

INTERIM REPORT
FOR THE SIX MONTHS ENDED 30.9.2000



潤 迅 通 信 國 際 有 限 公 司

China Motion Telecom International Limited

(Incorporated in Bermuda with limited liability)

**A wireless communications,
Internet and e-commerce service
provider in the China market**

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The Board of Directors of China Motion Telecom International Limited (the "Company") is pleased to present the Interim report and condensed financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2000. The Group's consolidated income statements, statement of changes in equity and consolidated cash flow statement for the six months ended 30 September 2000, and the consolidated balance sheet of the Group as at 30 September 2000, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 1 to 12 of this report.

CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2000

		Unaudited Six months ended 30 September	
	<i>Note</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i> (Restated)
Turnover	2	364,808	489,704
Cost of sales		<u>(179,521)</u>	<u>(250,968)</u>
Gross profit		185,287	238,736
Other operating income		22,638	18,781
Distribution expenses		(16,269)	(18,966)
Administrative and operating expenses		(226,876)*	(142,968)
Provision for impairment of property, plant and equipment	3	(195,266)	-
Write off of goodwill	4	<u>(40,968)</u>	<u>-</u>
Operating (loss)/profit	5	(271,454)	95,583
Finance costs		(8,137)	(25,829)
Share of results of associates		<u>5,170</u>	<u>5,663</u>
(Loss)/profit before taxation		(274,421)	75,417
Taxation	6	<u>(9,335)</u>	<u>(8,940)</u>
(Loss)/profit after taxation		(283,756)	66,477
Minority interests		<u>46,729</u>	<u>(11,978)</u>
(Loss)/profit attributable to members		<u>(237,027)</u>	<u>54,499</u>
Basic (loss)/earnings per share (HK cents)	8	<u>(56.8)</u>	<u>17.3</u>
Fully diluted (loss)/earnings per share (HK cents)	8	<u>(56.1)</u>	<u>16.8</u>

* Included in administrative and operating expenses were HK\$26,672,000 for provision for slow moving inventories and HK\$18,529,000 for provision for doubtful debts.

CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 30 SEPTEMBER 2000 AND 31 MARCH 2000

	<i>Note</i>	Unaudited 30 September 2000 <i>HK\$'000</i>	Audited 31 March 2000 <i>HK\$'000</i> (Restated)
ASSETS			
Non-current assets			
Intangible assets	9	24,143	68,325
Property, plant and equipment	10	377,831	575,386
Investment properties		93,150	93,150
Investment in associates		625	8,579
Other long-term investments		266,814	252,635
Current assets			
Inventories		11,157	37,148
Receivables and prepayments	11	316,215	270,769
Marketable securities		3,395	3,394
Pledged bank deposits		7,997	13,277
Bank and cash balances		122,663	105,131
		<u>461,427</u>	<u>429,719</u>
Total assets		<u><u>1,223,990</u></u>	<u><u>1,427,794</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	315,285	281,498
Non-distributable capital reserves		480,733	312,167
(Accumulated losses)/retained profits		(46,345)	190,682
		749,673	784,347
Minority interests		32,092	72,447
Non-current liabilities			
Borrowings	13	131,115	142,710
Deferred taxation		346	346
		<u>131,461</u>	<u>143,056</u>
Current liabilities			
Trade and other payables	12	262,976	305,618
Taxation		11,575	9,416
Borrowings	13	36,213	112,910
		<u>310,764</u>	<u>427,944</u>
Total liabilities		<u>442,225</u>	<u>571,000</u>
Total equity and liabilities		<u><u>1,223,990</u></u>	<u><u>1,427,794</u></u>

STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2000

(Unaudited)

Group	Share capital <i>HK\$'000</i>	Non- distributable capital reserves <i>HK\$'000</i>	(Accumulated losses)/ retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at 1 April 2000				
As previously reported	281,498	312,167	200,758	794,423
Effect of adopting IAS 38	-	-	(10,076)	(10,076)
As restated	281,498	312,167	190,682	784,347
Issue of shares, net of expenses	33,787	168,566	-	202,353
Loss for the period	-	-	(237,027)	(237,027)
Balance as at 30 September 2000	<u>315,285</u>	<u>480,733</u>	<u>(46,345)</u>	<u>749,673</u>
Balance as at 1 April 1999				
As previously reported	227,373	125,727	183,989	537,089
Effect of adopting IAS 38	-	-	(8,415)	(8,415)
Effect of adopting IAS 10 (revised 1999)	-	-	15,158	15,158
As restated	227,373	125,727	190,732	543,832
Issue of shares, net of expenses	16,682	62,103	-	78,785
Exchange difference arising from investment in PRC subsidiaries	-	(1,197)	-	(1,197)
Transfer from/(to)	-	3,760	(3,760)	-
Profit for the period (restated)	-	-	54,499	54,499
Final dividends (<i>note 7</i>)	-	-	(15,158)	(15,158)
Balance as at 30 September 1999	<u>244,055</u>	<u>190,393</u>	<u>226,313</u>	<u>660,761</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2000

