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潤 迅 通 信 國 際 有 限 公 司 *

China Motion Telecom International Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 989)

- (I) Major and connected transactions relating to the acquisition of a retail and wholesale operator in telecommunications products and the disposal of the Properties as part of the Acquisition Consideration; and**
(II) Continuing connected transaction relating to the leasing of the Properties

THE AGREEMENTS

On 1 June 2009 (after trading hours of the Stock Exchange), CMHL, CM Properties Group and the Sale Shares Vendors entered into the Acquisition Agreement in relation to the acquisition of Sale Shares and the assignment of Sale Loans between CMHL and the Sales Shares Vendors for an aggregate consideration of HK\$127 million payable upon the Acquisition Completion. Pursuant to the Acquisition Agreement, CM Properties Group as vendors entered into the Properties Agreement on 1 June 2009 (after trading hours of the Stock Exchange) with the Sale Shares Vendors as purchasers under which CM Properties Group agreed to sell and the Sale Shares Vendors agreed to purchase the Properties at the consideration of HK\$67.1 million which sum shall be set-off against part of the Acquisition Consideration on a dollar for dollar basis.

The Properties are currently used by the Group as its head office and principal place of business in Hong Kong. The Group will continue to occupy the Properties after the Disposal Completion under the Tenancy Agreement to be entered into between the Sale Shares Vendors or their nominee(s) (as the case may be) as landlord and an associated company nominated by CM Properties Group as tenant upon the Disposal Completion for a term of three years commencing from the date of the Disposal Completion at the monthly rental of HK\$315,000 (exclusive of Government rent, rates and management fees).

Completion of the Acquisition Agreement and the Properties Agreement are subject to certain conditions as described in this announcement below and will take place simultaneously. The Acquisition Agreement and the Properties Agreement are inter-conditional.

IMPLICATIONS UNDER THE LISTING RULES

Each of the Sale Shares Acquisition and the Properties Disposal constitutes a major transaction for the Company under the Listing Rules. As Marvel Bonus, the controlling Shareholder who is interested in approximately 55.1% of the issued share capital of the Company as at the date of this announcement, is beneficially and equally owned between the Sale Shares Vendors through their respective wholly-owned investment companies, the Agreements also constitute connected transactions for the Company under the Listing Rules. Accordingly, the Agreements and the transactions contemplated therein are subject to the approval of the Independent Shareholders at the SGM by way of poll as required under the Listing Rules. Marvel Bonus and its associates, including the Sale Shares Vendors, will abstain from voting in respect of the resolution(s) to be proposed at the SGM for the approval of the Agreements and the transactions contemplated therein.

The Tenancy Agreement shall constitute a continuing connected transaction for the Company and is subject to the reporting and announcement requirements but is exempt from Independent Shareholders' approval pursuant to Rule 14A.34 of the Listing Rules. Appropriate disclosure of the transactions contemplated under the Tenancy Agreement will be made in the next published annual reports and accounts of the Company in accordance with the Listing Rules.

The Independent Board Committee has been established to advise and give recommendation to the Independent Shareholders regarding the Agreements. China Everbright Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Agreements. A circular containing, among other things, (i) further details of the Agreements; (ii) financial and other information on the Group; (iii) financial information on the Victory Marker Group (including an accountants' report on the Victory Marker Group); (iv) the letter of the Independent Board Committee setting out its opinion on the Agreements and its recommendation to Independent Shareholders; (v) the letter of the independent financial adviser to the Independent Board Committee and Independent Shareholders setting out its opinion on the Agreements; (vi) the valuation report on the Properties and the Lease; and (vii) the notice convening the SGM will be sent to the Shareholders as soon as practicable.

THE ACQUISITION AGREEMENT

Date: 1 June 2009 (after trading hours of the Stock Exchange)

Parties:

Vendors of Sale Shares and Sale Loans: (i) Mr. Ting; and
(ii) Mr. Yam

Purchaser of Sale Shares and Sale Loans: CMHL

Vendors of the Properties: (i) Jackie Industries Limited;
(ii) China Motion Properties Limited;
(iii) Best Class International Limited; and
(iv) World Sheen Properties Limited

Mr. Ting is a connected person for the purpose of the Listing Rules by virtue of the fact that he is the Chairman of the Board and also the ultimate beneficial owner of Shanghai Assets (BVI) Limited which in turn holds 50% interest in Marvel Bonus, the controlling Shareholder. Mr. Yam is a connected person of the Company by virtue of his beneficial interest in Integrated Asset Management (Asia) Limited which in turn holds the other 50% interest in Marvel Bonus.

