



Interim Report

For The Six Months Ended 30.9.2002



潤迅通信國際有限公司

China Motion Telecom International Limited

(Incorporated in Bermuda with limited liability)

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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 accounts of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2002. The Group’s consolidated profit and loss account, statement of changes in equity and consolidated cash flow statement for the six months ended 30 September 2002, and the consolidated balance sheet of the Group as at 30 September 2002, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 1 to 16 of this report.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2002

		Unaudited Six months ended 30 September	
	Note	2002 HK\$'000	2001 HK\$'000
Turnover	2	353,658	378,743
Cost of sales		(239,459)	(204,611)
Gross profit		114,199	174,132
Other revenues		20,165	11,977
Distribution expenses		(3,682)	(9,188)
Administrative expenses		(115,412)	(138,310)
Revaluation deficit and provision for impairment of fixed assets and investment properties		–	(188,632)
Operating profit/(loss)	3	15,270	(150,021)
Finance costs		(2,771)	(4,746)
Share of profits before taxation of associated companies		853	208
Profit/(loss) before taxation		13,352	(154,559)
Taxation	5	(6,120)	(8,333)
Profit/(loss) after taxation		7,232	(162,892)
Minority interests		(2,093)	12,559
Profit/(loss) attributable to shareholders		5,139	(150,333)
Dividends	6	–	–
Earnings/(loss) per share	7		
– Basic		HK0.98 cents	HK(28.61) cents
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2002 and 31 March 2002

		Unaudited 30 September 2002 HK\$'000	Audited 31 March 2002 HK\$'000
	Note		
Goodwill	8	5,771	10,298
Fixed assets	9	286,184	264,232
Investment in associated companies		28,297	2,444
Other long-term investments		306,645	346,832
Current assets			
Inventories		6,858	8,248
Receivables and prepayments	10	429,593	357,898
Marketable securities		543	1,107
Pledged bank deposits		8,923	6,355
Bank and cash balances		117,544	111,804
		563,461	485,412
Current liabilities			
Trade and other payables	11	217,005	180,300
Taxation payables		7,843	7,360
Borrowings and overdrafts	12	67,903	30,543
		292,751	218,203
Net current assets		270,710	267,209
Total assets less current liabilities		897,607	891,015
Financed by:			
Share capital		394,107	394,107
Non-distributable capital reserves		530,951	530,951
Accumulated losses		(174,928)	(180,067)
Shareholders' funds		750,130	744,991
Minority interests		50,981	49,064
Non-current liabilities			
Borrowings	12	91,982	96,614
Trade payable	14	4,168	-
Deferred taxation		346	346
		96,496	96,960
		897,607	891,015

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2002

	Share capital <i>HK\$'000</i>	Unaudited Non- distributable capital reserves <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 2002	394,107	530,951	(180,067)	744,991
Profit for the period	-	-	5,139	5,139
Balance at 30 September 2002	394,107	530,951	(174,928)	750,130
Balance at 1 April 2001	394,107	517,059	(35,212)	875,954
Loss for the period	-	-	(150,333)	(150,333)
Balance at 30 September 2001	394,107	517,059	(185,545)	725,621

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2002

	Unaudited	
	Six months ended	
	30 September	
	2002	2001
	HK\$'000	HK\$'000
Cash outflow from operating activities	(10,806)	(87,783)
Cash flows from investing activities		
Loan to an associated company	(25,000)	–
Receipt from repayment of other long-term investments	40,187	–
Purchase of fixed assets	(20,449)	(16,616)
Net proceeds from disposal of discontinued operation	1,150	–
Proceeds from disposal of fixed assets	56	815
Increase in pledged bank deposits	(2,568)	–
Net cash outflow from investing activities	(6,624)	(15,801)
Cash flows from financing activities		
Draw-down of revolving loan	28,000	–
Repayment of bank loans	(13,403)	(10,657)
Repayment of capital element of finance leases	(864)	(646)
Net cash inflow/(outflow) from financing activities	13,733	(11,303)
Net decrease in cash and cash equivalents	(3,697)	(114,887)
Cash and cash equivalents at the beginning of period	111,804	199,508
Cash and cash equivalents at the end of period	108,107	84,621
Analysis of balances of cash and cash equivalents:		
Bank and cash balances	117,544	84,621
Bank overdrafts	(9,437)	–
	108,107	84,621