	Unaudited	
	Six months ended	
	30 September	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (outflow)/inflow from operating activities	(73,656)	233,437
Investing activities		
Goodwill on acquisition of business	-	(34,267)
Increase in other investments	(14,019)	-
Additional interest in a subsidiary	-	(16,718)
Purchase of property, plant and equipment	(33,330)	(41,038)
Other investing cashflow, net	-	(1,644)
Net cash used in investing activities	(47,349)	(93,667)
Financing activities		
Dividend paid	-	(25,672)
Net proceeds from issue of shares	219,209	78,785
Net repayment of bank loans	(17,684)	(17,314)
Other financing cashflows, net	530	(2,116)
Net cash received from financing activities	202,055	33,683
Increase in cash and cash equivalents	81,050	173,453
Movement in cash and cash equivalents		
At the beginning of interim period	36,815	123,703
Increase	81,050	173,453
At the end of interim period	117,865	297,156

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

1. Accounting policies

These unaudited consolidated condensed interim financial statements are prepared in accordance with International Accounting Standards ("IAS") No. 34, "Interim Financial Reporting", and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

Since 1 April 2000, the Group implemented IAS 10 (revised 1999), "Events after the Balance Sheet Date"; IAS 16 (revised 1998), "Property, Plant and Equipment"; IAS 22 (revised 1998), "Business Combinations"; IAS 36, "Impairment of Assets"; IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" and IAS 38, "Intangible Assets". Apart from the above, there have been no other changes to the Group's accounting policies used in the preparation of the annual financial statements for the year ended 31 March 2000.

Since 1 April 2000, the Group changed its accounting policy with respect to the treatment of deferred expenditure. Deferred expenditure were previously capitalized and amortized over a period, normally not exceeding five years. The Group now charges all deferred expenditure which did not meet the definition and the criteria for the recognition for intangible asset under IAS 38 to the income statements. The change in accounting policy was applied retrospectively. As a result of the adoption of this accounting policy, the Group's profit attributable to the members for the six months ended 30 September 1999 was decreased by HK\$831,000. The Group's loss attributable to members for the six months ended 30 September 2000 was decreased by HK\$1,119,000. The retained profits brought forward on 1 April 1999 and 1 April 2000 are decreased by HK\$8,415,000 and HK\$10,076,000 respectively. The net assets value of the Group as at 30 September 2000 and 31 March 2000 were decreased by HK\$8,957,000 and HK\$10,076,000 respectively.

In accordance with IAS 10 (revised 1999), dividend payable are not accounted for if they are recommended or proposed after balance sheet date. Therefore, as a result of adoption of IAS 10 (revised 1999), the final dividend recommended for the year ended 31 March 1999 was accounted for as an appropriation of retained profits in the year ended 31 March 2000. The interim dividend recommended for the six months ended 30 September 1999 was accounted for as an appropriation of retained profits in the six months ended 31 March 2000.

Other than IAS 38 and IAS 10 (revised 1999), there are no changes in accounting policies that affect profit attributable to the members or equity resulting from the adoption of the above standards in these financial statements.

The interim financial statements should be read in conjunction with the 2000 annual financial statements.

2. Group segmental information

(a) By business segments

(Unaudited)

	Turnover		(Loss)/ profit before taxation	Provision and Write Off (Note i)	(Loss)/ profit before taxation and Provision and Write Off (Note i)	(Loss)/ profit before taxation			
	Six months ended						Six months ended		
	2000	1999					2000	2000	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Restated)			
VoIP and Data									
Communication Services									
Mobile Related Services									
Operation	92,597	86,709	70,301	-	70,301	62,346			
VoIP & IP									
Transport Services	29,303	2,500	3,825	-	3,825	(559)			
Multimedia Retail Chain & Repair Services									
CM Concept Retail									
Chain Operation	56,218	154,175	(32,648)	(2,599)	(30,049)	10,936			
Repair Service Operation	24,488	27,849	10,897	-	10,897	17,413			
Networking Services									
Trunking Operation	9,471	17,324	(34,962)	(26,381)	(8,581)	2,109			
Leasing Operation	17,237	14,987	(86,967)	(93,144)	6,177	5,613			
Unified Messaging Services	110,050	136,406	(130,023)	(103,390)	(26,633)	28,057			
Telecare Services	5,179	2,216	(5,279)	-	(5,279)	(135)			
Internet & E-commerce	12,281	4	(35,919)	(10,720)	(25,199)	(4,264)			
Trading Operation	7,984	47,534	427	-	427	3,467			
	<u>364,808</u>	<u>489,704</u>	<u>(240,348)</u>	<u>(236,234)</u>	<u>(4,114)</u>	<u>124,983</u>			
Less: Unallocated costs			(36,287)	-	(36,287)	(34,829)			
Net finance costs			(2,956)	-	(2,956)	(20,400)			
Operating (loss)/profit before taxation			(279,591)	(236,234)	(43,357)	69,754			
Share of results of associates			5,170	-	5,170	5,663			
(Loss)/profit before taxation			<u>(274,421)</u>	<u>(236,234)</u>	<u>(38,187)</u>	<u>75,417</u>			

