

1 PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong (“HKGAAP”) and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). This represents a change in the adoption of accounting standards for the preparation of accounts from prior years when the accounts were prepared in accordance with International Accounting Standards. The directors consider that the financial year ended 31 March 2002 was the first full financial year of the Company since its conversion of listing status and it is an opportune moment to effect such change and the investment community in Hong Kong is more familiar with HKGAAP which presents the financial position fairly in accordance with market perception. There is no material financial impact to the consolidated accounts for the year ended 31 March 2002 as a result of the change in the adoption of accounting standards for the preparation and no adjustments to the comparative figures presented in the consolidated accounts in prior periods are considered necessary.

The accounts have been prepared under the historical cost convention as modified by the revaluation of investment properties and marketable securities as disclosed in the accounting policies below.

In current year, the Group early adopted the following revised Statements of Standard Accounting Practice (“HKSSAP”) issued by HKSA, which will be effective in next financial year and are applicable to the Group:

HKSSAP 1 (revised):	“Presentation of financial statements”
HKSSAP 11 (revised):	“Foreign currency translation”
HKSSAP 15 (revised):	“Cashflow statement”

Early adoption of these accounting standards has no material impact on the Group’s accounts.

HKSSAP 1 (revised) has been revised to present, as a separate component of its accounts, the statement of changes in equity. It has replaced the requirement for presenting the statement of recognised gains and losses. Although the adoption is required for periods beginning on or after 1 January 2002, the Group has opted the revised standard in its 2002 accounts.

HKSSAP 15 (revised) has been revised to classify cash flows under operating, investing or financing activities. Although adoption is required for periods beginning on or after 1 January 2002, the Group has opted the revised standard in its 2002 accounts.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

The principal accounting policies adopted in the preparation of these accounts are set out below:

(b) Group accounting

(i) *Consolidation*

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities whose financial and operating policies are controlled, directly or indirectly, by the Company so that the Company is able to benefit from their activities that are controlled by the Group.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or goodwill taken to reserves and exchange difference and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the profit and loss account and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) *Associated companies*

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and also goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet, the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves. Upon disposal of an overseas subsidiary or associated company, the related cumulative exchange difference is included in the profit and loss account as part of the gain or loss on disposal.

(d) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or associated company at the date of acquisition. Goodwill is amortised using the straight-line method over its estimated useful life of five years. Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

(e) Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Leasehold land is depreciated over the unexpired periods of leases. Depreciation of leasehold buildings and improvements is calculated to write off their cost on a straight-line basis over the unexpired periods of the leases or their estimated useful lives to the Group, whichever is shorter. The annual rates used for this purpose are 2% and 20% respectively.

During the year, the Group revised the estimated useful lives of telecommunications equipment. This resulted in a change in accounting estimate to the Group and accordingly, the Group has recognised the effect of change in depreciation rate of HK\$2,311,000 in the consolidated profit and loss account. Depreciation of other fixed assets is calculated to write off their cost on a straight-line basis over their estimated useful lives. The principal annual rates are as follows:

Telecommunications equipment	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	30%

Major costs incurred in restoring telecommunications equipment components to their normal working condition to allow continued use of the overall asset are capitalised and depreciated over the remaining useful lives.

Improvements are capitalised and depreciated over their expected useful lives to the Group.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Fixed assets (continued)

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(f) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed, and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods of greater than 20 years are valued annually by independent professional valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

(g) Assets under leases

(i) *Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Assets under leases (continued)

(ii) *Operating leases*

Leases where substantially all the risks and rewards of ownership of assets remain within the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(h) Investments

Investments held for long-term purposes other than those in subsidiaries and associated companies are stated at cost less provision for any permanent diminution in value.

Marketable securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of marketable securities are recognised in the profit and loss account. Profits and losses on disposal of marketable securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the first-in, first-out basis. Net realisable value is determined on the basis of anticipated sales proceeds in the ordinary course of business, less estimated selling expenses.

(j) Trade receivables

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks net of bank overdrafts and trust receipts loans which have original maturities of three months or less at the date of acquisition.

(l) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(m) Retirement benefit costs

The Group operates a Mandatory Provident Fund Scheme ("MPF") for the eligible employees in Hong Kong. The Group's contributions to the MPF are expensed as incurred.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(n) Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. All borrowing costs are charged to the profit and loss account when they are incurred.

(o) Revenue recognition

(i) Paging subscription fee income is recognised on a straight-line basis over the period of the paging service contracts. Revenue received in advance for the provision of paging services for an agreed period of time is deferred and amortised on a straight-line basis over the contract period.

(ii) Revenue from the sale of telecommunications products is recognised on the transfer of ownership, which generally coincides with the time of shipment.

(iii) Maintenance and technical consultancy service income from service agreements is recognised on an accrual basis when the service is performed.

(iv) Trunking service income and advertising income are recognised when the services are rendered.

(v) International communications and Internet related services provided to customers are recognised upon the delivery of services.

(vi) Commission income is recognised in accordance with the terms of agency agreements which is generally when the agency services are rendered.

(vii) Rental and leasing income is recognised on a straight-line basis over the period of the respective leases.

(viii) Interest income is recognised on a time proportion basis, taking into account the principals outstanding and interest rates applicable.

(ix) Dividend income is recognised when the right to receive payment is established.

(x) Management service fee income is recognised on an accrual basis in accordance with the terms of the agreements.