NOTES TO CONDENSED ACCOUNTS

1 Basis of preparation and accounting policies

These unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

These condensed accounts should be read in conjunction with the 2002 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31 March 2002 except that the Group has adopted the new SSAP 33 "Discontinuing Operations" and SSAP 34 "Employee Benefits" which became effective on 1 January 2002. The adoption of these new SSAPs has no material effect on the Group's results.

2 Segmental information

The Group is principally engaged in telecommunications networks, mobile related services and distribution and retail chain.

An analysis of the Group's revenue and results for the period by business and geographical segments is as follows:

(a) Primary reporting format – business segments

(Unaudited)

	Six months ended 30 September 2002						Group HK\$'000
	Telecom- networks HK\$'000	Mobile related services HK\$'000	Distribution and retail chain HK\$'000	Other operations HK\$'000	Discontinued operations HK\$'000	Unallocated items HK\$'000	
Turnover	209,926	49,820	73,183	56	20,673	-	353,658
Segmental profit/(loss)	10,295	17,246	(4,195)	114	28,890	(37,527)	14,823
Net finance costs							(2,324)
Share of profits before taxation of associated companies							853
Profit before taxation							13,352
Taxation							(6,120)
Profit after taxation							7,232
Minority interests							(2,093)
Profit attributable to shareholders							5,139

2 Segmental information (continued)

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

(Unaudited)

	Six months ended 30 September 2001						Group HK\$'000
	Telecom- munications networks HK\$'000	Mobile related services HK\$'000	Distribution and retail chain HK\$'000	Other operations HK\$'000	Discontinued operations HK\$'000	Unallocated items HK\$'000	
Turnover	118,866	71,514	98,083	9,409	80,871	-	378,743
Segmental profit/(loss)	(13,685)	49,151	9,731	(43,726)	952	(153,870)	(151,447)
Net finance costs							(3,320)
Share of profits before taxation of associated companies							208
Loss before taxation							(154,559)
Taxation							(8,333)
Loss after taxation							(162,892)
Minority interests							12,559
Loss attributable to shareholders							(150,333)

(b) Secondary reporting format – geographical segments

(Unaudited)

	Six months ended 30 September			
	Turnover		Segmental profit/(loss)	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
People's Republic of China ("PRC")	61,226	153,340	29,319	18,014
Hong Kong	227,670	220,665	22,411	(16,319)
Canada and USA	64,762	4,738	620	728
	353,658	378,743	52,350	2,423
Unallocated items	-	-	(37,527)	(153,870)
	353,658	378,743	14,823	(151,447)

3 Operating profit/(loss)

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

	Six months ended	
	30 September	
	2002	2001
	HK\$'000	HK\$'000
Crediting		
Dividend income from listed securities	5	–
Gain on disposal of discontinued operation	15,902	–
	<hr/>	
Charging		
Depreciation of fixed assets	14,603	19,859
Amortization of goodwill	4,527	4,525
Cost of inventories sold	50,239	48,892
Provision for doubtful debts	749	–
Provision for slow moving inventories	1,108	–
Impairment of fixed assets		
– continuing operations	–	184,016
– discontinued operation	–	4,616
	<hr/>	

4 Staff costs

	Six months ended	
	30 September	
	2002	2001
	HK\$'000	HK\$'000
Wages and salaries	52,475	75,920
Termination benefits	4,928	2,080
Pension costs – defined contribution benefits	3,519	4,689
	<hr/>	
	60,922	82,689
	<hr/>	

5 Taxation

No provision for Hong Kong profits tax has been made as there is no estimated assessable profit for the period (2001: 16%). PRC taxation represents income tax payable by the Group's subsidiaries operating in the PRC at the applicable rates ranging from 15% to 33%. Overseas taxation has been provided for at the applicable rate on the estimated assessable profit for the period.

