
Loss for the year				**(46,903)**	**-**	**-**	**(46,903)**

	Continuing operations				Discontinued operations		
For the year ended 31 March 2011 (Restated)	Mobile communi- cations services	Retail sales and management services	Others	Total	Distribution and retail sales	Inter- segment elimination	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover							
Revenue from external customers	101,135	60,682	-	161,817	28,681	-	190,498
Inter-segment revenue	-	-	-	-	417	(417)	-
Segment turnover	101,135	60,682	-	161,817	29,098	(417)	190,498
Segment results	6,040	7,252	30,369	43,661	(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)	-	(9,864)
Taxation				(1,239)	-	-	(1,239)
Profit (loss) for the year				3,751	(14,854)	-	(11,103)

3. TURNOVER AND REVENUE

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

	Note	**2012** **HK$'000**	2011 *HK$'000*
Continuing operations			
Sale of telecommunications equipments and products		**21,987**	19,159
Commission income		**2,443**	2,659
Mobile communications services income		**92,696**	95,347
Retail sales and management services income		**54,497**	42,000
Trunked radio services income		**-**	2,652
Turnover		**171,623**	161,817
Rental income		**7,080**	7,552
Interest income		**787**	473
Others		**2,762**	2,907
Other revenue		**10,629**	10,932
Total revenue from continuing operations		**182,252**	172,749
Discontinued operations			
Total revenue from discontinued operations	*8(a)*	**-**	28,697
Total revenue		**182,252**	201,446

4. OTHER NET INCOME

	2012 **HK$'000**	2011 *HK$'000*
Gain on disposal of prepaid premium for land lease and buildings	**2,609**	-
Sundry income	**5**	32
	2,614	32

5. FINANCE COSTS

	2012 **HK$'000**	2011 *HK$'000*
Finance charges on obligation under finance leases	**-**	5

6. (LOSS) PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	2012	2011
	HK$'000	*HK$'000*
Staff costs (include directors' emoluments)		
Salaries, wages and other benefits	**44,835**	43,081
Contributions to defined contribution plans	**5,772**	4,334
	50,607	47,415
Auditor's remuneration	**960**	1,370
Cost of inventories	**22,902**	19,822
Depreciation	**1,935**	1,954
Amortisation		
Prepaid premium for land lease	**4**	53
Operating lease charges		
Telecommunications equipment	**1,527**	1,581
Premises	**11,603**	12,683
Allowance for doubtful trade and other receivables	**9,553**	284
(Reversal of write-down) write-down of inventories	**(8)**	596
Rental income from investment properties less direct outgoings of HK$Nil (*2011: HK$Nil)*	**(7,080)**	(7,552)
Loss on disposal of property, plant and equipment	**102**	22

7. **TAXATION**

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements for both years as the Group has no assessable profit 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 tax rate in the PRC is 25% *(2011: 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 the 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.

The part of post 2007 earnings that are not expected to be distributable in the foreseeable future would be subject to additional taxation if they are distributed. The estimated withholding tax effects on the distribution of these unremitted retained earnings of these PRC subsidiaries were approximately of HK$465,000 *(2011: HK$399,000)*. 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	**2012** ***HK$'000***	2011 *HK$'000* (Restated)
Continuing operations			
Current tax			
Hong Kong Profits Tax			
Current year		**-**	-
Over provision in prior year		**(94)**	-
PRC Enterprise Income Tax			
Current year		**1,372**	2,365
Over provision in prior years		**(108)**	(1,803)
		1,170	562
Deferred taxation			
Origination and reversal of temporary difference		**327**	585
Utilisation of tax losses previously recognised		**-**	92
Reversal of tax losses previously recognised		**1,481**	-
		1,808	677
Tax charge from continuing operations		**2,978**	1,239
Discontinued operations			
Current tax			
Hong Kong Profits Tax		**-**	-
Tax charge from discontinued operations	*8*	**-**	-
Total tax charge for the year		**2,978**	1,239

8. DISCONTINUED OPERATIONS

During the year ended 31 March 2011, the Group ceased its distribution and retail sales business in Hong Kong and classified it as discontinued operations.