(b) By geographical segments

(Unaudited)

	Turnover		(Loss)/ profit before taxation	(Loss)/ profit before taxation and Provision and Write Off (Note i)		(Loss)/ profit before taxation
	Six months ended 30 September			Six months ended 30 September		
	2000 HK\$'000	1999 HK\$'000		2000 HK\$'000	2000 HK\$'000	
Hong Kong	161,146	281,555	(233,599)	(138,954)	(94,645)	20,775
PRC	203,662	208,149	(6,749)	(97,280)	90,531	104,208
	<u>364,808</u>	<u>489,704</u>	<u>(240,348)</u>	<u>(236,234)</u>	<u>(4,114)</u>	<u>124,983</u>
Less: Unallocated costs			(36,287)	–	(36,287)	(34,829)
Net finance costs			(2,956)	–	(2,956)	(20,400)
Operating (loss)/profit before taxation			<u>(279,591)</u>	<u>(236,234)</u>	<u>(43,357)</u>	<u>69,754</u>
Share of results of associates			<u>5,170</u>	<u>–</u>	<u>5,170</u>	<u>5,663</u>
(Loss)/profit before taxation			<u>(274,421)</u>	<u>(236,234)</u>	<u>(38,187)</u>	<u>75,417</u>

Note i: Provision and Write Off represent provision for impairment of property, plant and equipment and write off of goodwill.

3. Provision for impairment of property, plant and equipment

In light of the severe competition in the telecommunications market in Hong Kong and the rapid change of technology, the Group has reviewed the carrying value of all telecommunications equipment based on the recoverable value of these assets and a provision for impairment of HK\$195,266,000 has been made in current period.

4. Write off of goodwill

The amount represents write off of goodwill arising from acquisition of paging and internet business.

In view of contraction of the paging market in Hong Kong which resulted in change in the estimated useful life of the goodwill arising from the acquisition of paging business, the unamortized goodwill is fully written off during the period. The goodwill arising from acquisition of internet business during the period is also fully written off on the ground of prudence.

5. Operating (loss)/profit

Operating (loss)/profit is stated after crediting and charging the follow:

	Six months ended 30 September	
	2000 HK\$'000	1999 HK\$'000 (Restated)
Crediting		
Dividend income from listed securities	62	88
Profit from dilution of interest in subsidiaries	2,533	-
	<u>2,595</u>	<u>88</u>
Charging		
Depreciation	30,762	24,074
Amortization of goodwill	11,221	13,149
Cost of inventories sold	66,007	149,953
Loss on disposal of an associate	2,378	-
Provision for doubtful debts	18,529	49
Provision for slow moving inventories	26,672	-
	<u>155,571</u>	<u>187,225</u>

6. Taxation

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the period. The PRC taxation represents income tax payable by the Group's subsidiaries operating in the PRC. No adjustments have been made for any under or over-provision of tax in respect of prior years.

The amount of taxation charged to the consolidated income statements represents:

	Six months ended 30 September	
	2000 HK\$'000	1999 HK\$'000
Hong Kong profits tax	2	-
PRC taxation	9,333	8,940
	<u>9,335</u>	<u>8,940</u>

7. Dividends

	Six months ended 30 September	
	2000 HK\$'000	1999 HK\$'000
Final dividend in respect of 2000 - Nil (1999: 5 HK cents per share)	-	15,158
	<u>-</u>	<u>15,158</u>

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2000 (1999: 3 HK cents per share).

8. (Loss)/earnings per share

Basic (loss)/earnings per share is based on the Group's loss attributable to members during the period of HK\$237,027,000 (1999: restated profit of HK\$54,499,000) and the weighted average number of 417,644,120 shares (1999: 314,192,756 shares) in issue during the period.

Diluted (loss)/earnings per share is based on the Group's loss attributable to members during the period of HK\$237,027,000 (1999: restated profit of HK\$54,499,000) and the weighted average number of 422,648,479 shares (1999: 323,573,461 shares).