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

	Six months ended	
	30 September	
	2002	2001
	HK\$'000	HK\$'000
Current taxation:		
Hong Kong profits tax	-	224
PRC taxation	4,778	8,109
Overseas taxation	3,311	-
Over provision in prior years	(1,969)	-
	6,120	8,333

6 Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2002 (2001: Nil).

7 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to shareholders of HK\$5,139,000 (2001: loss of HK\$150,333,000) and the weighted average of 525,475,573 ordinary shares in issue during the period.

Diluted earnings/(loss) per share for the period ended 30 September 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 earnings/(loss) per share.

8 Goodwill

	Six months ended 30 September 2002 HK\$'000
Opening net book amount	10,298
Amortization	(4,527)
	<hr/>
Closing net book amount	5,771

9 Fixed assets

	Six months ended 30 September 2002 HK\$'000
Opening net book amount	264,232
Additions	37,649
Disposals	(1,094)
Depreciation	(14,603)
	<hr/>
Closing net book amount	286,184

10 Receivables and prepayments

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

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
0 – 30 days	48,900	36,600
31 – 60 days	34,349	26,177
61 – 90 days	24,554	15,722
Over 91 days	290,853	237,920
	<hr/>	
Total	398,656	316,419

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.

11 Trade and other payables

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

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
0 – 30 days	29,128	24,795
31 – 60 days	26,022	8,506
61 – 90 days	19,359	6,431
Over 91 days	34,781	20,211
	<hr/>	<hr/>
Total	109,290	59,943

12 Borrowings and overdrafts

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
	<i>Note</i>	
Non-current		
Bank loans – secured	86,516	96,476
Obligations under finance leases	13 5,466	138
	<hr/>	<hr/>
	91,982	96,614
	- - - - -	- - - - -
Current		
Bank overdrafts – secured	9,437	–
Bank loans – secured	54,892	30,335
Obligations under finance leases	13 3,574	208
	<hr/>	<hr/>
	67,903	30,543
	- - - - -	- - - - -
Total	159,885	127,157

12 Borrowings and overdrafts (continued)

The movement in the borrowings and overdrafts can be analysed as follows:

	Six months ended 30 September 2002 HK\$'000
Opening balance	127,157
Additions	46,995
Repayments	(14,267)
	<hr/>
Closing balance	<u>159,885</u>

At 30 September 2002, the Group's borrowings and overdrafts (excluding finance lease liabilities) were repayable as follows:

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Within one year	64,329	30,335
In the second year	18,238	19,578
In the third to fifth year	30,145	34,746
After the fifth year	38,133	42,152
	<hr/>	
	<u>150,845</u>	<u>126,811</u>

13 Obligations under finance leases

As at 30 September 2002, the Group's finance lease liabilities were repayable as follows:

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Within one year	3,614	257
In the second year	3,401	172
In the third to fifth year	2,518	–
	<hr/>	<hr/>
	9,533	429
Future finance charges on finance leases	(493)	(83)
	<hr/>	<hr/>
Present value of finance lease liabilities	9,040	346
	<hr/>	<hr/>

The present value of finance lease liabilities is as follows:

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Within one year (included in current liabilities)	3,574	208
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
In the second year	3,256	138
In the third to fifth year	2,210	–
	<hr/>	<hr/>
	5,466	138
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
	9,040	346
	<hr/>	<hr/>

14 Non-current trade payable

The amount is non-interest bearing, unsecured and not repayable within twelve months from the balance sheet date.

