



# 潤迅通信國際有限公司\*

## China Motion Telecom International Limited

(Incorporated in Bermuda with limited liability)

### ANNOUNCEMENT OF 2001 FINAL RESULTS

The Board of Directors of China Motion Telecom International Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2001 together with the comparative figures for the previous year as follows:

#### RESULTS

	Note	31/03/2001 HK\$'000	31/03/2000 HK\$'000 (Restated)
Turnover	4	768,433	891,169
Cost of sales and services		(399,466)	(461,034)
Gross profit		368,967	430,135
Other operating income		34,157	56,293
Distribution expenses		(32,358)	(55,193)
Administrative expenses		(344,940)	(300,979)
Other operating expenses		(2,910)	(9,569)
Write-off of goodwill		(40,968)	(2,683)
Impairment loss on property, plant and equipment		(195,266)	(1,000)
Operating (loss) / profit		(213,318)	117,004
Finance costs		(15,376)	(58,623)
		(228,694)	58,381
Share of results before taxation of associated undertakings		6,778	1,007
(Loss) / profit before taxation		(221,916)	59,388
Taxation	1	(18,620)	(7,362)
(Loss) / profit after taxation		(240,536)	52,026
Minority interests		28,333	(13,668)
(Loss) / profit attributable to the members		(212,203)	38,358
Dividends	2	—	26,645
Basic (loss) / earnings per share	3	(48.22) HK cents	11.82 HK cents
Fully diluted earnings per share	3	N/A	11.33 HK cents

#### Notes:

	31/03/2001 HK\$'000	31/03/2000 HK\$'000
Hong Kong profits tax	—	—
Current year	—	—
Under/(Over) provision in previous years	50	(803)
PRC Taxation	—	—
Current year	18,570	20,477
Overprovision in previous years	—	(12,312)
	18,620	7,362

No provision for Hong Kong profits tax has been made as the Company and its subsidiaries operating in Hong Kong do not have any assessable profit for the year.

PRC taxation represents income tax payable by the subsidiaries operating in PRC at the applicable rates ranging from 7.5% to 16.5%. The subsidiaries operating in PRC are entitled to a tax holiday scheme which is available to certain Sino-foreign equity joint venture companies established in PRC. Under such scheme, the subsidiaries are entitled to a full exemption of PRC income tax for the first profit making year and 50% reduction in the applicable tax rates for the ensuing 2 years. The applicable rate for which there is no exemption, is either 15% or 33%.

	31/03/2001 HK\$'000	31/03/2000 HK\$'000 (Restated)
Ordinary shares	—	15,158
Final dividend in respect of 2000 – HK\$ Nil (1999: HK\$0.05 per share)	—	10,368
Interim dividend in respect of 2001 – HK\$Nil (2000: HK\$0.03 per share)	—	1,119
Additional final dividend for previous year	—	26,645

The Board of Directors does not recommend the payment of a final dividend in respect of the years ended 31 March 2001 and 2000.

	31/03/2001 HK\$'000	31/03/2000 HK\$'000 (Restated)
(Loss) / profit attributable to the members	(212,203)	38,358
Weighted average number of ordinary shares in issue	440,027,564	324,640,709
Adjustments for share options and warrants	59,060,944	13,981,991
Weighted average number of ordinary shares for calculation of diluted (loss) / earnings per share	499,088,508	338,622,700
Basic (loss) / earnings per share	(48.22) HK cents	11.82 HK cents
Diluted (loss) / earnings per share	N/A	11.33 HK cents

(a) Basic (loss) / earnings per share is calculated based on the weighted average number of issued ordinary shares and the related income amount. For the diluted (loss) / earnings per share the weighted average number of issued ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares. The number of incremental shares from assumed exercise of stock options and warrants has been determined using the treasury stock method.

(b) Diluted loss per share for the year ended 31 March 2001 has not been presented as the conversion of potential ordinary shares to ordinary shares would have anti-dilutive effect to the basic loss per share.