9. Intangible assets

	<i>HK\$'000</i> (Restated)
Six months ended 30 September 2000	
Opening net book amount	68,325
Additions	10,456
Disposals	(2,449)
Write off of goodwill	(40,968)
Amortization	(11,221)
	<hr/>
Closing net book amount	<u>24,143</u>

10. Property, plant & equipment

	<i>HK\$'000</i>
Six months ended 30 September 2000	
Opening net book amount	575,386
Additions	36,122
Disposals	(7,649)
Provision for impairment of property, plant & equipment	(195,266)
Depreciation	(30,762)
	<hr/>
Closing net book amount	<u>377,831</u>

11. Receivables and prepayments

Included in receivables and prepayments are trade debtors and their ageing analysis is as follows:

	30 September 2000 <i>HK\$'000</i>	31 March 2000 <i>HK\$'000</i>
0-30 days	39,091	79,802
31-60 days	33,344	27,346
61-90 days	25,956	10,877
Over 91 days	90,762	74,454
	<hr/>	<hr/>
Total	<u>189,153</u>	<u>192,479</u>

The Group has a defined credit policy. The general credit term is 30-60 days. The trade debtors with ageing over 61 days is mainly the amount due from connected parties.

12. Trade and other payables

Included in trade and other payables are trade creditors and their ageing analysis is as follows:

	30 September 2000 <i>HK\$'000</i>	31 March 2000 <i>HK\$'000</i>
0-30 days	6,805	4,355
31-60 days	9,630	6,399
61-90 days	5,220	2,810
Over 91 days	44,557	53,663
Total	<u>66,212</u>	<u>67,227</u>

13. Borrowings

	30 September 2000 <i>HK\$'000</i>	31 March 2000 <i>HK\$'000</i>
Non-current		
Bank loans – secured	130,453	140,475
Obligations under finance leases	662	2,235
	<u>131,115</u>	<u>142,710</u>
Current		
Bank overdrafts – secured	–	19,568
Notes payable	–	35,525
Trust receipt loans – secured	12,795	26,500
Bank loans – secured	20,058	27,720
Obligations under finance leases	3,360	3,597
	<u>36,213</u>	<u>112,910</u>
Total borrowings	<u>167,328</u>	<u>255,620</u>

The movement in the borrowings can be analysed as follows:

	Six months ended 30 September 2000 <i>HK\$'000</i>
Opening balance	255,620
Additions	17,523
Repayments	<u>(105,815)</u>
Closing balance	<u>167,328</u>

14. Share capital

	Number of shares	Issued and fully paid HK\$'000
Six months ended 30 September 2000		
Opening balance	375,330,459	281,498
Issue of shares		
– placement	45,000,000	33,750
– share option scheme	50,000	37
	<u>420,380,459</u>	<u>315,285</u>
Closing balance	<u>420,380,459</u>	<u>315,285</u>

- (a) On 11 April 2000, there was a placement made by the Company whereby 45,000,000 new ordinary shares of HK\$0.75 each were issued to Goldtop Holdings Limited, the ultimate holding company, at a price of HK\$4.625 per new share. Net proceeds of HK\$202,316,000 were received from the placement.
- (b) On 1 April 2000, 54,182,608 units of warrants were issued to the financial investors as part of the consideration for the acquisition of additional interests in CMMT Holdings, a wholly-owned subsidiary of the Company. The warrants confer the holders the right to subscribe for 54,182,608 new fully paid shares in the Company at an initial subscription price of HK\$2.184 per share (subject to adjustment) at any time from 1 April 2000 up to and including 31 March 2004. No warrants were exercised during the interim period.

15. Contingent liabilities

As at 30 September 2000, the Group had contingent liabilities not provided for in the books as follows:

	30 September 2000 HK\$'000	31 March 2000 HK\$'000
Guarantees to suppliers in respect of purchase of telecommunication equipment	20,108	43,024
Guarantees given to third parties against non-performance of contractual obligations by a subsidiary	28,700	28,700

16. Commitments

As at 30 September 2000, the Group had the following capital commitments, in respect of acquisition of property, plant and equipment:

	30 September 2000 HK\$'000	31 March 2000 HK\$'000
Contracted but not provided for	<u>5,623</u>	<u>3,371</u>

17. Subsequent events

- (a) On 13 October 2000, ChinaMotion.com Inc. ("CMC"), a 51.28%-owned subsidiary of the Company, entered into a share exchange agreement with an independent third party (the "Investor") pursuant to which CMC will issue and allot to the Investor 58,500 shares of its ordinary shares, for a total consideration of 250,000 shares of the Investor's 11% Cumulative Convertible Redeemable Series "C-1" Preferred Stock with an aggregate value of US\$1 million (equivalent to approximately HK\$7.8 million).
- (b) With effect from 3 October 2000, the name of the Company has been changed from "CM Telecom International Limited" to "China Motion Telecom International Limited" and its Chinese name for identification remains unchanged as "潤迅通信國際有限公司".