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

	Notes	**2012**	2011
		HK$'000	*HK$'000*
Loss for the year from discontinued operations			
Turnover	*(a)*	-	28,681
Cost of sales and services		-	(21,022)
Other revenue	*(a)*	-	16
Distribution costs		-	(7)
Administrative expenses		-	(22,522)
Finance costs		-	-
Loss before taxation	*(b)*	-	(14,854)
Taxation	*7*	-	-
Loss for the year from discontinued operations		-	(14,854)

Notes:

(a) Turnover

	2012	2011
	HK$'000	*HK$'000*
Sale of telecommunications equipment and products	-	24,230
Commission income	-	4,371
Retail sales and management services income	-	80
Turnover	-	28,681
Others	-	16
Other revenue	-	16
Total revenue	-	28,697

(b) Loss before taxation

This is stated after charging:

	2012	2011
	HK$'000	*HK$'000*
Staff costs (include directors' emoluments)		
Salaries, wages and other benefits	-	7,472
Contributions to defined contribution plans	-	318
	-	7,790
Auditor's remuneration	-	90
Cost of inventories	-	20,386
Depreciation	-	314
Operating lease charges		
Premises	-	5,902
Write-down of inventories	-	4
Loss on disposal of property, plant and equipment	-	187

9. **DIVIDEND**

The directors do not recommend the payment of any dividend for the year ended 31 March 2012 *(2011: HK$Nil)*.

10. **(LOSSES) EARNINGS PER SHARE**

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

	2012	2011 (Restated)
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	**-**	1,673,272
Weighted average number of ordinary shares for the purpose of diluted (losses) earnings per share	**2,820,500,000**	2,822,173,272
B. (Losses) earnings for operations:		
(i) For continuing and discontinued operations Loss attributable to Shareholders of the Company (HK$'000)	**(46,647)**	(11,444)

Diluted loss per share for the year ended 31 March 2012 and 2011 are the same as the basic loss per share because the conversion of potential ordinary shares would have anti-dilutive effect.

	2012	2011 (Restated)
(ii) For continuing operations (Loss) profit from continuing operations attributable to Shareholders of the Company (HK$'000)	**(46,647)**	3,410

Diluted loss per share from continuing operations for the year ended 31 March 2012 is the same as the basic loss per share because the conversion of potential ordinary shares would have anti-dilutive effect.

	2012	2011 (Restated)
(iii) For discontinued operations Loss from discontinued operations attributable to Shareholders of the Company (HK$'000)	N/A	(14,854)

11. **TRADE AND OTHER RECEIVABLES**

	Note	2012 HK$'000	2011 HK$'000
Trade receivables			
Trade receivables from third parties		**18,436**	14,248
Allowance for doubtful debts	*(a)*	**(519)**	(809)
		17,917	13,439
Other receivables			
Deposits, prepayments and other receivables		**18,154**	18,983
Allowance for doubtful debts	*(b)*	**(9,326)**	(170)
		8,828	18,813
		26,745	32,252

The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 90 days. The carrying amount of the amounts due approximates their fair values.

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

	2012 HK$'000	2011 HK$'000
0 – 30 days	**12,170**	7,849
31 – 60 days	**4,589**	3,232
61 – 90 days	**1,007**	422
Over 90 days	**151**	1,936
	17,917	13,439

Notes:

(a) Allowance for doubtful debts – Trade receivables

	2012 HK$'000	2011 HK$'000
Balance at beginning of year	**809**	17,394
Increase in allowance	**-**	244
Amount recovered	**(290)**	-
Amount written off	**-**	(16,829)
	519	809

Included in the Group's trade receivables balance are debtors with a carrying amount of HK$2,555,000 *(2011: HK$2,514,000)* which are past due at the end of the reporting period for which the Group has not impaired as there has not been a significant change in credit quality and the directors consider that the amounts are recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 30-120 days *(2011: 30-150 days)*.

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

(b) Allowance for doubtful debts – Other receivables

	2012	2011
	HK$'000	*HK$'000*
Balance at beginning of year	**170**	170
Increase in allowance	**9,326**	-
Amount written off	**(170)**	-
	9,326	170

12. **TRADE AND OTHER PAYABLES**

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**6,343**	6,928
Other payables		
Accrued charges and other creditors	**21,607**	17,549
Advance subscription fees received	**5,474**	3,828
Deposits received	**3,091**	2,826
Due to an associate	**-**	701
	30,172	24,904
	36,515	31,832

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

	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**4,118**	5,235
31 – 60 days	**1,865**	1,458
61 – 90 days	**113**	107
Over 90 days	**247**	128
	6,343	6,928

13. **COMPARATIVE FIGURES**

Conforming to current year's presentation, service income of HK$3,183,000 that was included in other revenue has been reclassified under turnover. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Operations Review

With the discontinuation of certain non-performing assets and businesses in the last fiscal year, the Group began to focus its resources behind its existing mobile-related services in both the Hong Kong and China markets. During the year under review, the Group's turnover declined 9.9% to HK$171,623,000 largely due to the discontinuation of its Hong Kong CM Concept retail and two-way trunked radio businesses. Excluding the effect of the discontinued operations, the Group's turnover was ahead of last year's turnover by 6.1%; however, gross margin declined to 40.6% from 43.1% a year ago. For the year, the Group reported an operating loss of HK$10,366,000 and a net loss after tax of HK$46,903,000. This is compared to an operating loss of HK$3,125,000 and a net loss after tax of HK$11,103,000 in the last corresponding year. The substantial increase in net loss was largely attributed to an impairment of goodwill in the Shanghai business in an amount of HK$51,468,000 and an allowance of HK$9,326,000 for certain doubtful debts due from a Group's debtor. Excluding both of these effects, the Group would have resulted in an operating loss of HK$1,040,000 and a net income after tax of HK$13,891,000.