15 Discontinued operation

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 disposed of its business of operating paging networks and providing paging services in Hong Kong and, where the context permits, included the Business Assets (the "Business") to the Purchaser.

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

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.

This operation was sold and discontinued with effect from 1 June 2002. The sales, results, cash flows and net assets of the paging operation were as follows:

	Six months ended	
	30 September	
	2002	2001
	HK\$'000	HK\$'000
Turnover	20,673	76,399
Other revenues	77	1,415
Operating costs	(7,762)	(64,788)
Impairment of fixed assets	-	(4,616)
	12,988	8,410
Operating profit	12,988	8,410
Net finance income	4	92
	12,992	8,502
Profit before taxation	12,992	8,502
Taxation	1,779	(20)
	14,771	8,482
Profit after taxation	14,771	8,482
Cash inflow in respect of:		
Operating activities	2,845	17,995
Investing activities	(106)	(308)
Financing activities	4	101
	2,743	17,788
Total cash inflow	2,743	17,788

15 Discontinued operation (continued)

	31 May 2002 HK\$'000	31 March 2002 HK\$'000
Fixed assets	1,001	4,056
Current assets	942	18,856
Total assets	1,943	22,912
Total liabilities	-	(112,428)
Net assets/(liabilities)	1,943	(89,516)

The gain on disposal to be recognised in the year ending 31 March 2003 is determined as follows:

	HK\$'000
Net assets sold	1,943
Severance payment	2,492
	4,435
Proceeds from sale	(20,337)
Gain on disposal of discontinued operation	(15,902)
Taxation thereon	-
After-tax gain on disposal of discontinued operation	(15,902)

The net cash inflow on sale is determined as follows:

	HK\$'000
Proceeds from sale	20,337
Less: accounts receivable	(9,296)
advance subscription income received	(7,399)
severance payment	(2,492)
Net cash inflow on sale	1,150

16 Contingent liabilities

The Group had contingent liabilities not provided for in the accounts as follows:

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Guarantees given to third parties against non-performance of contractual obligations by subsidiaries	35,874	35,474

17 Commitments

(a) Operating leases commitments

At 30 September 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
In respect of land and buildings, including transmission sites:		
Within one year	14,990	23,014
In the second to fifth year	8,522	17,237
After the fifth year	-	1,635
	23,512	41,886

In respect of leased lines:

Within one year	34,125	27,110
In the second to fifth year	1,146	10,419
	35,271	37,529

(b) Capital commitments for purchase of fixed assets

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Contracted but not provided for	3,540	17,354
Authorised but not contracted for	-	36,955
	3,540	54,309

18 Related party transactions

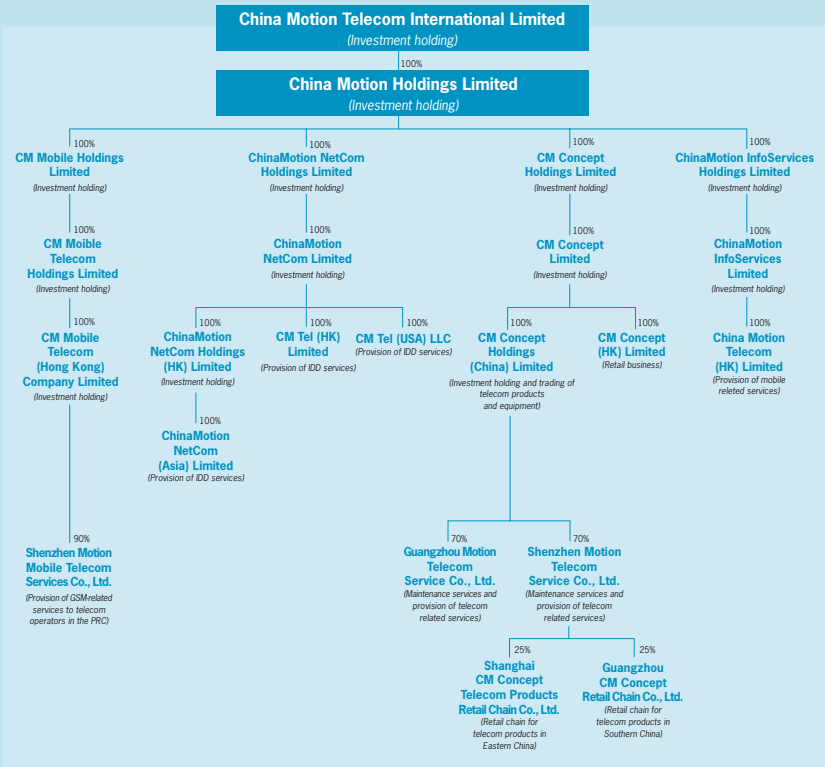
- (a) Significant transactions during the period between the Group and related parties and also including minority shareholders of subsidiaries during the period, which were carried out in the normal course of business and on terms arranged by or between the parties concerned are as follows:

	Six months ended	
	30 September	
	2002	2001
	HK\$'000	HK\$'000
Income/(expense)		
Rental payable to a related party	-	(316)
Significant transactions with associated company		
Goodfine Holdings Limited		
Network service fee	-	(632)
Significant transactions with minority shareholders of subsidiaries		
China Motion Telecom Holdings Limited ("CMTH")		
Net sales of pagers and telecommunications equipment	-	619
Maintenance service income	-	10,004
Leasing income	-	9,066
Airtime income	-	1,320
Recharge of paging service expenses, operators' cost and dataline rental	-	(5,177)
Dataline expenses	-	(561)
Shenzhen China Motion Telecom United Company Limited		
Sales of telecommunications equipment	2,526	2,976
China Motion Netcom Services Co. Ltd.		
Provision of technical consultancy and maintenance services	46,515	71,514
VoIP service fee income	1,142	-

- (b) Included in receivables and prepayments is an amount due from CMTH and its subsidiaries of HK\$294,985,000.

GROUP CHART

The following chart shows the principal subsidiaries and associated companies of the Group and their principal activities:



RESULTS AND OPERATIONS REVIEW

During the period under review, the global economy still suffered from high volatility and poor sentiment. Under such global influences, the outlook of telecom industry, one of the most hard hit sectors, remains pessimistic. The prevailing economic conditions in Hong Kong during the same period was no better, as indicated by poor consumer and investment confidence and continued deflation. In China, however, the economy has proved an exception with positive economic growth in exports and foreign investments, and China is emerging as a new economic power – the “manufacturing powerhouse” of the world. China’s demand for telecom services, domestically and internationally, has increased tremendously in light of these economic changes.

For the six months ended 30 September 2002, despite these adversities and a slight decrease in turnover of 6.6% to HK\$353.7 million when compared to the same period last year, the Group stayed on course with stable development of its core businesses. The Group’s financial results turned around from a loss attributable to shareholders of HK\$150.3 million to a net profit of HK\$5.1 million.

The encouraging improvement was made possible by various business strategies which included the expansion of IDD business especially the in-bound China traffic, the introduction of further value-added services, and consolidation of capital and staff resources. Additionally, the discontinuance of non-profitable businesses and the divestment of paging operations, also helped realign the Group’s operations and resources to focus on developing its core businesses, namely, telecommunications networks, mobile related services, and distribution and retail chain.

Telecommunications Networks

This is predominantly wholesale IDD services which has shown outstanding growth. During the period under review, the segmental turnover increased to HK\$209.9 million, representing an increase of 76.6% when compared to the same period last year.