(xi) Airtime income is recognised on an accrual basis in accordance with the terms of the agreements.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(p) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash. Unallocated assets represent assets not dedicated to a particular segment, consist primarily of cash and bank balances, investments in securities, investment properties and other receivables. Segment liabilities comprise operating liabilities and corporate borrowings. Unallocated liabilities represent liabilities not dedicated to a particular segment, consist primarily of short-term and long-term loans and other payables. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

2 TURNOVER AND REVENUES

The Group is principally engaged in the provision of paging services, technical consultancy services, and repair and maintenance services for telecommunications equipment, international communications services and trunking radio services. It is also engaged in the distributions and retail sales of telecommunications equipment and the leasing and trading of telecommunications equipment and products. Revenues recognised during the year are as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Turnover		
International communications income	170,378	90,539
Paging subscription fee and related service income	138,897	200,617
Technical consultancy service income	131,607	185,077
Sale of telecommunications products	112,165	112,626
Leasing income	68,205	26,579
Commission income	64,666	90,041
Maintenance service income	19,075	42,789
Trunking service income	16,322	16,091
Internet related services income	673	4,074
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	721,988	768,433
	<hr style="border-top: 1px dashed black;"/>	
Other revenues		
Rental income	8,135	4,563
Advertising income	3,518	11,586
Airtime income	2,640	–
Interest income	1,834	6,556
Management service fee income	–	1,731
Dividend income from listed investments	–	73
Others	729	104
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	16,856	24,613
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Total revenues	738,844	793,046
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3 SEGMENT INFORMATION

The Group's principal activities can be categorised into six business segments:

Business segments	Nature of business activities	Places of operation
1. Telecommunications Network Services	Provision of trunking radio services, sales of trunking related equipment, international calling services and income from lease line rental	Hong Kong/ Canada and USA
2. Distributions and Retail Chain Services	Retail sales of telecommunications related equipment and products, provision of maintenance and repair services and commission income	Hong Kong/ People's Republic of China ("PRC")
3. Unified Messaging Services	Provision of paging services and sales of telecommunications equipment	Hong Kong/PRC
4. Mobile Related Services Operation	Provision of technical advisory, maintenance and accounts management services to telecommunications operations	PRC
5. Other Operations	Leasing and trading of telecommunications equipment and products	PRC
6. Discontinued Operations*	Provision of call center services, Internet related services	Hong Kong

* On 3 December 2001, the call center services and Internet related services operations were disposed of to First Active Investments Limited ("First Active"), an associate of the ultimate holding company, Goldtop Holdings Limited, at a cash consideration of HK\$15 million.

Transactions between the business segments and geographical segments have been eliminated.

Notes to the Accounts

3 SEGMENT INFORMATION (continued)

(a) Primary reporting format – business segments

	Telecom- munications Network Services	Distributions and Retail Chain Services	Unified Messaging Services	Mobile Related Services Operation	Other Operations	Discontinued Operations	Unallocated Items	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2002								
Turnover	254,244	184,712	136,901	131,070	9,579	5,482	–	721,988
Segmental profit/(loss)	4,857	12,550	14,216	93,222	(42,395)	(8,085)	(183,952)	(109,587)
Net finance costs								(5,681)
Share of profits before taxation of associated companies								216
Loss before taxation								(115,052)
Taxation								(14,170)
Loss after taxation								(129,222)
Minority interests								(1,741)
Loss attributable to the shareholders								(130,963)
Segment assets	266,868	182,114	15,847	368,993	57,709	–	215,243	1,106,774
Investments in associated companies								2,444
Consolidated total assets								1,109,218
Segment liabilities	82,007	23,492	37,083	66,894	15,540	–	139,211	364,227
Capital expenditure	38,118	1,843	1,180	1,029	–	26	6,003	48,199
Depreciation	4,285	4,735	7,173	1,913	78	1,405	12,037	31,626
Amortisation	–	–	–	8,843	–	–	209	9,052
Impairment loss on fixed assets	26,092	–	4,616	–	47,315	–	98,899	176,922
Other non-cash expenses/(income), net	(44)	(1,036)	(1,254)	–	678	–	15,331	13,675

Notes to the Accounts

3 SEGMENT INFORMATION (continued)

(a) Primary reporting format – business segments (continued)

	Telecom- munications Network Services	Distributions and Retail Chain Services	Unified Messaging Services	Mobile Related Services Operation	Other Operations	Discontinued Operations	Unallocated Items	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2001								
Turnover	122,153	193,495	190,383	184,261	37,511	40,630	–	768,433
Segmental profit/(loss)	(16,190)	1,327	(104,930)	139,657	(82,991)	(59,762)	(96,985)	(219,874)
Net finance costs								(8,820)
Share of profits before taxation of associated companies								6,778
Loss before taxation								(221,916)
Taxation								(18,620)
Loss after taxation								(240,536)
Minority interests								28,333
Loss attributable to the shareholders								(212,203)
Segment assets	154,253	135,106	37,075	408,121	174,653	59,146	408,374	1,376,728
Investments in associated companies								2,228
Consolidated total assets								1,378,956
Segment liabilities	125,267	54,332	47,376	68,394	28,471	12,651	166,511	503,002
Capital expenditure	6,546	5,576	6,458	4,589	857	19,181	26,987	70,194
Depreciation	2,177	6,163	8,165	1,361	15,162	2,090	10,698	45,816
Amortisation	536	–	5,337	8,843	–	598	700	16,014
Impairment loss on fixed assets/ write off of goodwill	26,381	2,599	103,390	–	93,144	10,720	–	236,234
Other non-cash expenses, net	9,835	4,945	17,398	–	385	1,120	2,910	36,593

3 SEGMENT INFORMATION (continued)

(b) Secondary reporting format – geographical segments

	Turnover		Segmental profit/(loss)		Total assets		Capital expenditure	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
PRC	220,725	372,824	96,858	97,701	691,525	665,434	2,090	9,259
Hong Kong	474,013	367,365	(24,784)	(224,784)	392,901	687,110	29,273	60,245
Canada and USA	27,250	28,244	2,291	4,194	24,792	26,412	16,836	690
	721,988	768,433	74,365	(122,889)	1,109,218	1,378,956	48,199	70,194
Unallocated items	-	-	(183,952)	(96,985)	-	-	-	-
	721,988	768,433	(109,587)	(219,874)	1,109,218	1,378,956	48,199	70,194