Mobile Communications Services

The mobile communications services segment is comprised of a licensed Mobile Virtual Network Operators ("MVNO") business, which is a leading independent MVNO operator in Hong Kong focusing on cross border communications services. The turnover of the MVNO business declined by 2.8% to HK$95,299,000 for the year under review and accounted for 55.5% of the Group's total turnover for the continuing operations. During the year, we made certain strategic moves to streamline MVNO's existing business by discontinuing certain low margin revenues and non-profitable customers that attributed to a lower revenue; however we improved the overall gross profit by 3.1% to HK$35,722,000 and gross margin to 37.5% from 34.4% the year before. The MVNO business reported an operating loss of HK$5,045,000 during the year compared to an operating profit of HK$6,945,000 in the last corresponding year. The loss was attributed to an one-time allowance of HK$9,097,000 made for certain doubtful debts due from a Group's debtor and additional operating expenses due to the Group. Excluding the one-off allowance for doubtful debts, MVNO business would have shown an operating profit of HK$4,052,000.

Mobile Communications Services (continued)

During the year under review, the MVNO business began to fine-tune its strategy to cope with the changing competitive landscape and the absence of the CM Concept retail stores. The margin for our core cross-border communications services continued to erode as prices continued its downward spiral in both the Hong Kong and China markets. The new 3G data access service which we introduced less than two years ago was fast becoming a commodity with prices continuing to drop and competition offering heavy subsidies on new smartphone devices. This competitive pressure forced MVNO business to continue providing higher rebate and discount to lure customers which negatively impacted the overall financial performance of the business. Adding to this was the exit of the CM Concept retail stores in early 2011. MVNO business, in its first ever, was competing in a mass market without a major distribution channel and retail presence which limited its ability to attract and acquire new customers. As such, we made a conscious move to discontinue certain low margin services and unprofitable customers and to strengthen its operation behind its high-value customers and new market segments in an effort to protect and broaden its revenue base. The strategy began to pay off as MVNO business's gross profit and contribution for key market segments were showing signs of improvement. Despite the absence in retail presence, MVNO business stepped up its marketing and selling efforts in certain new market segments and managed to increase its overall subscriber base at the end of the year with its post-paid subscribers increasing by 2.4% compared to the last corresponding year.

As MVNO business expands the 3G data service offerings, we would need to invest in upgrading the MVNO's network and platform to improve its performance and expand the overall throughput capacity in data services. This investment will allow us to better serve our core cross border travellers as well as expand into other new market segments, which are the key driving forces in maintaining and growing our revenue base.

Retail Sales and Management Services

During the year under review, turnover for the Shanghai retail sales and management services ("Shanghai Operation") increased 25.8% to HK$76,324,000, which accounted for 44.5% of the Group's turnover for the continuing operations. This substantial increase was primarily attributed to the additional handset wholesale and bundling services initiated by the Shanghai Operation to broaden its revenue and income base. This increase in handset volume resulted in lowering the gross margin from 57.6% a year ago to 44.5% in the year under review. Operating profit was down significantly by almost 51.8% to HK$3,511,000 reflecting the increase in operating expenses, changes in customer remuneration structure and service disruption as a result of relocation of certain service stores. This decline in operating profit led to the decision by the Group to make a substantial impairment of goodwill in this fiscal year.

Retail Sales and Management Services (continued)

At the end of the year under review, the Shanghai Operation managed a total of 25 service stores and remained a key partner for one of the leading telecom operators in Shanghai (the "Shanghai Telecom Operator"). During the year, 3 service stores were closed and relocated due to contract expiry and local Government's property re-development project. As stores closed and re-opened, it caused disruption to the organization and impacted negatively on both services and financial. Despite this, we continued to work closely with the Shanghai Telecom Operator to mitigate this impact and to maintain overall service level to its customers. On this, we were extremely pleased to report that the Shanghai Operation once again had received the best overall service performance for 2011 among all the co-operative partners based on studies by an independent third party research company commissioned by the Shanghai Telecom Operator.

The changing competitive landscape in the mobile telecommunications business and the highly penetrated Shanghai telecom market had forced the mobile operators to continue adjusting their marketing strategy to support the acquisition of 3G subscribers and thus the remuneration to their partners. This had negatively impacted our service income derived from all avenues and in particular, the prepaid services, as the new requirement for registration using actual names and addresses added a major barrier to the selling process. In an effort to generate more revenue and service income, Shanghai Operation had expanded its effort in the handset wholesales and bundling services by partnering with handset manufacturers and the operator's regional district sales offices to broaden its appeal to lure new subscribers. This initiative had shown encouraging results in an early stage of the program. We would continue to drive this initiative forward as we proactively seek to become a key partner for the Shanghai Telecom Operator's acquisition subscriber's effort.