A 91.0% rise in the turnover of IDD services to HK\$204.4 million was a result of voice traffic volume reaching an average of 106 million minutes per month. The profit contribution also increased from HK\$28.7 million to HK\$37.4 million. The gross margin of IDD services continued to trend downwards due to market conditions. However, growing traffic attracted to the Group’s network as its geographical expansion into new locations, and an expected increase in China-related traffic worldwide will compensate for this pressure on our gross margin. In the near future, the newly activated regions such as Singapore, Taiwan and Vietnam will become revenue contributors. IDD services will be our mainstay of revenue and profit contribution in the foreseeable future.

RESULTS AND OPERATIONS REVIEW (continued)

Mobile Related Services

For the period under review, revenue from Mobile Virtual Network Operator (“MVNO”) business was reflected for the first time since its commencement in August 2002. The overall mobile related service results, which included also the mobile related services in Guangdong, reported a total revenue of HK\$49.8 million, representing a 30.3% decrease when compared with last year. The decrease was caused by ARPU reduction in Guangdong, which was in line with the market trend. New opportunities in mobile businesses are emerging as the Group continues to closely work with its strategic partners in China especially in the southern provinces.

Within the period under review, the MVNO business in Hong Kong was launched for a short duration, hence only a small revenue contribution was recorded. The growth in subscriber base is in line with the Group’s business plan. The Group expects the subscriber base to increase by leveraging on its existing cross-border strength and by providing innovative value-added services.

Distribution and Retail Chain

Revenue from distribution and retail chain operations was HK\$73.2 million, representing a decrease of 25.4%. The decrease in revenue was attributable to poor local retail market caused by a saturated penetration rate of the mobile market and continued economic recession. The Group is currently introducing more varieties of telecom products and value-added services, while consolidating the shops in Hong Kong to improve operating performance. Currently, there are a total of 27 CM Concept stores in Hong Kong.

While the current consumer and retail market sentiment is still poor, the Group anticipates better performance ahead through the introduction of more own brand products and services in the shops and better resource management.

Discontinued Operations

In May 2002, the Group disposed of its paging operations and related assets, as it is anticipated that the paging market and subscriber base will continue to shrink and be cannibalized by the mobile phone and related services. Before disposal, paging operations recorded a revenue of HK\$20.7 million.

The consideration for the disposal was based on the revenue received by the purchaser for the months of June, August and October. The gain arising therefrom has been included under profit before taxation. With the cessation of paging operations, the Group’s resources become more focused on the other core businesses which are anticipated to provide revenue growth and increasing profit contributions.

PROSPECTS

Despite China's formal accession to the World Trade Organization ("WTO") in December 2001, its telecom market will take stages to open. The Group views China's entry into WTO with great enthusiasm and has been seeking investment and co-operation opportunities in China such as the projects in VoIP, mobile and retail businesses. These projects, when they become implemented, will provide synergy with the Group's existing businesses as China's market opens up.

With fair amount of ground work in place, IDD revenue is expected to increase appreciably. In the second half of the financial year, barring unforeseen circumstances, the directors anticipate the operations will be profitable.

FINANCIAL POSITION

The Group has always maintained a stable financial position. The gearing ratio remained at a healthy level of 21% as at 30 September 2002 as compared with 17% as at 31 March 2002.

As at 30 September 2002, the Group had cash balance of HK\$126.5 million and unutilized banking facilities of HK\$24.2 million. The Group is confident in meeting its future capital expenditure and business development requirements.

EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES

The Group has exposure to the fluctuations in Renminbi and United States dollars as certain expenses payable and trade receivables from customers are settled in these currencies respectively.

STAFF AND REMUNERATION POLICIES

As at 30 September 2002, the Group had a total number of 472 full-time staff. Total staff cost incurred for the period amounted to HK\$60.9 million. The Group's remuneration policy has been in line with the prevailing market practice and remunerated its employees based on performance and experience.

In addition to salaries, the Group offers a staff benefits package to its employees, including training allowance, provident fund and medical insurance. The Group also grants share options to certain directors of the Company and employees of the Group.