Notes to the Accounts

4 OPERATING LOSS

Operating loss is stated after crediting and charging the following:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Crediting		
Net gain/(loss) on disposal of fixed assets	33,999	(651)
Gain on dilution of interests in subsidiaries	-	2,666
Charging		
Auditors' remuneration	1,500	1,500
Staff costs (excluding directors' emoluments)	148,704	192,297
Depreciation of fixed assets		
– owned assets	26,054	28,242
– owned assets (telecommunications equipment) leased out under operating leases	5,102	15,162
– assets under finance leases	470	2,412
Loss on disposal of marketable securities	-	313
Operating lease charges for land and buildings	63,753	72,875
Operating lease charges for telecommunications equipment	88,663	43,354
Amortisation of goodwill (included in administrative expenses)	9,052	16,014
Loss on disposal of subsidiaries/associated companies	26,328	2,378
Cost of inventories sold	94,118	132,379
Impairment loss on fixed assets	176,922	195,266
Deficit on revaluation of investment properties	13,842	2,910
Diminution in value of marketable securities	1,954	1,560

Notes to the Accounts

4 OPERATING LOSS (continued)

The future minimum lease incomes receivable under non-cancellable operating leases are as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Within one year	6,276	17,580
Between two and five years	585	52,740
More than five years	–	52,363
	6,861	122,683

5 FINANCE COSTS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts		
– wholly repayable within five years	2,449	6,289
– not wholly repayable within five years	4,231	8,189
Interest on other loans wholly repayable within five years	641	456
Interest element of finance leases	194	442
	7,515	15,376

6 TAXATION

(a) The amount of taxation charged to the consolidated profit and loss account represents:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Hong Kong profits tax		
– underprovision in previous years	442	50
PRC taxation		
– current year	13,728	18,570
	<u>14,170</u>	<u>18,620</u>

Hong Kong profits tax is calculated at a rate of 16% (2001: 16%) on the estimated assessable profit for the year. The provision for Hong Kong profits tax has been reduced by the availability of tax losses to set off against assessable profit for the year and the tax savings from the utilisation of such losses amounted to HK\$5,502,000 for the year ended 31 March 2002 (2001: HK\$5,772,000).

PRC taxation represents income tax payable by the subsidiaries operating in the PRC at the applicable rates ranging from 15 per cent to 33 per cent.

(b) The amount of taxation in the consolidated balance sheet represents:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Hong Kong profits tax recoverable	–	(91)
PRC income tax payable	7,360	16,198
	<u>7,360</u>	<u>16,107</u>

(c) The aggregate potential deferred tax asset of HK\$87,551,000 (2001: HK\$68,643,000) relating to tax losses available to be carried forward and other timing differences related to accelerated depreciation allowance as at 31 March 2002 has not been recognised as the crystallisation of the asset in the foreseeable future is uncertain.

Notes to the Accounts

7 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$277,105,000 (2001: HK\$2,482,000).

8 DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 March 2002 (2001: Nil).

9 LOSS PER SHARE

	Group	
	2002	2001
	HK\$'000	HK\$'000
Loss attributable to shareholders	(130,963)	(212,203)
Weighted average number of ordinary shares in issue	525,475,573	440,027,564
Adjustments for share options and warrants	93,531,570	59,060,944
Weighted average number of ordinary shares for diluted loss per share	619,007,143	499,088,508
Basic loss per share	(24.92) HK cents (48.22) HK cents	
Diluted loss per share (note (b))	N/A N/A	

(a) Basic loss per share is calculated based on weighted average number of issued ordinary shares and the related income amount. For the diluted loss 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 share options and warrants has been determined using the treasury stock method.

(b) Diluted loss per share for the years ended 31 March 2002 and 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.

10 RETIREMENT BENEFIT COSTS

The Group's contributions to the MPF are at 5% of employees basic salaries up to a maximum of HK\$1,000 per employee per month. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

The Group has contributed HK\$3,992,000 to the MPF for the year ended 31 March 2002 (2001: HK\$1,724,000).

The assets of MPF are held separately from those of the Group in independent administered funds.

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of the emoluments payable to directors of the Company during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Fees	1,535	2,090
Basic salaries, housing allowances, other allowances and benefits in kind	13,767	12,373
Retirement benefit costs	48	335
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	15,350	14,798

Directors' fees disclosed above include HK\$351,666 (2001: HK\$311,000) paid to the independent non-executive directors.

No director waived any emoluments during the year (2001: Nil). During the year, no amounts have been paid by the Group to the directors as an inducement to join the Group or as compensation for loss of office (2001: Nil).

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2002	2001
HK\$Nil – HK\$1,000,000	6	10
HK\$1,500,001 – HK\$2,000,000	2	1
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$3,000,001 – HK\$3,500,000	1	1
HK\$5,000,001 – HK\$5,500,000	–	1
HK\$6,500,001 – HK\$7,000,000	1	–
	10	14

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2001: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2001: two) individuals during the year are as follows:

	2002	2001
	HK\$'000	HK\$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	5,004	3,283
Bonuses	31	376
Retirement benefit costs	23	3
	5,058	3,662

Notes to the Accounts

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(b) Five highest paid individuals (continued)

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2002	2001
HK\$1,500,001 – HK\$2,000,000	–	2
HK\$2,000,001 – HK\$2,500,000	1	–
HK\$2,500,001 – HK\$3,000,000	1	–

(c) The share options held by the directors (including non-executive directors of the Company) under the China Motion Employees' Share Option Scheme are set out in the report of the directors on pages 26 to 29.