18. Related party transaction

- (a) Significant transactions during the period between the Group and related parties and also including minority shareholders of subsidiaries during the period, which were conducted in the ordinary course of business and on terms arranged by or between the parties concerned, are as follows:

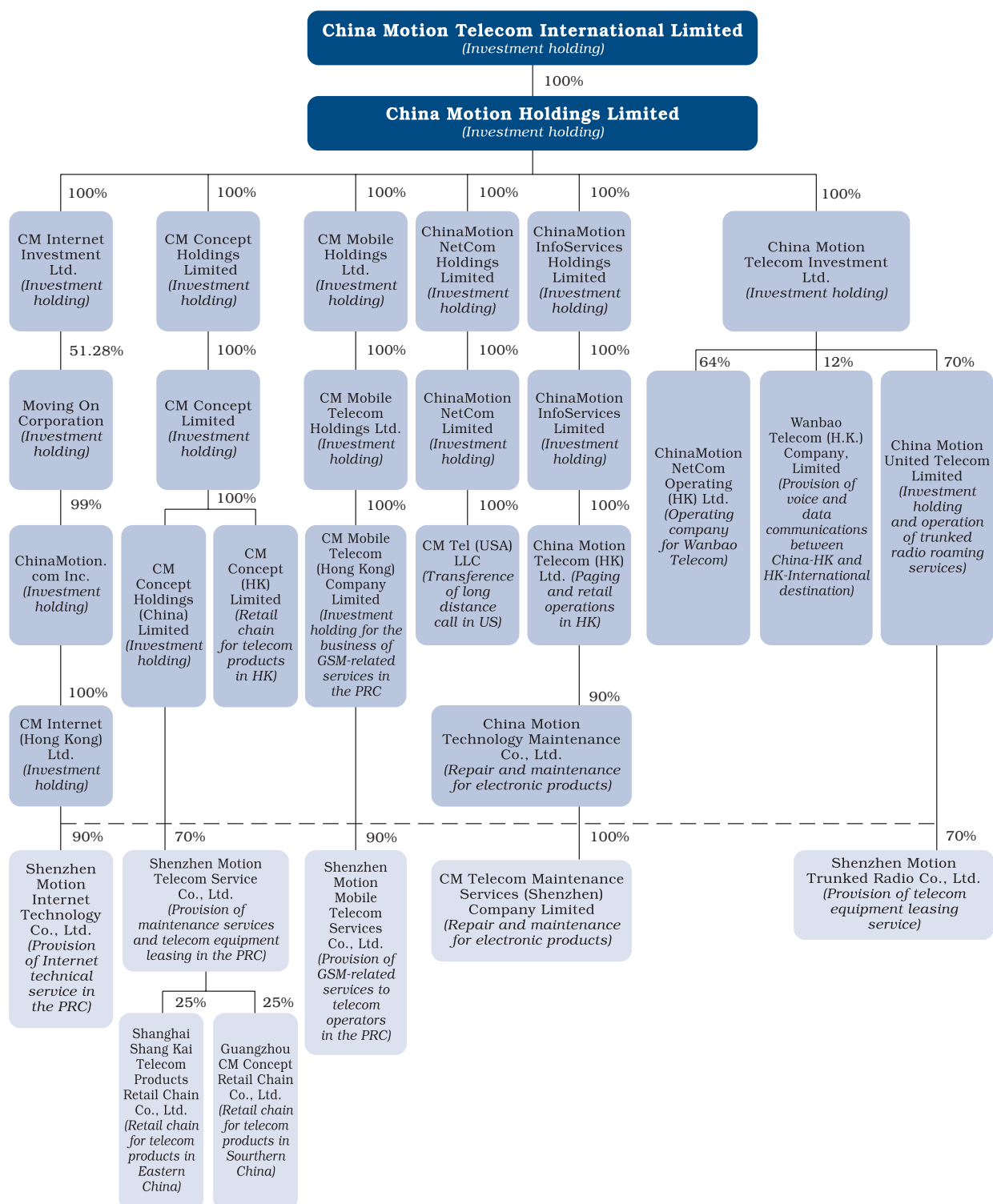
	Six months ended 30 September 2000 HK\$'000	Six months ended 30 September 1999 HK\$'000
(Income)/expenses		
Rental payable to a related party <i>(note i)</i>	778	828
Significant transactions with associates		
Wanbao Telecom (H.K.) Company Limited		
Network service fee	622	2,029
Interest expenses	-	1,503
Goodfine Holdings Limited		
Network service fee	1,011	-
Significant transactions with minority shareholders of subsidiaries		
China Motion Telecom Company Limited ("CMTL", formerly "CMTD")		
Net sales of pagers and telecommunications equipment	(10,669)	(37,777)
Maintenance service income	(19,915)	(23,339)
Leasing income	(17,237)	(14,987)
Airtime income	(1,596)	(1,596)
Commission income	(486)	(1,603)
Recharge of paging service expenses, operators' cost and dataline rental	22,515	16,382
Dataline expenses	100	561
Shenzhen China Motion Telecom United Company		
Sales of telecommunications equipment	(2,980)	(4,119)
China Motion Mobile Telecom Services Co. Ltd.		
Provision of technical consultancy and maintenance services	(92,597)	(86,709)
Guangdong Mobile Communication Company Limited		
Network service fee	886	567