OTHER DISCLOSURE

Apart from above, other areas which are required to be disclosed under the requirements of paragraph 40 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") either have no material changes from the information disclosed in the annual report of the Company for the year ended 31 March 2002 or are considered not significant to the Group's operations, and hence no additional disclosure has been made in this report.

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

At 30 September 2002, the interests of the directors and chief executive in the shares of the Company or any associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register required to be kept under Section 29 of the SDI Ordinance were as follows:

(a) Ordinary Shares

	Number of ordinary shares held			
	Personal Interests	Family Interests	Corporate Interests	Other Interests
Hau Tung Ying	–	–	270,247,500 (Note)	–
Shui Ming Hua	250,000	–	–	–
Chan Wai Lun	267,000	–	–	–
Hu Tiejun	292,000	–	–	–

Note: The 270,247,500 shares are legally and beneficially owned by Goldtop Holdings Limited ("Goldtop"). Mr. Hau Tung Ying and his wife, Madam Ting Yat Shuk, are both directors of Goldtop in which they hold 30,000 and 20,000 shares respectively, representing 60% and 40% of the entire issued share capital of Goldtop.

(b) Share Options

- (i) In accordance with a share option scheme known as "China Motion Employees' Share Option Scheme" (the "Share Option Scheme") adopted on 18 March 1998, the directors of the Company may at their discretion invite eligible employees of the Group, including executive directors of the Company, to take up options to subscribe for shares in the Company under the terms and conditions stipulated therein. The Share Option Scheme was subsequently terminated by the Company in a special general meeting held on 6 September 2002 but the share options granted and not yet exercised thereunder would however remain effective and are bound by the terms therein.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (continued)

(b) Share Options (continued)

- (ii) On 6 September 2002, the Company adopted a new share option scheme (the "New Share Option Scheme"), pursuant to which the directors may at their discretion grant share options to any employee, director or chief executive, supplier, sales agent, customer, joint venture partner, accountant, legal adviser, business development and technological consultant, substantial shareholders of the Company or of its subsidiaries under the terms and conditions stipulated therein. No share options have ever been granted by the Company under the New Share Option Scheme since adoption.

In accordance with the Share Option Scheme mentioned in (i) above, no share options were granted, exercised or cancelled during the period. Details of the share options granted to the directors or eligible employees under the Share Option Scheme remaining outstanding as at 30 September 2002 were as follows:

Category	Date of grant	Exercise price HK\$	Exercise period	Vesting period	No. of outstanding options at 1 April 2002	No. of options lapsed during the period	No. of outstanding options at 30 September 2002
Directors:							
Hau Tung Ying	20 March 2001	0.75	20/03/02 – 19/03/11	20/03/02 – 20/03/04	2,000,000	–	2,000,000
Shui Ming Hua	25 February 2000	3.19	25/02/01 – 17/03/08	N/A	378,499	–	378,499
	17 October 2000	1.22	17/10/01 – 17/03/08	N/A	432,570	–	432,570
	20 March 2001	0.75	20/03/02 – 19/03/11	20/03/02 – 20/03/04	2,000,000	–	2,000,000
Chan Wai Lun	25 February 2000	3.19	25/02/01 – 17/03/08	N/A	378,499	–	378,499
	17 October 2000	1.22	17/10/01 – 17/03/08	N/A	432,570	–	432,570
	20 March 2001	0.75	20/03/02 – 19/03/11	20/03/02 – 20/03/04	2,000,000	–	2,000,000
Yang Jun	29 June 1998	0.751	29/06/99 – 17/03/08	N/A	257,483	–	257,483
	25 February 2000	3.19	25/02/01 – 17/03/08	N/A	252,333	–	252,333
	17 October 2000	1.22	17/10/01 – 17/03/08	N/A	288,380	–	288,380
	20 March 2001	0.75	20/03/02 – 19/03/11	20/03/02 – 20/03/04	2,000,000	–	2,000,000
Hu Tiejun	19 August 1999	2.00	19/08/00 – 17/03/08	N/A	252,333	–	252,333
	17 October 2000	1.22	17/10/01 – 17/03/08	N/A	288,380	–	288,380
	20 March 2001	0.75	20/03/02 – 19/03/11	20/03/02 – 20/03/04	2,000,000	–	2,000,000
Continuous Contract							
Employees of the Group:							
	29 June 1998	0.751	29/06/99 – 17/03/08	N/A	226,583	–	226,583
	19 August 1999	2.00	19/08/00 – 17/03/08	N/A	1,220,465	(97,844)	1,122,621
	25 February 2000	3.19	25/02/01 – 17/03/08	N/A	82,394	–	82,394
	17 October 2000	1.22	17/10/01 – 17/03/08	N/A	2,085,605	(72,096)	2,013,509
	20 March 2001	0.75	20/03/02 – 19/03/11	20/03/02 – 20/03/04	16,200,000	(1,050,000)	15,150,000
	28 January 2002	0.75	28/01/03 – 27/01/12	28/01/03 – 28/01/05	1,850,000	(350,000)	1,500,000