12 GOODWILL

	Group	
	2002 HK\$'000	2001 HK\$'000
Cost		
At 1 April	47,940	105,964
Additions	–	10,456
Disposals	–	(68,480)
At 31 March	47,940	47,940
Accumulated amortisation		
At 1 April	28,590	37,639
Amortisation charge	9,052	16,014
Disposals	–	(25,063)
At 31 March	37,642	28,590
Net book value	10,298	19,350

Notes to the Accounts

13 FIXED ASSETS – GROUP

	Investment properties HK\$'000	Leasehold land and buildings HK\$'000	Furniture, fixtures and office equipment HK\$'000	Telecom- munications equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation							
At 1 April 2001	90,240	218,570	57,516	437,191	55,259	9,742	868,518
Additions	–	–	6,183	37,429	4,466	121	48,199
Disposal of subsidiaries	–	–	(8,698)	(10,908)	(1,062)	(419)	(21,087)
Transfers	9,882	(23,423)	–	–	–	–	(13,541)
Revaluation (note (d))	(13,842)	–	–	–	–	–	(13,842)
Disposals/write-off	–	–	(10,642)	(72,771)	(6,041)	(1,194)	(90,648)
At 31 March 2002	86,280	195,147	44,359	390,941	52,622	8,250	777,599
Accumulated depreciation and impairment							
At 1 April 2001	–	13,349	27,744	312,338	25,626	7,650	386,707
Charge for the year	–	3,255	7,361	10,765	9,337	908	31,626
Impairment charge (note (b) & (c))	–	95,132	944	76,763	4,083	–	176,922
Disposal of subsidiaries	–	–	(2,236)	(3,985)	(1,014)	(91)	(7,326)
Transfers	–	(13,541)	–	–	–	–	(13,541)
Disposals/write-off	–	–	(8,080)	(47,590)	(4,481)	(870)	(61,021)
At 31 March 2002	–	98,195	25,733	348,291	33,551	7,597	513,367
Net book value or valuation							
At 31 March 2002	86,280	96,952	18,626	42,650	19,071	653	264,232
At 31 March 2001	90,240	205,221	29,772	124,853	29,633	2,092	481,811

13 FIXED ASSETS – GROUP (continued)

- (a) As at 31 March 2002, the net book value of fixed assets pledged as security for banking facilities of the Group amounted to approximately HK\$183,232,000 (2001: HK\$205,221,000).
- (b) 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 and other fixed assets based on the recoverable value of these assets and an impairment charge of HK\$81,790,000 (2001: HK\$195,266,000) has been made in current year.
- (c) In view of the change in the property market, the Group has made an impairment charge of HK\$95,132,000 (2001: Nil) on the leasehold land and buildings in current year.
- (d) The investment properties are valued at open market value by DTZ Debenham Tie Leung Limited, independent professional valuers, as at 31 March 2002. The revaluation deficit is charged to the profit and loss account.

The investment properties of the Group are pledged as security for banking facilities granted to the Group.

- (e) The analysis of the net book value of the Group's leasehold land and buildings and valuation of the Group's investment properties as at 31 March 2002 is as follows:

	Leasehold land and buildings in Hong Kong HK\$'000	Group		Total HK\$'000
		Investment properties		
		Hong Kong HK\$'000	PRC HK\$'000	
Period unexpired				
Leases between 10 to 50 years				
At net book value	80,728	–	–	–
At valuation	–	20,100	5,000	25,100
Leases not less than 50 years				
At net book value	16,224	–	–	–
At valuation	–	61,180	–	61,180
	96,952	81,280	5,000	86,280

13 FIXED ASSETS – GROUP (continued)

(f) As at 31 March 2002, the net book value of fixed assets held under finance leases are as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Telecommunications equipment	–	6,462
Motor vehicles	424	879
	<hr/>	<hr/>
	424	7,341
	<hr/>	<hr/>

14 INVESTMENTS IN A SUBSIDIARY

	Company	
	2002	2001
	HK\$'000	HK\$'000
Unlisted investment, at cost (note (a))	113,115	113,115
Amount due from a subsidiary (note (b))	784,437	296,718
Provision for amount due from a subsidiary	(275,000)	–
	<hr/>	<hr/>
	622,552	409,833
	<hr/>	<hr/>

(a) Particulars of principal subsidiaries are set out in note 36 to the accounts.

(b) The amount due from a wholly-owned subsidiary is unsecured, interest free and has no fixed terms of repayment but repayment is not expected to be within twelve months from the balance sheet date.

Notes to the Accounts

15 INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Share of net assets	2,444	2,228

Particulars of principal associated companies are set out in note 37 to the accounts.

16 OTHER LONG-TERM INVESTMENTS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost less amounts written off	14,178	14,178
Club debentures	4,762	4,765
Others, unlisted (note (a))	327,892	247,733
	346,832	266,676

- (a) This includes an amount of HK\$247,733,000 invested by the Group in a telecommunications project in Guangdong province in the PRC. This investment has been undertaken on behalf of the Group by a related party, China Motion Netcom Services Co. Ltd (formerly known as China Motion Mobile Telecom Services Co. Ltd) ("CM Netcom"). CM Netcom is a minority shareholder of a subsidiary. The amount is repayable by CM Netcom to a subsidiary of the Company before or upon expiry of a service agreement between that subsidiary and CM Netcom in March 2004. HK\$40 million has been repaid subsequent to the year ended 31 March 2002 on 11 July 2002.

During the year, the Group provided HK\$80,159,000 as capital expenditure funding to CM Netcom for developing CM Netcom's VoIP long distance call services business. The capital expenditure funding is repayable on demand and the directors expect that the funding will be fully repaid by CM Netcom within 5 years after the date of entering the VoIP service agreement on 16 October 2001. In the opinion of the directors, no demand for repayment is expected within twelve months from the balance sheet date.

Notes to the Accounts

17 INVENTORIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Finished goods	8,248	7,063

As at 31 March 2002, the carrying amount of inventories that are carried at net realisable value amounted to HK\$7,972,000 (2001: HK\$6,193,000).