Assets to be acquired

The assets to be acquired comprise the Sale Shares and the Sale Loans. The Sale Shares represent the entire issued share capital of Victory Marker which is an investment holding company incorporated under the Companies Ordinance with limited liability. The principal asset held by Victory Marker is the entire registered capital of Jinhan Yintong, which in turn owns the entire registered capital of each of Runxun Concept and Hongyi. Runxun Concept is principally engaged in the retail of mobile handsets and accessories and the provision of sales and management services to Shanghai Mobile in Shanghai, while Hongyi is principally engaged in the wholesale of Shanghai Mobile's mobile SIM cards in Shanghai. Victory Marker is beneficially and equally owned by Mr. Ting and Mr. Yam. The Sale Loans represent the interest-free unsecured loans in the aggregate sum of HK\$3,969,000 indebted by the Victory Marker Group to the Sale Shares Vendors as at the date of the Acquisition Agreement.

Consideration

The Acquisition Consideration for the Sale Shares and the Sale Loans shall be HK\$127 million payable by CMHL to the Sale Shares Vendors at Acquisition Completion in the manner as follows:

- (i) as to HK\$67.1 million by setting off against the Disposal Consideration receivable by the CM Properties Group under the Properties Agreement, on a dollar for dollar basis; and
- (ii) as to the balance of HK\$59.9 million in cash.

Further information on the Properties Agreement is set out in the section headed “the Properties Agreement” below.

The Acquisition Consideration payable by CMHL to the Sale Shares Vendors was arrived at after arm’s length negotiations between the parties with reference to the business prospects of Runxun Concept and Hongyi, the possible future earnings contribution to the Group and the approximate price-earnings multiple of 10 times of the warranted profit described in the paragraph headed “Warranted profit” below. The approximate price-earnings multiple of 10 times of the warranted profit is determined with reference to the price earnings multiples of comparable listed companies in Hong Kong engaging in retail telecommunications related business.

Warranted profit

Pursuant to the Acquisition Agreement, the Sale Shares Vendors jointly and severally represent, warrant and undertake that the audited consolidated net profit after tax of the Victory Marker Group reported under the Hong Kong Financial Reporting Standards for the year commencing 1 July 2009 and ending 30 June 2010 (the “Actual Profit”) will not be less than HK\$12.7 million. If the Actual Profit is less than HK\$12.7 million, the Sale Shares Vendors shall jointly and severally indemnify CMHL an amount (the “Indemnity Amount”) calculated as follows:

$$\text{The Indemnity Amount} = (\text{HK\$12.7 million} - \text{Actual Profit}) \times 10$$

Under the terms of the Acquisition Agreement, the aforesaid audited accounts of the Victory Marker Group for the year commencing 1 July 2009 and ending 30 June 2010 shall be completed on or before 30 September 2010 and the Indemnity Amount, if any, shall be payable by the Sale Shares Vendors to CMHL within 14 Business Days after 30 September 2010.

Conditions precedent

Acquisition Completion is conditional upon fulfilment of the following conditions:

- (i) the results of the due diligence review carried out by CMHL on the assets and liabilities, business and prospects of the Victory Marker Group and in relation thereto, on the books, records, constitutional documents, contracts, accounting records and any other documents relating to any member of the Victory Marker Group and their respective businesses being satisfactory to CMHL prior to the date of the Acquisition Completion;

- (ii) CMHL having received (a) the resolutions of the board of directors of Victory Marker, among other things, approving the terms of, and authorising a person or person(s) to execute, the documents contemplated under the Acquisition Agreement; and (b) a legal opinion from a firm of PRC legal advisers in form and substance acceptable to CMHL on such matters under the laws of the PRC relevant to such issues (including, but without limitation, that each of Jinhan Yintong, Runxun Concept and Hongyi is legally and validly established under the laws of the PRC and that the equity interests of each of Jinhan Yintong, Runxun Concept and Hongyi are legally and beneficially owned by Victory Marker or the relevant member of the Victory Marker Group) as CMHL may request;
- (iii) all requirements imposed by the Stock Exchange under the Listing Rules or otherwise in connection with the transactions contemplated by the Acquisition Agreement having been fully complied with;
- (iv) all waivers, consents, approvals or confirmations of the Stock Exchange which are required or appropriate or in relation thereto, and all relevant waivers, consents, approvals or confirmations required for the purposes of the parties for the entry into and the implementation of the Acquisition Agreement, having been obtained;
- (v) the passing by the Independent Shareholders in a SGM by way of poll of resolution(s) approving, amongst other things, the transactions contemplated under the Acquisition Agreement and the implementation of such transactions;
- (vi) the warranties, representations and undertakings given by the Vendors being true and accurate in all material respects when made, and being true and accurate in all material respects on the date of the Acquisition Completion; and
- (vii) the Properties Agreement having become unconditional in all respects save as regards any condition requiring the Acquisition Agreement to become unconditional.