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (continued)

Save as disclosed above, at no time during the period was the Company or its holding company a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that, as at 30 September 2002, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the issued share capital of the Company.

Name	Number of shares held	% of issued share capital
Goldtop Holdings Limited (Note 1)	270,247,500	51.43
Hau Tung Ying (Note 2)	270,247,500	51.43
Ting Yat Shuk (Note 3)	270,247,500	51.43

- Notes: (1) Goldtop Holdings Limited ("Goldtop") is owned as to 60% by Mr. Hau Tung Ying and 40% by Madam Ting Yat Shuk.
- (2) Mr. Hau Tung Ying is deemed to be interested in the 270,247,500 shares held by Goldtop due to his 60% direct interest in Goldtop.
- (3) Madam Ting Yat Shuk is deemed to be interested in the 270,247,500 shares held by Goldtop due to her 40% direct interest in Goldtop.

Save as disclosed above, as at 30 September 2002, no other person or corporation was recorded in the register kept by the Company pursuant to Section 16(1) of the SDI Ordinance as having an interest of 10% 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 2002, 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 internal controls and financial reporting matters including a review of the unaudited consolidated condensed accounts for the six months ended 30 September 2002.

DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE LISTING RULES

In accordance with the requirement under paragraph 3.2.1 of Practice Note 19 of the Listing Rules, the directors of the Company report the details of advances to China Motion Telecom Holdings Limited ("CMTH") and its subsidiaries as at 30 September 2002 as follows:

	Total HK\$'000
Trade receivables from	
CMTH	32,139
China Motion Netcom Services Co. Ltd.	191,599
Shenzhen China Motion Telecom United Company Limited	71,247
	<hr/>
	294,985
	<hr/>

The advances were trade receivables arising from the Group's normal and ordinary course of business and were unsecured, interest-free with credit term of 30 – 90 days.

By Order of the Board
Hau Tung Ying
Chairman

Hong Kong, 3 December 2002

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

Yung Yung Cheng, Frank*

Ho Chung Tai, Raymond*

Hu Tiejun (Alternate Director to Li Yi Sheng)

* Independent Non-Executive Directors

Head Office and Principal Place of Business

20th Floor, Tower II & III

Enterprise Square

9 Sheung Yuet Road

Kowloon Bay

Hong Kong

Tel: (852) 2209 2888

Fax: (852) 2827 9883

Website: <http://www.chinamotion.com>

Registered Office

Clarendon House

Church Street

Hamilton HM 11

Bermuda

Company Secretary

Kwok Mei Fan

CORPORATE INFORMATION

Principal Bankers

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

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Principal Share Registrar in Bermuda

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong Branch Share Registrar

Abacus Share Registrars Limited
5th Floor, Wing On Centre
111 Connaught Road 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
22nd Floor, Prince's Building
Central
Hong Kong