18 RECEIVABLES AND PREPAYMENTS

	Note	Group		Company	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Trade					
Trade receivables, net of provision	18(a), 32(b)	316,419	273,436	-	-
Non-trade					
Due from:					
Subsidiaries		-	-	2,903	586,390
Associated companies	18(b)	16,503	7,280	-	-
Related companies	18(c)	1,717	366	-	-
An investee company		-	2,581	-	-
Other receivables and prepayments	32(c)	23,259	106,447	-	4
		357,898	390,110	2,903	586,394

Notes to the Accounts

18 RECEIVABLES AND PREPAYMENTS (continued)

(a) The ageing analysis of the trade receivables as at 31 March 2002 is as follows:

	2002 HK\$'000	2001 HK\$'000
0 - 30 days	36,600	49,348
31 - 60 days	26,177	35,269
61 - 90 days	15,722	29,390
Over 90 days	237,920	159,429
Total	316,419	273,436

The Group has a defined credit policy. The general credit term is 30-60 days. The trade debtors with ageing over 61 days comprise amounts due from China Motion Telecom Holdings Limited ("CMTH") and its subsidiaries, all are related parties of the Group, totalling HK\$243,441,000 (2001: HK\$176,398,000). The information in respect of the total outstanding trade receivables due from such related parties as at year end has been disclosed in note 32(b).

(b) As at 31 March 2002, the amounts due from associated companies are unsecured, interest-free and have no fixed terms of repayment.

(c) As at 31 March 2002, the amounts due from related companies are unsecured, interest-free and have no fixed terms of repayment.

19 MARKETABLE SECURITIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Equity securities, listed in Hong Kong at market value	1,107	2,940

Notes to the Accounts

20 BANK AND CASH BALANCES – GROUP

- (a) Included in bank and cash balances of the Group is HK\$70,511,000 (2001: HK\$61,217,000) which represents bank balances denominated in Renminbi placed with banks in the PRC. Renminbi is not a freely convertible currency.
- (b) Included in bank and cash balances of the Group are fixed deposits with financial institutions amounting to HK\$35,327,000 (2001: HK\$125,811,000). The weighted average effective interest rate on fixed deposits for the year ended 31 March 2002 was 2% (2001: 4.37%).

21 TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Trade					
Bills payable		1,999	341	–	–
Trade payables	21(a)	59,943	65,022	–	–
Advance subscription fees received		14,969	25,389	–	–
Non-trade					
Due to:					
Subsidiaries		–	–	–	113,001
Associated companies	21(b)	7,859	65,563	–	–
An investee company		5,272	–	–	–
Directors		97	555	–	–
Other payables and accrued liabilities	32(d)	90,161	127,564	962	1,805
		180,300	284,434	962	114,806

Notes to the Accounts

21 TRADE AND OTHER PAYABLES (continued)

(a) Trade payables

The ageing analysis of trade payables as at 31 March 2002 is as follows:

	2002 HK\$'000	2001 HK\$'000
0 - 30 days	24,795	14,775
31 - 60 days	8,506	5,453
61 - 90 days	6,431	512
Over 90 days	20,211	44,282
	<hr/>	<hr/>
Total	59,943	65,022

(b) As at 31 March 2002, amounts due to associated companies are unsecured, interest-free and have no fixed terms of repayment. The balance mainly represents rental fee on telecommunications equipment payable to an associated company.

22 BORROWINGS

		Group	
	Note	2002 HK\$'000	2001 HK\$'000
Non-current			
Bank loans – secured	23	96,476	116,948
Obligations under finance leases	24	138	391
		<hr/>	<hr/>
		96,614	117,339
Current			
Trust receipt loans – secured		–	2,893
Bank loans – secured	23	30,335	22,604
Obligations under finance leases	24	208	1,773
		<hr/>	<hr/>
		30,543	27,270
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total borrowings		127,157	144,609

23 BANK LOANS – SECURED

	Group	
	2002	2001
	HK\$'000	HK\$'000
Secured bank loans are repayable:		
– within one year (included in current liabilities)	30,335	22,604
– between one and two years	19,578	19,022
– between two and five years	34,746	44,255
– over five years	42,152	53,671
	96,476	116,948
	126,811	139,552

The bank loans are secured by the Group's investment properties, leasehold land and buildings and certain bank deposits, and are repayable by monthly instalment. The maturity date for the last instalment is August 2013. The weighted average effective interest rate for the year ended 31 March 2002 was 5.08% per annum (2001: 8.79% per annum) and the interest rate exposure of the bank loans of the Group was as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
At floating rates		
– Hong Kong dollar denominated loans	123,249	135,545
– US dollar denominated loans	3,562	4,007
	126,811	139,552
	126,811	139,552

Notes to the Accounts

24 OBLIGATIONS UNDER FINANCE LEASES

As at 31 March 2002, the Group's finance lease liabilities were repayable as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Within one year	257	1,975
In the second year	172	314
In the third to the fifth year	-	172
	<hr/>	<hr/>
Future finance charges on finance leases	429	2,461
	(83)	(297)
	<hr/>	<hr/>
Present value of finance lease liabilities	346	2,164
	<hr/>	<hr/>

The present value of finance lease liabilities is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Within one year (included in current liabilities)	208	1,773
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
In the second year	138	253
In the third to the fifth year	-	138
	<hr/>	<hr/>
	138	391
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
	346	2,164
	<hr/>	<hr/>

25 SHARE CAPITAL

	Company			
	2002		2001	
	HK\$'000		HK\$'000	
Authorised:				
1,040,000,000 ordinary shares of HK\$0.75 each	780,000		780,000	
	2002		2001	
	Number of shares	Issued and fully paid HK\$'000	Number of shares	Issued and fully paid HK\$'000
Ordinary shares of HK\$0.75 each				
At 1 April	525,475,573	394,107	375,330,459	281,498
Issue of shares				
– placement	–	–	45,000,000	33,750
– rights issue	–	–	105,095,114	78,821
– share option scheme (note (a))	–	–	50,000	38
At 31 March	525,475,573	394,107	525,475,573	394,107

25 SHARE CAPITAL (continued)

(a) Share option scheme

Pursuant to an ordinary resolution passed on 18 March 1998 and subsequently modified pursuant to ordinary resolutions passed on 19 February 2000 and 2 February 2001, a share option scheme known as “China Motion Employees’ Share Option Scheme” (the “Scheme”) was adopted. A committee comprising directors of the Company who were duly appointed by the board of directors is authorised to grant options to eligible employees including executive directors of the Company to subscribe for shares not exceeding 10% of the issued share capital of the Company.