CMHL may waive the conditions (i), (ii) and (vi) above. The other conditions are not waivable. If the conditions above are not fulfilled or waived (as the case may be) on or before 31 August 2009 or such other date as CMHL and the Sale Shares Vendors may agree in writing, the Acquisition Agreement will, subject to the liability of any party to the Acquisition Agreement to the others in respect of any antecedent breaches of the terms of the Acquisition Agreement, be null and void and of no effect.

Acquisition Completion

Acquisition Completion shall take place within five Business Days after the Acquisition Agreement has become unconditional or at such other date and time as shall be mutually agreed between CMHL and the Sale Shares Vendors.

THE PROPERTIES AGREEMENT

Date: 1 June 2009 (after trading hours of the Stock Exchange)

Parties:

- Vendors:**
- (i) Jackie Industries Limited;
 - (ii) China Motion Properties Limited;
 - (iii) Best Class International Limited; and
 - (iv) World Sheen Properties Limited
- Purchasers:**
- (i) Mr. Ting; and
 - (ii) Mr. Yam

The vendors of the Properties, being members of CM Properties Group, are indirect wholly-owned subsidiaries of the Company, all of which are engaged in property holding business.

The Properties Agreement was entered into by the parties pursuant to the terms of the Acquisition Agreement.

Assets to be disposed of

The Properties include units 2601, 2604, 2605, 2606, 2607, 2608 on 26th Floor and Car Parking Spaces Nos. 85 and 86 on Basement 2 of Harbour Centre, No. 25 Harbour Road, Hong Kong. The Properties have an aggregate gross floor area of approximately 10,137 square feet and are currently used by the Company as its head office and principal place of business in Hong Kong.

Consideration

The consideration for the Properties Disposal is HK\$67.1 million, which will be set-off against part of the Acquisition Consideration on a dollar for dollar basis as described above. The consideration for the Properties Disposal was determined with reference to the market values of the Properties of a total amount of HK\$67.1 million as at 31 March 2009 valued by a professional valuer who is independent of the Company and its connected persons. The professional valuer has adopted the direct comparison approach by making reference to comparable sales evidence as available in the market.

Conditions precedent

Completion of the Properties Agreement is conditional upon fulfilment of the following conditions:

- (i) the Company obtaining all the necessary clearance and approvals under the Listing Rules and/or any rules and regulations laid down by the Stock Exchange;
- (ii) the approval of the Independent Shareholders being obtained at a SGM by way of poll before the date of the Disposal Completion; and

(iii) the Acquisition Agreement having become unconditional in all respects save as regards any condition requiring the Properties Agreement to become unconditional.

The Properties Disposal and the Sale Shares Acquisition are inter-conditional on each other and the Acquisition Completion and the Disposal Completion shall take place simultaneously.

Pursuant to the Properties Agreement, the date of the Disposal Completion is agreed by the parties to be on 31 August 2009. If the conditions above are not fulfilled on or before 31 August 2009 or such other date as CM Properties Group and the Sale Shares Vendors may agree in writing, CM Properties Group shall have the right to rescind and annul the sale of the Properties by giving not less than 5 Business Days' written notice to the Sale Shares Vendors and the sale of the Properties shall at the expiration of such notice be annulled and all obligations of the Sale Shares Vendors and CM Properties Group under the Properties Agreement shall cease, provided that rights and liabilities of the parties hereto which have accrued prior to such rescission shall subsist.

However, in the event that the conditions precedent to the Acquisition Agreement and the Properties Agreement are fulfilled earlier than the agreed date of the Disposal Completion, that is, 31 August 2009, the CM Properties Group shall have the right by giving prior written notice of not less than 5 Business Days to the Sale Shares Vendors or their solicitors to call for earlier completion of the Properties Agreement, so that the Acquisition Completion and the Disposal Completion shall take place simultaneously.