(c) The weighted average number of ordinary shares that was used for calculating the basic and diluted earnings per share has not been retrospectively adjusted for the rights issue which took place in February 2001 because there was no bonus element in the rights issue.

#### 4. Segmental Results

##### (a) By Business Activity

	Turnover		Operating (loss)/profit before taxation	
	31/03/2001 HK\$'000	31/03/2000 HK\$'000	31/03/2001 HK\$'000	31/03/2000 HK\$'000 (Restated)
VoIP & Data Communication Services				
Mobile Related Services Operation	184,261	175,965	139,657	125,113
VoIP & IP Transport Services	98,196	16,129	20,350	(465)
	282,457	192,094	160,007	124,648
Multimedia Retail Chain & Repair Services				
CM Concept Retail Chain Operation	147,354	240,622	(23,955)	18,325
Repair Services Operation	46,141	56,043	25,282	33,238
	193,495	296,665	1,327	51,563
Networking Services				
Trunking Operation	23,957	28,140	(36,540)	6,711
Leasing Operation	26,027	31,702	(83,592)	11,701
	49,984	59,842	(120,132)	18,412
Unified Messaging Services	190,383	262,944	(104,930)	8,819
Telecare Services	12,782	1,509	(6,712)	133
Internet & E-commerce	27,848	104	(53,050)	(21,454)
Trading Operation	11,484	78,011	601	5,186
Group total	768,433	891,169	(122,889)	187,307
Unallocated cost			(96,985)	(81,721)
Net Finance Cost			(8,820)	(47,205)
Operating (loss)/profit before taxation			(228,694)	58,381

##### (b) By Geographical Region

	Turnover	
	31/03/2001 HK\$'000	31/03/2000 HK\$'000
People's Republic of China	372,824	394,759
Hong Kong	367,365	496,410
Canada and United States of America	28,244	—
	768,433	891,169

\* For identification only

#### FINANCIAL REVIEW

The Group's consolidated turnover for the financial year under review was HK\$768.4 million, representing a 13.8% decrease over previous year. It was mainly due to the continuing difficult conditions in the local retail market and lower demand for unified messaging services in Hong Kong. Nevertheless, the Group's turnover improved in the second half year, attributable partly to the restructuring efforts.

The Group's gross profit for the year amounted to HK\$369 million which had a gross margin of 48%. The Group's gross margin maintained stable over previous year (2000: 48.3%).

Loss attributable to members amounted to HK\$212.2 million. The result was less favorable to that of the previous year largely attributable to a one-off provision of HK\$236.2 million. Excluding this provision for impairment of property, plant and equipment and goodwill, the Group's overall result would have shown a profit of HK\$24 million for the year.

#### BUSINESS REVIEW

The financial year under review was noteworthy to the extent that the Group has achieved both corporate and business restructuring in its three core business operations, namely telecommunication networks, distribution and retail chain and unified messaging services. The restructuring provides the Group not only a good base for penetrating the China telecom market upon China's accession to the World Trade Organization, but also a solid foundation for transforming itself into one of the first nationwide virtual network operators in China.

##### Telecommunication Networks

Performance in this operation was encouraging. Lower IDD tariff in Hong Kong and China led to the substantial increase in the volume of voice traffic. Turnover from IDD operations was HK\$98.2 million for the year, a five-fold growth from a low base in the previous year. Revenue from mobile-related services recorded a steady growth of 4.7% to HK\$184.3 million for the year. To further widen the Group's international VoIP market share, the Group entered into relationships with Edge2Net and AboveNet in the US as well as the major telecommunications network operators in China.

In the wireless networking services, the sluggishness of the current trunking and leasing markets attributed to sales of HK\$50 million, a decrease of 16.5% over previous year. However, the potential of wireless trunked radio and related businesses in the China market remains promising.