The movements of share options under the Scheme during the year were as follows:

Date of grant	Exercise price HK\$	Balance outstanding as at 1 April 2001	Options granted during the year	Options exercised during the year	Options lapsed during the year	Balance outstanding as at 31 March 2002
29 June 1998	0.751	587,059	–	–	(102,993)	484,066
19 August 1999	2.00	1,879,620	–	–	(406,822)	1,472,798
25 February 2000	3.19	1,091,725	–	–	–	1,091,725
17 October 2000	1.22	4,127,441	–	–	(599,936)	3,527,505
20 March 2001	0.75	33,600,000	–	–	(7,400,000)	26,200,000
28 January 2002	0.75	–	1,850,000	–	–	1,850,000
		41,285,845	1,850,000	–	(8,509,751)	34,626,094

The aforesaid share options are exercisable at any time after the date of grant and before the tenth anniversary of the date of grant. Exercise in full of all outstanding share options would result in the issue of an additional 34,626,094 ordinary shares with estimated proceeds of HK\$32,133,000.

(b) Warrants

On 1 April 2000, 55,804,270 units of unlisted warrants were issued to certain third parties as part of the consideration for the acquisition of additional interests in CM Mobile Telecom Holdings Limited, a wholly-owned subsidiary of the Company. The warrants confer the holders the right to subscribe for 55,804,270 new fully paid shares in the Company at an initial subscription price of HK\$2.184 per share at any time from 1 April 2000 and subsequently adjusted to HK\$2.12 per share on 23 January 2001 up to and including 31 March 2004. Exercise in full of all outstanding warrants would result in the issue of an additional 55,804,270 shares with estimated proceeds of HK\$118,305,000. No warrants were exercised during the year.

Notes to the Accounts

26 NON-DISTRIBUTABLE CAPITAL RESERVES

	Group											
	2002					2001						
	Share premium	Reserves on consolidation	Exchange reserve	Capital redemption reserve	Enterprise expansion reserve	Total	Share premium	Reserves on consolidation	Exchange reserve	Capital redemption reserve	Enterprise expansion reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April	455,573	4,900	1,697	450	54,439	517,059	264,726	4,900	1,343	450	40,748	312,167
Transfer from retained profits	-	-	-	-	13,892	13,892	-	-	-	-	13,691	13,691
Issue of shares, net of expenses	-	-	-	-	-	-	190,847	-	-	-	-	190,847
Exchange differences arising from investments in PRC subsidiaries	-	-	-	-	-	-	-	-	354	-	-	354
At 31 March	455,573	4,900	1,697	450	68,331	530,951	455,573	4,900	1,697	450	54,439	517,059

	Company					
	2002			2001		
	Share premium	Capital redemption reserve	Total	Share premium	Capital redemption reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April	455,573	450	456,023	264,726	450	265,176
Issue of shares, net of expenses	-	-	-	190,847	-	190,847
At 31 March	455,573	450	456,023	455,573	450	456,023

Enterprise expansion reserve represents a PRC statutory reserve set up by the operating subsidiaries in the PRC. Upon approval of the relevant PRC authorities, the enterprise expansion reserve may be used for increasing the registered capital.

27 CONTRIBUTED SURPLUS

	Company	
	2002	2001
	HK\$'000	HK\$'000
Brought forward and carried forward	52,854	52,854

The contributed surplus of the Company, which arose from a corporate reorganisation in March 1995 represents the difference between the nominal value of the Company's shares issued in exchange for the issued ordinary shares of China Motion Holdings Limited and the value of net assets of the underlying subsidiaries acquired as at 31 March 1995. Under the Companies Act 1981 of Bermuda (as amended), a company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account. On 6 September 1996, HK\$9,344,832 was transferred to share capital upon a special bonus issue. At Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

28 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before taxation to cash outflow from operating activities:

	Note	2002 HK\$'000	2001 HK\$'000
Loss before taxation		(115,052)	(221,916)
Depreciation of owned fixed assets		31,156	43,404
Depreciation of fixed assets held under finance leases		470	2,412
Impairment loss on fixed assets		176,922	195,266
Amortisation of goodwill		9,052	16,014
Write-off of goodwill		-	40,968
Deficit on revaluation of investment properties		13,842	2,910
Share of profits before taxation of associated companies		(216)	(6,778)
Net (gain)/loss on disposal of fixed assets		(33,999)	651
Gain on dilution of interests in subsidiaries		-	(2,666)
Loss on disposal of subsidiaries	28 (c)	26,328	-
Loss on disposal of other investment		-	150
Loss on disposal of associated companies		-	2,378
Interest paid		7,321	14,934
Interest element of finance leases		194	442
Interest received		(1,834)	(6,556)
Dividend received from listed investments		-	(73)
Changes in working capital			
(Increase)/decrease in inventories		(1,185)	30,085
Increase in trade receivables, other receivables including amounts due from associated companies, related companies, an investee company, diminution in value and loss on disposal of marketable securities		(60,004)	(127,641)
Decrease in trade payables, other payables and accrued liabilities, bills payable, advance subscription fees received including amounts due to associated companies		(103,283)	(19,149)
Cash outflow from operating activities		(50,288)	(35,165)

Notes to the Accounts

28 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year

	Share capital		Minority interests		Loans and obligations under finance leases	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April	394,107	281,498	57,506	72,447	141,716	174,027
Dilution of interest in subsidiaries	-	-	-	3,914	-	-
Issue of new shares	-	112,609	-	-	-	-
Share of profits/(losses) by minority shareholders	-	-	1,741	(28,333)	-	-
Cash outflow from financing	-	-	-	-	(14,559)	(32,311)
Capital contribution from minority shareholders	-	-	773	9,360	-	-
Disposal of subsidiaries (28(c))	-	-	727	-	-	-
Dividends paid to minority shareholders (note 28(d)(ii))	-	-	(11,683)	-	-	-
Acquisition of subsidiaries	-	-	-	118	-	-
At 31 March	394,107	394,107	49,064	57,506	127,157	141,716