THE TENANCY AGREEMENT

The Properties to be disposed of by CM Properties Group under the Properties Agreement are currently used by the Group as its head office and principal place of business in Hong Kong. The Group will continue to occupy the Properties after the Disposal Completion subject to the Tenancy Agreement to be entered into between the Sale Shares Vendors or their nominee(s) (as the case may be) as landlord and an associated company nominated by CM Properties Group as tenant upon the Disposal Completion. Principal terms of the Tenancy Agreement are set out as follows:

Properties: Units 2601, 2604, 2605, 2606, 2607, 2608 on 26th Floor and Car Parking Spaces Nos. 85 and 86 on Basement 2 of Harbour Centre, No. 25 Harbour Road, Hong Kong with total gross floor area of approximately 10,137 square feet.

Term: Three years commencing from the date of the Tenancy Agreement provided that the landlord and the tenant shall each have the right to early terminate the tenancy at any time after the expiration of the first 3 months of the tenancy term by giving prior written notice of not less than three months to the other party or by rent in lieu of such notice to the other party.

Rental: HK\$315,000 per month, exclusive of government rent and rates, management fees and other outgoings, payable in advance without any deduction or set-off on the 12th day of each and every successive calendar month.

Deposit: HK\$1,158,926.50, equivalent to about 3 month's rental plus management fees and one quarter of government rates.

The monthly rental under the Tenancy Agreement is determined after arm's length negotiation between the parties with reference to the valuation of the Lease performed by an independent professional valuer.

The annual caps in respect of the Lease for each of the financial years ending 31 March 2010, 2011 and 2012 are expected not to exceed HK\$3.0 million, HK\$3.8 million and HK\$3.8 million respectively. The annual caps are arrived at on the basis of the monthly rental payable by the Group under the Tenancy Agreement.

FINANCIAL EFFECT OF THE SALE SHARES ACQUISITION AND THE PROPERTIES DISPOSAL

Sale Shares Acquisition

Upon Acquisition Completion, members of the Victory Marker Group will become wholly-owned subsidiaries of the Company. The results and assets and liabilities of the Victory Marker Group will be consolidated in the accounts of the Group. The amount of HK\$59.9 million being the cash portion of the Acquisition Consideration will be funded by the internal resources of the Group.

Properties Disposal

The Properties has a carrying value of HK\$61.7 million in the management accounts of the Group as at 31 March 2009. The consideration for the Properties Disposal of HK\$67.1 million would be set-off against part of the Acquisition Consideration upon Acquisition Completion under the Acquisition Agreement. For illustration purpose, the estimated gain of the Group to be derived from the Properties Disposal would be, subject to audit, approximately HK\$5.4 million based on the book value of the Properties as at 31 March 2009.

INFORMATION ON THE VICTORY MARKER GROUP

Victory Marker and Jinhan Yintong

Victory Marker was incorporated under the Companies Ordinance with limited liability on 23 October 2008. The principal business of Victory Marker is investment holding. It is held by the Sale Shares Vendors for the sole purpose of holding the investment in the entire registered capital of Jinhan Yintong.

Jinhan Yintong was established in the PRC with limited liability on 18 July 2007 and became a wholly foreign-owned enterprise in March 2009. It is engaged in the provision of agency services and investment holding businesses. Save for the entire interest in Runxun Concept and Hongyi, Jinhan Yintong has no other material assets and has not undertaken any operations since its date of incorporation.

Runxun Concept

Runxun Concept has been established in the PRC on 14 April 2000. Its businesses principally involve: (i) as a retailer to sell mobile handsets and accessories in its own retail outlets in Shanghai (the “Old Retail Business”); and (ii) as a subcontracting service provider to provide sales and management services to Shanghai Mobile, a wholly-owned subsidiary of China Mobile Limited, one of the major telecommunication operators in the PRC, at retail outlets and business halls in the Shanghai region and to distribute Shanghai Mobile’s pre-paid SIM cards to other retail stores in Shanghai, from which Runxun Concept receives commission income and service fee based on the types of services provided in the retail outlets and business halls and the number of pre-paid SIM cards distributed by Runxun Concept (the “Provision of Sales and Management Services”).

The Old Retail Business

Runxun Concept operated its own retail outlets to sell mobile handsets and accessories since its inception in 2000 and had about 97 retail outlets in Shanghai between 2001 and 2002. However, due to the highly competitive environment in the retail of telecommunication products in the PRC and substantial working capital requirements in inventories and retail stores operations, the Old Retail Business had a very low profit margin and retail outlets of Runxun Concept had been reduced to about 17 in 2006. As Runxun Concept has shifted its focus to the Provision of Sales and Management Services as further described below, the Old Retail Business has been downscaled to minimal operation currently.