Note i: This represents rental paid to Liking Industrial Limited, a company beneficially owned by a director of the company in respect of a property utilized by the aforesaid director

- (b) Included in receivables and prepayments is an amount due from CMTL and its group companies of HK\$162,895,000.
- (c) Included in trade and other payables is an amount due to CMTL and its group companies of HK\$6,156,000.

GROUP CHART

The following chart shows the principal operating subsidiaries and associates of the Group and their principal activities as at 12 December 2000:



FINANCIAL AND OPERATION REVIEW

The first six months financial results to 30 September 2000 reflect a mix of performance for the Group's existing and new business lines in Hong Kong and mainland China. The Group's turnover for the period was HK\$365 million, representing a 26% decline, mainly in the retail operation and unified messaging services in Hong Kong. The Group's loss for the period amounted to HK\$237 million, mainly attributable to a one-off provision of HK\$236 million. This provision is made up first of a provision for impairment of property, plant and equipment value of HK\$195 million as a result of obsolete telecommunication equipment and, second, a write-off of HK\$34 million goodwill arising from the acquisitions of paging operation. In addition, the Group has adopted a more conservative accounting policy for provision on inventories and doubtful debts resulting in an inclusion of a HK\$45 million charge in administrative and operating expenses.

Notwithstanding the above, the Group made considerable progress in both corporate and business restructuring during the period although requiring longer time than earlier anticipated. While closely monitoring the existing business lines in Hong Kong, the expansion into China is ongoing.

Telecommunications Networks

Performance in this business area was encouraging. Turnover for mobile related services maintained a steady growth of 7% to HK\$93 million for the period due to increase in volume of voice traffic. The new business, VoIP & IP transport services recorded an impressive growth of 1072% to HK\$29 million due to rapid expansion in traffic. To further increase the Group's coverage in international VoIP market, the Group entered into a term of arrangement with a US VoIP company, edge2net with a view to create a strategic and equity partnership in order to quickly tap this high growth business opportunity.

The performance of the current wireless networking service saw a decline in turnover of 45% to HK\$9 million relating to trunking operation. On the other hand, leasing operation recorded an increase of 15% revenue growth to HK\$17 million. In going forward to upgrade the existing equipment to the next digital generation, this business line is expected to return a new revenue growth momentum in the near future.

Distribution and Retail Chain

The Group's retail flagship, CM Concept in Hong Kong recorded an unsatisfactory result due to continuing decline in market prices in highly competitive conditions in the mobile communication products and services market. Turnover of retail operation for the period decreased significantly by 64% to HK\$56 million. Repair services also recorded a drop of revenue by 12% to HK\$24 million. The Group adopted various measures, including a product expansion program to generate a better sales mix and stringent controls over operating costs in order to bring this business back to profitability.

During the period, the Group successfully expanded into the China market by investing 25% equity interest in two joint ventures with China Motion Telecom Co., Ltd. ("CMTL", formerly "CMTD") in order to tap the vast consumer market for communication products and services in China. CMTL currently operates a large retail chain network comprising over 900 stores in China. Contribution is expected to be fruitful in the near future.

The Group's online value-added distribution business under ChinaMotion.com generated steadily growing revenue of HK\$12 million. Burn rate for this business is constantly controlled and has shown a downward trend during the period. It is the Group's strategy to continue developing this business and establish market positioning as a unique value-added distributor for major mobile phone manufacturers in the marketplace.

Unified Messaging Services

Turnover of unified messaging services recorded a decline of 19% to HK\$110 million. The ongoing market consolidation and the stagnant growth in users and prices contributed to the unsatisfactory performance of this business. The Group's strategy is to continue to better control and monitor the costs of operation in order to maintain competitiveness and improve efficiency. With the provisions made to write off certain redundant telecommunications equipment, it is expected that this business line will return to profitability in the near future.

The new business line, telecare services saw a steady growth in revenue. The Group recorded a turnover of HK\$5 million, representing a 134% increase. The Group will continue to expand into this largely untapped market in the future.

PROSPECTS

As a result of the write-off of the redundant assets in the six months under review and a tighter control on operating costs, the directors are confident that, barring unforeseen circumstances, the retail and distribution business and the unified messaging services will significantly improve in the next six months to 31 March 2001.