Prospects

We are cautious but optimistic on the outlook of the business. With the uncertainty in the European financial market and the slowdown of China economy, the road to a recovery for the Group's business continues to be a challenge. The major threat to the business continues to be the rising operating expenses in both the Hong Kong and China markets. The Chinese Government in its 12th 5-year plan has raised minimum wages by 13% per year for the next 5 years adding pressure to the already heated labour market. We believe the cost of operation will continue to increase disproportionally across the organization particularly in China as evidenced from the past operating year. In a mature and an extremely competitive telecommunications market with continuing downward pricing pressure and narrowing margin, this has become a significant concern and threat to the profitability of the business.

Prospects (continued)

Despite the difficult market environment and competitive landscape, the scale of the market and the new regulatory framework still present an immense opportunity, particularly in China. With the growing Hong Kong and China international travelers, it broadens the market for the cross border communications services. The Group will review its investment in this segment and determine the best way to offer new value-added services to capture this market segment. The increasing popularity of mobile broadband data and smartphone devices gives rise to a wide range of new mobile applications that cater towards a different segment of the market. The proposed convergence across telecommunications, internet and television broadcasting networks in China by the country's regulatory body will further fuel the growth for years to come. The Group continues to build a war chest and will seek opportunities to strengthen and expand its business portfolio in the future.

Disposal of Property

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

Liquidity and Financial Resources

The Group has consistently maintained sufficient working capital. As at 31 March 2012, the Group had current assets of HK$137,395,000 *(2011: HK$139,415,000)*, including cash and bank balances and time deposits in an aggregate of HK$102,684,000 *(2011: HK$104,760,000)*. The Group's current liabilities as at 31 March 2012 were HK$36,597,000 *(2011: HK$32,358,000)*. The liquidity ratio of the Group as at 31 March 2012 remained healthy at 3.75 times *(2011: 4.31 times)*.

As at 31 March 2012, the Group has no outstanding loans or borrowings from banks or financial institutions *(2011: Nil)*. The Group has no gearing as at 31 March 2012 *(2011: Nil)*.

Share Capital

As at 31 March 2012, the Company had 2,820,500,000 shares in issue with total shareholders' fund of the Group amounting to approximately HK$355,566,000 *(2011: HK$401,118,000)*.

Financial Guarantees

As at 31 March 2012, the Group did not have any contingent liabilities *(2011: Nil)*.

Charge on Assets

As at 31 March 2012, the Group did not have any charge on its assets *(2011: Nil)*.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 2012, the Group had 359 full-time staff. Total staff costs (including directors' emoluments) incurred by both continuing and discontinued operations for the year amounted to approximately HK$50,607,000 *(2011: HK$55,205,000)*. 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 2012 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 2012.

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") for that time being in force during the year, except that under code provision E.1.2, Mr. Ting Pang Wan, Raymond, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 24 August 2011 due to other business commitments.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 24 May 2012, the Company entered into a placing agreement with a placing agent for placing of a maximum of 564,100,000 new shares of the Company, representing 20% of the Company's existing issued share capital and approximately 16.67% of the Company's then issued share capital as enlarged by the placing, on a best effort basis, to not fewer than six independent placees at the placing price of HK$0.10 per share. Such placing price represented a premium of approximately 9.89% to the closing price of HK$0.091 per share as quoted on the Stock Exchange on the date of the agreement. The maximum aggregate nominal value of the placing shares under the placing will be HK$5,641,000. The maximum net proceeds raised upon completion of the placing will be approximately HK$0.097 per placing share and HK$54,890,000 in aggregate. The placing is conditional upon, among other things, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the placing shares. It is of the view that the Placing will broaden the shareholders' portfolio and strengthen the financial position of the Group. Details of the placing were disclosed in the announcement dated 24 May 2012.

PROPOSED AMENDMENTS TO BYE-LAWS

In order to reflect all the applicable changes to the Listing Rules and the Companies Act of Bermuda 1981 (as amended) together with certain housekeeping and administrative amendments, the Board proposed to seek approval from the shareholders of the Company at the coming annual general meeting by way of special resolutions for amendments to the Bye-laws of the Company. Details of the proposed amendments will be set out in the circular of the Company to be despatched to the shareholders of the Company.

The Board also proposed to adopt a new set of the Bye-laws consolidating all the proposed amendments and all previous amendments made pursuant to resolutions passed by shareholders of the Company at the coming annual general meeting.

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 *(www.hkex.com.hk)*. An annual report for the year ended 31 March 2012 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 2012

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*