

**CHINA MOTION TELECOM INTERNATIONAL LTD :
EVER HEAR ABOUT THE BIRD, CALLED A QUACKABUZZADORUCK ?**

It may look like a duck, quack like a duck ... but it ain't no duck – 'cause it's only a quackabuzzadoruck (a bird that cannot fly and is in between a buzzard and a mallard duck).

That, in TARGET's opinion, is the only complete and accurate description to apply to CM Telecom International Ltd, Stock Code 989, Main Board, The Stock Exchange of Hongkong Ltd.

The Annual Report of CM Telecom (now known as China Motion Telecom International Ltd) for the Financial Year, ended March 31, 2000, published on or about August 16, 2000, is a thick-enough review of conditions and of the financial results of the past Year, containing English language and Chinese language sections, both having 101 pages, each.

But, having studied the 2000 Annual Report, a shareholder in this Company, plus any self-respecting financial analyst, has to be left with that sinking feeling, a feeling which is the precursor to the ultimate and inevitable question: *'Is something amiss, here?'*

That something is a lack of profits, a lack of drive, and a clear lack of Management direction.

While the world looks at Third Generation (3-G) mobile telephone networks, CM Telecom talks about paging systems, a network of shops and the like.

While many a publicly listed company, which operates in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), talks of expanding its business in the HKSAR and the Macau Special Administrative Region (MSAR) of the PRC and, then, considers a foray into the PRC, proper, CM Telecom drops a quackabuzzadoruck egg in the HKSAR and limps along in its PRC operations.

Had it not been for injections of hard cash in the last Financial Year, CM Telecom could, today, be in a little bit of trouble.

The Reasoning

For the past Financial Year, CM Telecom turned in a Net Profit Attributable to Shareholders of about \$HK40.02 million.

This would, on the surface, appear to indicate that the Company had achieved a 1,852-percent increase in the Bottom Line, compared with the 1999 Financial Year.

However, close examination of the composition of the 1999 Financial Year's Profits, compared with the 2000 Financial Year's Profits, leaves one with a bit of an acidic taste in one's mouth.

Firstly, the Operating Profit of the Company for the 1999 Year was about \$HK126.74 million, which compared favourably with the Operating Profit for the 2000 Year of just about \$HK120.25 million.

This means that the Operating Profit in the 2000 Year was 5.12 percent less than that which was earned in the 1999 Year.

After taxation, the Net Profit came down to about \$HK55.27 million for the 2000 Financial Year, against a 1999 Net Profit of about \$HK54.76 million, a 0.93-percent improvement, Year-over-Year, with the 2000 Year, seeming to be the better year.

The seeming anomaly in the After-Tax Profit was due to the fact that CM Telecom was able to apply for and, indeed, received a \$HK13.12-million credit, being previous Years' tax overprovision.

Most of the tax credits were from PRC tax assessments.

This is, clearly, indicated on Pages 56 and 57 of the 2000 Annual Report, Note 9 and 9(a).

The Consolidated Profit and Loss Statement, contained at Page 38 of the 2000 Annual Report, shows that the taxation charges for the 2000 Year were about \$HK9.66 million less than that which was charged in the 1999 Year.

In addition, Minority Interests were entitled to about \$HK52.71 million of the 1999 Net Profit, compared with Minority Interests' entitlements of just about \$HK15.25 million for the 2000 Financial.

For subscribers, who may not be accountants or financial analysts, what this all means is that the 10, non-wholly owned subsidiaries of CM Telecom did far better in the 1999 Year than in the 2000 Year and, accordingly, the minority shareholders of those non-wholly owned subsidiaries got their slice of the CM Telecom '*cake*' – which impacted, directly and adversely, on the 1999 Bottom Line of the '*parent*' company.

Conversely, what this must mean, too, is that the wholly owned subsidiaries of CM Telecom did very badly in the 1999 Financial Year; and, things improved, markedly, in the 2000 Financial Year.

That is not the end of the story, by a long shot, however, because the coffers of CM Telecom were boosted in the 2000 Financial Year by about \$HK163.07 million due to 2 cash injections.

And these funds were, also, employed in the businesses of the Company.

The cash injections came from 2 new Share Placements, those share placements, boosting the Issued and Fully Paid-Up Share Capital of the Company by an amount of 40 million shares.

The Placement Shares were executed in 2 tranches, one 20-million-share tranche at the price of \$HK4.35 per share and one 20-million-share tranche at the price of \$HK4.60 per share.

Of the Net Proceeds from these Share Placements of about \$HK163.07 million, \$HK80 million was said to have been used for the development of Internet-related businesses, \$HK34 million for the development of GSM-related businesses (GSM = Global Systems for Mobile Communications) and \$HK49.07 million to boost the General Working Capital Account.

These additional funds, naturally, kept interest expenses down in the 2000 Year to about the same level that were paid out in the 1999 Year: About \$HK58.62 million.

And, naturally, on the other side of the ledger, interest income increased in the 2000 Year to about \$HK11.42 million, up from the 1999 figure of about \$HK9.63 million.

For subscribers to understand, fully, the importance of the \$HK163.07-million cash injection, it represented 18.30 percent of the Turnover of the Group for the 2000 Financial Year.

Lastly, the 2000 Turnover was just about 3.19 percent higher than the 1999 Turnover of \$HK863.90 million.

Adding together the entire aforementioned, one immediately realises that, in terms of operations, this Company did very poorly in the 2000 Financial Year in spite of appearances to the contrary.

Hey! May I Have A Little More, Please ?

While it is apparent that the financial results for the 2000 Year were far worse than the financial results of the 1999 Year, it did not stop the Executive Directors from rewarding themselves, quite handsomely.

According to the 2000 Annual Report, at Page 58, it is stated that the Executive Directors took about \$HK16.37 million, among them ... [CLICK TO ORDER FULL ARTICLE](#)

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