##### Distribution and Retail Chain

Turnover of the distribution and retail chain operations was HK\$147.4 million for the year, a decrease of 38.8% over the previous year. Such decrease was mainly attributable to a steady decline in market prices of mobile phone products. The "CM Concept" chain store, the Group's retail arms, continued to be one of the top dealers in terms of sales to the mobile network operators in Hong Kong. With its long-time strategic partner, China Motion Telecom Holdings Limited ("CMTH") (formerly known as China Motion Telecom Development Company ("CMTD")), the Group had successfully extended the operation model of CM Concept to Eastern and Southern China. The sizeable subscriber base of CMTH in China is instrumental to the Group's success in the vast China market.

The Group's online value-added distribution platform for telecom products traded under the internet, chinamotion.com and e-commerce recorded a turnover of HK\$27.8 million as a start-up. Although tighter cost control in operation and capital investment had been implemented in the second half year, loss before interest and tax for the year under review was HK\$53.1 million. To minimize further loss, the operation has now largely been scaled down.

##### Unified Messaging Services

To accommodate the declining paging subscribers due to competition from mobile services, the Group has been exploring more value-added services to our existing paging subscribers. Turnover of unified messaging services for the year was HK\$190.4 million, representing a decrease of 27.6% from last year. Loss before interest and tax was HK\$104.9 million which included the provision for impairment of property, plant and equipment and goodwill written-off of HK\$103.4 million. The implemented measures on operating efficiency and cost control had turned this operation back to profitability in the second half year.

#### FUTURE PROSPECTS

In response to changes in market forces and technology, the Group has transformed from a paging operation company to a diversified telecom company. In the process, the Group underwent corporate and business restructuring and suffered provisions for obsolescent assets and goodwill. It however strengthened its strategic partnership with CMTH, accumulated substantial funding and recruited talent appropriate for the future task.

Along with the China's imminent accession to the World Trade Organization, the Directors believe that the Group has the valuable experience and is well positioned to participate in the value-added services of the China telecom market. The current year should see the Group developing in this direction with the goal of becoming one of the first nationwide virtual network operators in China. Barring unforeseen circumstances, the Directors anticipate a return to profitability in the current year.

##### Financial Position

During the year the Group generally financed its operation with internally generated cash flows, the banking facilities and the two corporate finance activities namely the placement and rights issue. Net proceeds of HK\$303 million raised from placement on 11 April 2000 and from rights issue on 5 February 2001 were applied as follows:

- HK\$55 million for the expansion of sales and distribution network of the retail operation;
- HK\$55 million for the development of long distance call business;
- HK\$25 million for the furtherance of the business of Internet service provider;
- HK\$15 million is used for the acquisition of equipment for the operator assisted call centers;
- HK\$40 million for development of VoIP and IP network;
- HK\$40 million for upgrade of network digital equipment; and the remaining balance is retained as general working capital.

As at 31 March 2001, the Group had aggregate banking facilities of approximately HK\$123 million of which HK\$13 million was utilized. The Group's cash and bank balance at that date amounted to approximately HK\$208.8 million. This together with the unutilized banking facilities, enabled the Group to discharge its debts and to fund its operation expenditures.

As at 31 March 2001, the Group's total borrowing amounted to approximately HK\$144.6 million, total borrowing as a percentage of shareholders' funds was reduced to 16.6% at the end of March 2001, when compared to 32.6% as at 31 March 2000.

#### EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES

The Group has exposure to the fluctuations in Renminbi and United States dollars as certain expenses payable and sales receivables from customers respectively.

#### STAFF AND REMUNERATION POLICIES

As at 31 March 2001, the Group employed a workforce of approximately 980. Total staff costs incurred during the year amounted to HK\$192.3 million. The Group offers a comprehensive remuneration and benefit package to its employees and remuneration policies are reviewed by the management on a regular basis.

The Group sets up a defined contribution retirement scheme for its employees. In addition, the Group also adopts share option schemes which structure to take into account the comparable remuneration level of the market.

#### PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

#### OTHER INFORMATION

Apart from the above, other areas which are required to be disclosed under the requirements of paragraph 32 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are considered not significant to the Group's operations, and hence no additional disclosure has been made.

#### DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

Information that is required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) in due course.

By Order of the Board  
Hau Tung Ying  
Chairman

Hong Kong, 5 July 2001