28 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Disposal of subsidiaries

	2002 HK\$'000
Net assets disposed of:	
Fixed assets	13,761
Trade and other receivables	26,630
Cash and bank balances	1,061
Other payables and accruals	(851)
Minority interests	727
	<hr/>
	41,328
Loss on disposal	<u>(26,328)</u>
Satisfied by cash	<hr/> <u>15,000</u>
Net inflow of cash and cash equivalents	<hr/> <u>13,939</u>

(d) Major non-cash transactions

- (i) Pursuant to the VoIP Services Agreement entered into between Shenzhen Motion Mobile Telecom Services Co. Ltd. ("SMMT"), a 90% owned subsidiary of the Group, and CM Netcom, a wholly-owned subsidiary of CMTH, SMMT has agreed to provide CAPEX funding to CM Netcom for developing CM Netcom's VoIP long distance call services business. CAPEX funding provided to CM Netcom by the Group during the year amounted to HK\$80,159,000. Within all, HK\$24,299,000 was provided to CM Netcom by cash and the remaining balance of HK\$55,860,000 was provided through current account with CMTH.
- (ii) During the year, SMMT had declared dividend amounted to HK\$116,830,000. Among all, HK\$11,683,000 was paid to CMTH, a minority shareholder of SMMT. The amount was settled through a current account with CMTH.

Notes to the Accounts

29 CASH AND CASH EQUIVALENTS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Bank and cash balances	111,804	202,401
Trust receipt loans	-	(2,893)
	111,804	199,508

30 CONTINGENT LIABILITIES

As at 31 March 2002, the Group and the Company had contingent liabilities not provided for in the accounts as follows:

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees in respect of banking facilities of subsidiaries	-	-	275,131	275,131
Guarantees to suppliers in respect of purchase of telecommunications equipment	-	20,108	-	20,108
Guarantees given to third parties against non-performance of contractual obligations by subsidiaries	35,474	28,700	31,474	25,700

31 COMMITMENTS

As at 31 March 2002, the Group had the following commitments:

(a) Operating lease commitments

(i) The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
In respect of land and buildings, including transmission sites:		
Within one year	23,014	38,987
Between two and five years	17,237	13,326
More than five years	1,635	2,930
	41,886	55,243
In respect of leased lines:		
Within one year	27,110	49,997
Between two and five years	10,419	50,749
	37,529	100,746

(b) Capital commitments for purchase of fixed assets

	Group	
	2002	2001
	HK\$'000	HK\$'000
Contracted but not provided for	17,354	5,691
Authorised but not contracted for	36,955	69,005
	54,309	74,696

32 RELATED PARTY TRANSACTIONS

- (a) In addition to that disclosed in note 16(a), the Group had the following transactions with related parties, including minority shareholders of subsidiaries which were carried out in the normal course of business and on terms arranged by or between the parties during the year:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Income/(expenses)		
Rental payable to a related party (note (i))	(316)	(1,546)
 Significant transactions with associated companies		
Wanbao Telecom (H.K.) Company, Limited		
Purchase of ISP business	-	(7,183)
Purchase of fixed assets	-	(2,817)
Network service fee	-	(622)
Goodfine Holdings Limited		
Network service fee	-	(2,220)
 Significant transactions with minority shareholders of subsidiaries		
CMTH		
Sale of microwave telecommunications equipment	61,495	-
Net sales of pagers and telecommunications equipment	619	11,239
Maintenance service income	14,332	35,307
Leasing income	9,342	26,579
Airtime income	2,640	2,640
Commission income	-	727
Recharge of paging service expenses, operator's cost and dataline rental	(6,902)	(33,714)
Dataline expenses	(1,101)	(1,121)
Shenzhen China Motion Telecom United Company ("SCMTU")		
Sales of telecommunications equipment	5,073	5,073

32 RELATED PARTY TRANSACTIONS (continued)

	Group	
	2002	2001
	HK\$'000	HK\$'000
CM Netcom		
Provision of technical consultancy and maintenance services	131,070	184,261
First Active		
Disposal of subsidiaries	15,000	–

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 utilised by the aforesaid director.
- (b) As at 31 March 2002, outstanding trade receivables due from minority shareholders of subsidiaries are as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
CMTH	32,401	50,063
CM Netcom	166,721	100,933
SCMTU	68,756	65,469
	267,878	216,465

Notes to the Accounts

32 RELATED PARTY TRANSACTIONS (continued)

(c) As at 31 March 2002, outstanding non-trade receivables due from minority shareholders of subsidiaries are as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
CMTH	-	21,540
SCMTU	-	12,692
China Motion Internet Services Limited	-	3,768
Sheen Line Investments Limited	-	9,750
Red Flag Finance Limited	-	5,850
Brilliant Eagle Group Limited	-	1,950
Portishead Holdings Limited	-	780
Double Happy Limited	-	585
Money Concept Investment Limited	-	3,315
		<hr/>
	-	60,230

(d) As at 31 March 2002, outstanding non-trade payables included payables to minority shareholders of subsidiaries are as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
CMTH	-	2,921
Guangdong Mobile Communication Company Limited	827	827
SCMTU	-	1,160
CM Netcom	-	13,185
		<hr/>
	827	18,093

33 ULTIMATE HOLDING COMPANY

The Company is a subsidiary of Goldtop Holdings Limited, a company incorporated in the British Virgin Islands, which is also regarded by the directors as being the ultimate holding company.