Provision of Sales and Management Services

Runxun Concept had established business relationship with Shanghai Mobile since 2000 through distributing Shanghai Mobile’s pre-paid SIM cards and had commenced to provide sales and management services to Shanghai Mobile since 2002 through four co-operative agreements. The Sale Shares Vendors considered that such co-operative arrangements had business potential for Runxun Concept and in order to capture this business opportunity, the Sale Shares Vendors acquired Runxun Concept in early 2006. Under these four co-operative arrangements, Runxun Concept was authorised to use the brand name of “China Mobile” to operate retail outlets, under which arrangement of the products and services offered to at the relevant retail outlets were designated by Shanghai Mobile while the costs of operating the retail outlets, including the rental, overheads and staff cost, were borne by Runxun Concept. Runxun Concept then received commission income and service fee based on the types of services provided in these sale outlets. The Sale Shares Vendors considered such business model to have growth

potential as Runxun Concept can capitalise on its experiences in managing retail stores and sales personnel by providing specialised sales and management services to Shanghai Mobile, and yet without the burden of maintaining substantial working capital for its own inventory. In view of the mutual benefits of the arrangements and the efforts of the Sale Shares Vendors in improving the service quality of Runxun Concept, Shanghai Mobile further outsourced the sales and management operation of their retail outlets and business halls to Runxun Concept under which Shanghai Mobile would share a portion or fixed amount of rental and administrative expenses of those retail outlets and business halls. Under such arrangement Runxun Concept could further benefit from reducing overhead expenses and diverting its resources to recruiting, training, supervising and motivating retail staff so that a more comprehensive and quality services could be offered to customers. The business model of the Provision of Sales and Management Services has been proved to be successful as the number of co-operative agreements entered into between Runxun Concept and Shanghai Mobile has been gradually increased to 27 in early 2009 and the financial performance of Runxun Concept has been improved since change of ownership in 2006.

The 27 co-operative agreements with Shanghai Mobile were entered into between 2006 and 2009 with term ranging from 10 months to 3 years. As at the date of this announcement, nine co-operative agreements have expired but remain effective as Runxun Concept is still providing sales and management services to those relevant retail outlets and business halls. As advised by the Sale Shares Vendors, the expired agreements are currently under the renewal process and Runxun Concept and Shanghai Mobile have agreed in principle on the renewed terms and conditions and expect to enter into written agreements soon. The Sale Shares Vendors consider that there would not been any material obstacles to renew the aforesaid expired agreements due to the satisfactory co-operation relationship between Runxun Concept and Shanghai Mobile in the past. Nevertheless, the Sale Shares Vendors have jointly and severally warranted under the Acquisition Agreement that all the co-operative agreements and any renewed co-operative agreements when executed between Runxun Concept, Hongyi and Shanghai Mobile are, and shall be, legal, valid, subsisting and binding on each of the respective parties for a period of 12 months from the date of the Acquisition Completion.

Apart from providing sales and management services to Shanghai Mobile at retail outlets and business halls in the Shanghai region, Runxun Concept is also authorised by Shanghai Mobile to distribute Shanghai Mobile's pre-paid SIM cards to other retail stores in Shanghai, from which Runxun Concept receives commission income based on the number of pre-paid SIM cards sold to its customers.

For the year ended 31 December 2008, Runxun Concept recorded revenue of HK\$41.4 million from the business segment of Provision of Sales and Management Services which accounted for approximately 71.0% of the total revenue generated by the Victory Marker Group.

Hongyi

Hongyi was established in the PRC on 23 April 2003. It is principally engaged in the wholesale of Shanghai Mobile's mobile SIM cards in Shanghai. Hongyi has entered into co-operative agreements with Shanghai Mobile for the wholesale of Shanghai Mobile's mobile SIM cards to other retailers or telecommunications dealers in Shanghai. It recorded revenue of approximately HK\$2.7 million for the year ended 31 December 2008.

The Sale Shares Vendors acquired Runxun Concept and Hongyi from their respective original owners in 2006 at the consideration of RMB2.5 million (equivalent to approximately HK\$2.9 million) and RMB0.5 million (equivalent to approximately HK\$0.6 million) respectively. Pursuant to an internal restructuring by the Sale Shares Vendors in respect of their holdings in Runxun Concept and Hongyi, Jinhan Yintong was established in July 2007 for the purpose of holding the entire interests in the registered capital of Runxun Concept and Hongyi, and Victory Marker was established by the Sale Shares Vendors in October 2008 to hold the registered capital of Jinhan Yintong in January 2009. The consideration for the acquisition of Runxun Concept and Hongyi by the Sale Shares Vendors was recorded as the shareholders' loan in the accounts of the Victory Marker Group and as at 31 December 2008, including the incorporation costs of Victory Marker and Jinhan Yintong and other capital contribution to the Victory Marker Group, the balance of the shareholders' loan from the Sale Shares Vendors amounted to approximately HK\$4.0 million.