FINANCIAL POSITION

The Group has been maintaining a healthy financial position with a prudent gearing ratio, being the proportion of borrowings net of cash and bank balances against shareholders equity, of 4.9% as at 30 September 2000, which was significantly lower than that of 17.5% as at 31 March 2000 mainly due to repayment of borrowings and the cash inflow from placement.

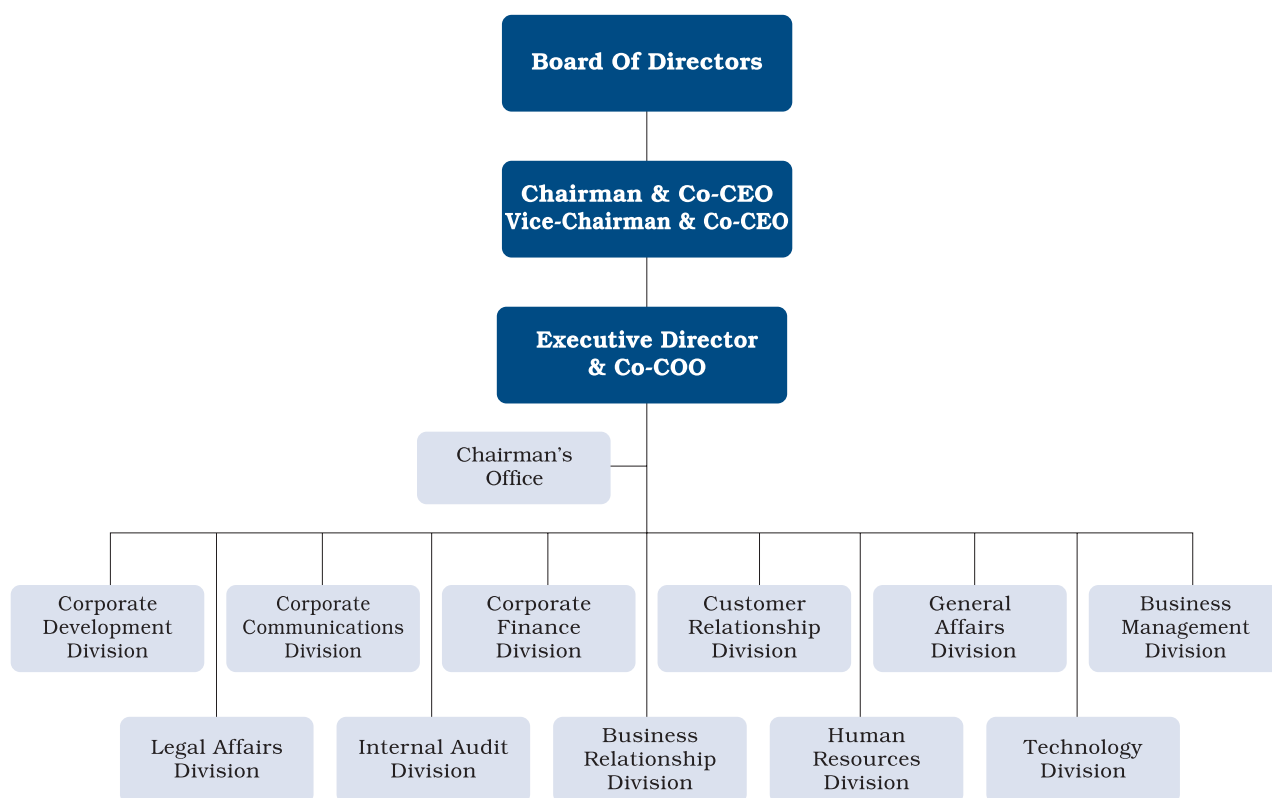
As at 30 September 2000, the Group had total banking facilities for working capital of HK\$120 million, including letter of credit, trust receipt loan and bank overdraft, which bear interest at floating rates generally based on prime lending rates and are subject to periodical review. Consequently, the Group has total available funds of HK\$223 million, comprising unutilized banking facilities of HK\$100 million and net cash and bank balance of HK\$123 million, which enable the Group to meet the future funding requirements for capital expenditure and business development with confidence.

The Group has centralised funding of all its operations at the Group level. This policy achieves better control of treasury operations and lower average cost of funds. The Group's borrowings are primarily denominated in HK and US dollars and thus have no significant exposure to foreign exchange fluctuations. With respect to charges on the Group's assets, all the Group's properties in Hong Kong with an aggregate carrying value of HK\$301 million have been pledged to secure the borrowings of the Group.

REMUNERATION OF EMPLOYEES

Including the directors of the Group, as at 30 September 2000, the Group employed a total of 586 full-time employees in Hong Kong. The Group operates different remuneration schemes for sales and non-sales employees. Sales personnel are remunerated on the basis of on-target-earning packages comprising salary and sales commission. Non-sales personnel are offered year-end discretionary bonuses based on individual merits. The Group also provides in-house training programmes for all staff. Details of share option schemes were disclosed in the 1999/2000 annual report.