34 POST BALANCE SHEET EVENTS

On 28 May 2002, a sale and purchase agreement (the “Agreement”) was entered into between China Motion Telecom (HK) Limited, a wholly-owned subsidiary of the Group, and Telecom Digital Data Limited (the “Purchaser”). Under which, the Group would dispose of its business of operating paging networks and providing paging services in Hong Kong presently carried on by the Group and, where the context permits, shall include the Business Assets (the “Business”) to the Purchaser.

Under the term of the Agreement, the Business shall include the licences, the equipment and other benefits of the subscriber contracts, sites contracts and the Agreement.

The consideration for the disposal of the Business would be equal to the total gross revenues (and pro rata where necessary) of the Business that are actually received by the Purchaser from the subscribers for the paging services provided to the subscribers for the months of June, August and October 2002.

35 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 22 July 2002.

36 PRINCIPAL SUBSIDIARIES

The principal subsidiaries as at 31 March 2002 are as follows:

Name	Country/ place of establishment/ operation	Particulars of issued share capital/ registered capital	Percentage of effective equity held*	Principal activities
Best Class International Limited	Hong Kong	2 ordinary shares of HK\$1.00 each	100%	Property holding
China Motion Data System Limited	Hong Kong	2 ordinary shares of HK\$1.00 each	100%	Property holding
China Motion Holdings Limited	British Virgin Islands	100 ordinary shares of US\$1.00 each	100%	Investment holding
ChinaMotion NetCom (Asia) Limited	Hong Kong	2 ordinary shares of HK\$1.00 each	100%	Provision of long distance call services

Notes to the Accounts

36 PRINCIPAL SUBSIDIARIES (continued)

Name	Country/ place of establishment/ operation	Particulars of issued share capital/ registered capital	Percentage of effective equity held*	Principal activities
ChinaMotion NetCom (Canada) Ltd.	Canada	1 ordinary share of C\$1.00 each	100%	Provision of long distance call services
China Motion Properties Limited	Hong Kong	2 ordinary shares of HK\$1.00 each	100%	Property holding
China Motion Telecom (HK) Limited	Hong Kong	1 million ordinary shares of HK\$1.00 each	100%	Trading of pagers and the provision of paging services
China Motion United Telecom Limited	Hong Kong	66.8 million ordinary shares of HK\$1.00 each	70%	Investment holding and provision of roaming trunked radio services
CM Concept Holdings (China) Limited	Hong Kong	100 ordinary shares of HK\$1.00 each and 500 non-voting deferred shares of HK\$10,000.00 each	100%	Investment holding and trading of telecommunication products and equipment
CM Concept (HK) Limited	Hong Kong	2 ordinary shares of HK\$1.00 each	100%	Retail business
CM Tel (HK) Limited	Hong Kong	2 ordinary shares of HK\$1.00 each	100%	Provision of long distance call services
CM Tel (USA) LLC	United States	US\$10,000	100%	Provision of long distance call services
Eagle Heights Limited	British Virgin Islands	1 ordinary share of US\$1.00 each	100%	Provision of long distance call services

Notes to the Accounts

36 PRINCIPAL SUBSIDIARIES (continued)

Name	Country/ place of establishment/ operation	Particulars of issued share capital/ registered capital	Percentage of effective equity held*	Principal activities
Express Lane Investment Limited	Hong Kong	2 ordinary shares of HK\$1.00 each	100%	Property holding
Guangzhou Motion Telecom Service Co., Ltd.	People's Republic of China	HK\$2,660,000	70%	Maintenance services and provision of telecom related services
Jackie Industries Limited	Hong Kong	2 ordinary shares of HK\$1.00 each	100%	Property holding
Prime Target International Limited	British Virgin Islands	1 ordinary share of US\$1.00 each	100%	Provision of roaming paging services
Sheen Metro Investment Limited	Hong Kong	2 ordinary shares of HK\$1.00 each	100%	Property holding
Sheen Sino Investment Limited	Hong Kong	2 ordinary shares of HK\$1.00 each	100%	Property holding
Shenzhen Motion Mobile Telecom Services Co., Ltd.	People's Republic of China	US\$12,000,000	90%	Provision of GSM-related services to telecom operators in the PRC
Shenzhen Motion Telecom Service Co., Ltd.	People's Republic of China	RMB25,000,000	70%	Leasing and maintenance for wireless telecommunication equipment and networks
Shenzhen Motion Trunked Radio Co., Ltd.	People's Republic of China	Paid-up capital US\$5,000,000 Registered capital US\$9,000,000	49%	Provision of telecommunication equipment leasing

Notes to the Accounts

36 PRINCIPAL SUBSIDIARIES (continued)

Name	Country/ place of establishment/ operation	Particulars of issued share capital/ registered capital	Percentage of effective equity held*	Principal activities
Townlink Limited	Hong Kong	2 million ordinary shares of HK\$1.00 each	70%	Provision of telecommunication services and the sale of mobile transceivers and related accessories
World Sheen Properties Limited	Hong Kong	2 ordinary shares of HK\$1.00 each	100%	Property holding

* All interests are held indirectly by the Company except for China Motion Holdings Limited which is directly owned by the Company.

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

37 PRINCIPAL ASSOCIATED COMPANIES

The principal associated companies as at 31 March 2002 are as follows:

Name	Country/ place of establishment/ operation	Particulars of issued shares held	Percentage of effective equity interest indirectly held	Principal activities
CM Mobile Investment Limited	British Virgin Islands	Ordinary shares US\$1.00 each	38%	Investment holding
Thinker Communications Technology (HK) Co., Limited	Hong Kong	Ordinary shares HK\$1.00 each	48%	Agency services
T-Tel Communications Technology (HK) Co., Limited	Hong Kong	Ordinary shares HK\$1.00 each	48%	Agency services
Wanbao Telecom Investment Limited	Hong Kong	Ordinary shares HK\$1.00 each	48%	Trading of telecommunication equipment and provision of paging network services

The above table includes the associated companies of the Group which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other associated companies would, in the opinion of the directors, result in particulars of excessive length.