Based on the unaudited combined accounts of the Victory Marker Group prepared under the Hong Kong Financial Reporting Standards for the year ended 31 December 2007, the Victory Marker Group recorded net profit before tax of approximately HK\$1.4 million and net profit after tax of approximately HK\$0.7 million. Based on the unaudited combined accounts of the Victory Marker Group prepared under the Hong Kong Financial Reporting Standards for the year ended 31 December 2008, the unaudited combined net profit before tax of the Victory Marker Group was approximately HK\$16.8 million and the unaudited combined net profit after tax was approximately HK\$12.5 million. For the year ended 31 December 2008, the unaudited combined net profit of the Victory Marker Group included a waiver of an amount payable to the former owner(s) of Runxun Concept in the total amount of approximately HK\$8.6 million. As at each of the years ended 31 December 2007 and 2008, the Victory Marker Group had an unaudited combined net liability of approximately HK\$5.6 million and net assets of approximately HK\$7.2 million respectively, which included a shareholders' loan from the Sale Shares Vendors of approximately HK\$3.7 million and HK\$4.0 million for each of the respective years.

The waiver of the amount payable to the former owner(s) of Runxun Concept as mentioned above is not recurring in nature and not related to the operation prospect of the Victory Marker Group. For illustration purpose, without taking into account of the waiver of the amount payable to the former owner(s) of Runxun Concept and Hongyi of approximately HK\$8.6 million and the relevant tax amount based on 25% thereto of approximately HK\$2.2 million, the unaudited combined net profit after tax of the Victory Marker Group for the year ended 31 December 2008 would have been approximately HK\$6.1 million (being unaudited net profit after tax of HK\$12.5 million deducting the waiver of the amount payable of HK\$8.6 million and adding the tax saving amount of HK\$2.2 million).

REASONS FOR THE AGREEMENTS

The principal business of the Company is investment holding. The subsidiaries of the Company are principally engaged in the provision of mobile communications services, distribution and retailing of telecommunications products, provision of retail IDD services, provision of trunked radio services and property investments.

The Directors consider that mobile communications services and related retail industry in which the Group operates is highly competitive in Hong Kong. The Group has divested its wholesale IDD and overseas calling cards business in September 2008 to streamline its operations to improve its operational efficiency in order to maintain profit margin. The Directors consider that the foray into the service outsourcing business for telecommunications operators in Shanghai, the PRC provides good opportunity to the Group to tap the new market which is of greater growth potential and higher profit margin. As announced by the State Council of the PRC in March 2009, Shanghai will be built into a major international financial centre and shipping hub by 2020. It is expected that there will be high growth potential in the telecommunications industry in the PRC and Shanghai Mobile will keep expanding its retail outlets in order to maintain its competitiveness in the market. By entering into the Acquisition Agreement, the Directors believe the Victory Marker Group will deliver attractive return to the Group in the medium to long term spectrum.

As mentioned in the paragraph headed “Information on the Victory Marker Group”, the total consideration incurred by the Sale Shares Vendors for the acquisition of Runxun Concept and Hongyi amounted to approximately HK\$3.5 million. The Directors have had regard to the consideration incurred by the Sale Shares Vendors when determining the Acquisition Consideration and consider it to be justifiable given the efforts and contribution made by the Sale Shares Vendors to the performance of Runxun Concept and Hongyi. By the time when the Sale Shares Vendors acquired Runxun Concept, its business was focused on mobile handset retail business, where profit margin was low and capital investment in inventories was high. Such business model exposed Runxun Concept to very high operation risk given the rapid changing models in mobile handset and possible obsolete inventories. In fact, the number of retail outlets operated by Runxun Concept for the operation of the Old Retail Business had reduced from about 97 between 2001 and 2002 to about 17 in 2006.

Following the acquisition by the Sale Shares Vendors in 2006, Runxun Concept reformulated its strategy to move towards a service-based business model and introduced a new management team that had extensive telecommunication operation and financial experiences. Structured trainings and sales incentive programs were also deployed to motivate the staff. With the initial four retail outlets under the co-operative arrangement with Shanghai Mobile, Runxun Concept has gradually developed its business in the Provision of Sales and Management Services and expanded the co-operative arrangement to 27 retail outlets and business halls by early 2009. Revenue from the Provision of Sales and Management Services increased from HK\$22.7 million in 2007 to HK\$41.4 million in 2008. Overall gross profit margin has also been improved from about 24% in 2007 to 45% in 2008. In light of the above, the Directors consider that the Sale Shares Vendors had successfully made a turnaround of the performance of the Victory Marker Group and established a sound foundation to capture the high growth potential in the telecommunications industry in Shanghai.