ORGANISATION CHART



PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 September 2000, the interests of the directors in the securities of the Company or any associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("SEHK") pursuant to Section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under Section 31 or Part I of the Schedule to the SDI Ordinance), or to be notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the SEHK ("Listing Rules"), or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein were as follows:

(a) Ordinary shares

	Number of ordinary shares held			
	Personal Interests	Family Interests	Corporate Interests <i>(note 1)</i>	Other Interests
HAU Tung Ying	–	–	203,838,000	–
SHUI Ming Hua	250,000	–	–	–
CHAN Wai Lun	267,000	–	–	–
HU Tiejun	292,000	–	–	–

Note 1: The 203,838,000 shares are legally and beneficially owned by Goldtop Holdings Limited ("Goldtop"). Both Mr. HAU Tung Ying and his wife, Madam TING Yat Shuk, are directors of Goldtop in which they hold 30,000 and 20,000 ordinary shares respectively representing 60 per cent. and 40 per cent. of the entire issued share capital of Goldtop.

(b) Share options

As at 30 September 2000, details of share options granted by the Company to the directors to subscribe for the shares in the Company were as follows:

	Date of grant	Exercise price <i>HK\$</i>	Outstanding at 1 April 2000	Granted during the period	Exercised during the period	Outstanding at 30 September 2000
YANG Jun	29 June 1998	0.751	250,000	–	–	250,000
	25 February 2000	3.2895	245,000	–	–	245,000
SHUI Ming Hua	25 February 2000	3.2895	367,500	–	–	367,500
CHAN Wai Lun	25 February 2000	3.2895	367,500	–	–	367,500
Hu Tiejun	19 August 1999	2.062	245,000	–	–	245,000

The share options were granted under a share option scheme known as “The CM Employees’ Share Option Scheme” (the “Scheme”). The options are exercisable at any time during the period commencing after the first anniversary of the date of grant up to 17 March 2008.

Save as disclosed above, as at 30 September 2000,

- (i) none of the directors, chief executive and associates have any beneficial interests or other interests in the share capital (or debt securities, if applicable) of the Company and any of its associated corporations as defined in the SDI Ordinance; and
- (ii) none of the directors (including their spouse and children under 18 years of age) had been granted, or exercised, any rights to subscribe for shares (or debt securities, if applicable) of the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2000, the persons recorded in the register by the Company pursuant to Section 16 of the SDI Ordinance as being directly or indirectly interested in 10 per cent. or more of the issued share capital of the Company was as follows:

Name	Number of shares held	% of issued share capital
Goldtop Holdings Limited	203,838,000	48.49%
TING Yat Shuk ^Δ	203,838,000	48.49%

^Δ TING Yat Shuk has a deemed interest in the 203,838,000 shares held by Goldtop Holdings Limited due to her 40% direct interest in Goldtop Holdings Limited.

Save as disclosed above, as at 30 September 2000, no other person was recorded in the register kept pursuant to Section 16 of the SDI Ordinance as having an interest in 10 per cent. or more of the issued share capital of the Company.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2000, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The Group has established an Audit Committee since 1996. The Audit Committee at the date of this report comprises two independent non-executive directors and one non-executive director.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 September 2000.

By Order of the Board
Hau Tung Ying
Chairman

Hong Kong, 12 December 2000

CORPORATE INFORMATION

Board of Directors

Executive Directors

HAU Tung Ying (*Chairman*)
SHUI Ming Hua
CHAN Wai Lun

Non-Executive Directors

YANG Jun (*Vice-Chairman*)
LI Yi Sheng
Ian Barnett AARON
Timothy Allen BRIDGEWATER
YUAN Wei
YUNG Ha Kuk, Victor*
YUNG Yung Cheng, Frank*
HU Tiejun (*Alternate Director to LI Yi Sheng*)

* *Independent Non-Executive Directors*

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9 Sheung Yuet Road
Kowloon Bay
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Fax: (852) 2827 9883
Homepage: <http://www.china-motion.com>

Registered Office

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Company Secretary

YUE Wai Leung, Stan

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Sin Hua Bank Limited
2A Des Voeux Road Central
Hong Kong

The Kwangtung Provincial Bank
Euro Trade Centre
13-14 Connaught Road Central
Hong Kong

Principal Share Registrar in Bermuda

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong Branch Share Registrar

Abacus Share Registrars Limited
Room 2401, Prince's Building
Central
Hong Kong

Singapore Share Transfer Agent

Barbinder & Co Pte Ltd
8 Cross Street #11-00
PWC Building
Singapore 048424

Auditors

PricewaterhouseCoopers, Hong Kong
Certified Public Accountants
Audit Partner: IP Koon Wing, Ernest
22nd Floor, Prince's Building
Central
Hong Kong