Looking ahead, the Directors are of the view that there would be plenty of business opportunity for the Victory Marker Group to expand its business in the Provision of Sales and Management Services as Shanghai Mobile is currently expanding its sales network in face of the upcoming industry challenge and competition in the new 3G services to be launched in the PRC. As advised by the management of the Victory Marker Group, Shanghai Mobile had about 282 large-scaled business halls by August 2008 and around 50 of them had their sales and management functions outsourced to external service providers, including the Victory Marker Group. Given that the Victory Marker Group is one of the major service providers of Shanghai Mobile with established relationship and proven track records, the Directors are optimistic on the growth of the Provision of Sales and Management Services business by securing additional co-operative arrangements with Shanghai Mobile. The Directors consider that Shanghai Mobile will continue to co-operate with the Victory Marker Group for the latter to provide sales and management services given the nearly nine years business relationship between Shanghai Mobile and Runxun Concept and the established reputation of Runxun Concept for its service quality. These factors lead to a stable and long term income stream to be contributed by the Victory Marker Group. Taking into account the above, the Directors consider that using the one-year warranted profit of HK\$12.7 million undertaken by the Sale Shares Vendors (as mentioned in the paragraph headed “Warranted profit” above) and the mechanism for calculating the Indemnity Amount would be a reasonable basis to determine the Acquisition Consideration of the Victory Marker Group, and that the price-earnings multiple of 10 times thereon would be justifiable after comparing with other listed companies in Hong Kong engaging in retail telecommunications related business.

While profitability of the existing telecommunications business of the Group is yet to improve further, the Properties are, in the view of the Directors, limited in terms of future growth in capital value. The Properties Disposal would enable the Group to further rationalise its business and operations with a view to improving the return on assets employed. Although the Properties to be disposed are the Group’s current head office and principal place of business in Hong Kong, the aforesaid lease back arrangement under the Tenancy Agreement offers a more flexible term of occupancy to the Group.

In light of the above, the Directors (excluding the independent non-executive Directors who will form a view after seeking the advice from the independent financial adviser) consider that the terms of the Agreements are fair and reasonable so far as the Independent Shareholders are concerned and the transactions contemplated under the Agreements are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Each of the Sale Shares Acquisition and the Properties Disposal constitutes a major transaction for the Company under the Listing Rules. As Marvel Bonus, the controlling Shareholder who is interested in approximately 55.1% of the issued share capital of the Company as at the date of this announcement, is beneficially and equally owned between the Sale Shares Vendors through their respective wholly-owned investment companies, the Agreements also constitute connected transactions for the Company under the Listing Rules. Accordingly, the Agreements and the transactions contemplated therein are subject to the approval of the Independent Shareholders at the SGM by way of poll as required under the Listing Rules. Marvel Bonus and its associates, including the Sale Shares Vendors, will abstain from voting in respect of the resolution(s) to be proposed at the SGM for the approval of the Agreements and the transactions contemplated therein.

The Tenancy Agreement shall constitute a continuing connected transaction for the Company and is subject to the reporting and announcement requirements but is exempt from Independent Shareholders' approval pursuant to Rule 14A.34 of the Listing Rules. Appropriate disclosure of the transactions contemplated under the Tenancy Agreement will be made in the next published annual reports and accounts of the Company in accordance with the Listing Rules.

The Independent Board Committee has been established to advise and give recommendation to the Independent Shareholders regarding the Agreements. China Everbright Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Agreements. A circular containing, among other things, (i) further details of the Agreements; (ii) financial and other information on the Group; (iii) financial information on the Victory Marker Group (including an accountants' report on the Victory Marker Group); (iv) the letter of the Independent Board Committee setting out its opinion on the Agreements and its recommendation to Independent Shareholders; (v) the letter of the independent financial adviser to the Independent Board Committee and the Independent Shareholders setting out its opinion on the Agreements; (vi) the valuation report on the Properties and the Lease; and (vii) the notice convening the SGM will be sent to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, the following terms have the following meanings:

“Acquisition Agreement”	the conditional agreement dated 1 June 2009 entered into between CMHL, the Sale Shares Vendors and CM Properties Group in relation to the sale and purchase of the entire issued share capital of, and assignment of the shareholders’ loans due by, Victory Marker Group
“Acquisition Completion”	completion of the Sale Shares Acquisition
“Acquisition Consideration”	the aggregate consideration for the Sale Shares and the Sale Loans under the Acquisition Agreement
“Agreements”	the Acquisition Agreement and the Properties Agreement
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and a day on which a tropical cyclone warning No.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are open for general business
“CMHL”	China Motion Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“CM Properties Group”	each of Jackie Industries Limited, China Motion Properties Limited, Best Class International Limited and World Sheen Properties Limited, all of which are indirect wholly-owned subsidiaries of the Company engaged in property holding business
“Company”	China Motion Telecom International Limited, a company incorporated in Bermuda with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange

“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Disposal Completion”	completion of the Properties Disposal
“Disposal Consideration”	the aggregate consideration of HK\$67.1 million for the Properties Disposal
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hongyi”	上海宏億通信產品銷售有限公司, a limited liability company established under the laws of the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board ” Committee	an independent committee of the Board comprising the three independent non-executive Directors formed for the purpose of advising and giving recommendation to the Independent Shareholders regarding the Agreements
“Independent Shareholders”	Shareholders other than Marvel Bonus and its associates (including the Sale Shares Vendors)
“Jinhan Yintong”	上海錦瀚銀通通信產品銷售有限公司, a wholly foreign-owned enterprise established under the laws of the PRC
“Lease”	the leasing arrangement of the Properties by CM Properties Group from the Sale Shares Vendors or their nominees under the Tenancy Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Marvel Bonus”	Marvel Bonus Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and the controlling Shareholder holding approximately 55.1% equity interest in the Company

“Mr. Ting”	Mr. Ting Pang Wan, Raymond, the Chairman of the Board and beneficially interested in 50% of the issued share capital of Marvel Bonus
“Mr. Yam”	Mr. Yam Tak Cheung who is beneficially interested in 50% of the issued share capital of Marvel Bonus
“PRC”	the People’s Republic of China excluding Hong Kong for the purpose of this announcement
“Properties”	the properties respectively owned by CM Properties Group, namely units 2601, 2604, 2605, 2606, 2607 and 2608 on 26th Floor and Car Parking Spaces Nos. 85 and 86 on Basement 2 of Harbour Centre, No. 25 Harbour Road, Hong Kong
“Properties Agreement”	the conditional agreement dated 1 June 2009 entered into between CM Properties Group as vendors and the Sale Shares Vendors as purchasers in relation to the sale and purchase of the Properties
“Properties Disposal”	the proposed disposal of the Properties by CM Properties Group to the Sale Shares Vendors under the Properties Agreement
“Runxun Concept”	上海潤迅概念通信產品連鎖銷售有限公司, a limited liability company established under the laws of the PRC
“Sale Loans”	the aggregate sum of HK\$3,969,000, representing the outstanding interest-free unsecured loans advanced by the Sale Shares Vendors to Victory Marker Group as at the date of the Acquisition Agreement
“Sale Shares”	the total of 10,000 ordinary shares of HK\$1.00 each in the share capital of Victory Marker, representing its entire issued share capital
“Sale Shares Acquisition”	the proposed acquisition of Sale Shares and assignment of Sale Loans between CMHL and the Sale Shares Vendors pursuant to the Acquisition Agreement
“Sale Shares Vendors”	Mr. Ting and Mr. Yam

“SGM”	the special general meeting of the Company to be convened to approve the Agreements and transactions contemplated therein
“Shanghai Mobile”	中國移動通信集團上海有限公司(China Mobile Group Shanghai Company Limited), a limited liability company established under the laws of the PRC which is a wholly-owned subsidiary of China Mobile Limited
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the tenancy agreement to be entered into between the Sale Shares Vendors or their nominee(s) (as the case may be) as landlord and an associated company nominated by CM Properties Group as tenant upon the Disposal Completion on terms as set out herein
“Victory Marker”	Victory Marker Limited, a company incorporated under the Companies Ordinance with limited liability
“Victory Marker Group”	Victory Marker and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For illustration purpose only, amounts denominated in RMB have been converted into HK\$ at a rate of RMB1.00 to HK\$1.14.

By Order of the Board
China Motion Telecom International Limited
TING Pang Wan, Raymond
Chairman

Hong Kong, 1 June 2009

As at the date of this announcement, Mr. TING Pang Wan, Raymond, Mr. WU Chi Chiu and Ms. FAN Wei are the executive Directors; and Mr. LO Chi Ho, William, Mr. HUANG An Guo and Ms. WONG Fei Tat are the independent non-executive Directors.

* *For identification purpose only*