



長遠電信網絡集團有限公司
FORTUNE TELECOM HOLDINGS LIMITED

(於百慕達註冊成立之有限公司) (Incorporated in Bermuda with limited liability)



SECOND QUARTERLY REPORT
2003/2004
第二季業績報告

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This report, for which the directors (the “Directors”) of Fortune Telecom Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”) for the purpose of giving information with regard to Fortune Telecom Holdings Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover for the three months ended 30th September, 2003 was approximately HK\$599 million, representing an increase of 83% as compared with the first quarter and a decrease of approximately 34% as compared with the corresponding period in the previous year.
- The total number of handset sold during the second quarter is 536,000 sets, increased by 91% as compared with 280,000 sets for the first quarter.
- Unaudited profit from operations for the three months ended 30th September, 2003 was approximately HK\$16.4 million, representing an increase of 157% as compared with the first quarter and an increase of approximately 8% as compared with the corresponding period in the previous year.
- The earnings per share was HK4.8 cents for the three months period.
- The Group obtained handset distribution rights in main land China of Nokia's model 3100 and 3300 and Siemens' model M55. These new products have satisfactory profit contribution to the Group's results during September 2003.
- The Group is focusing on development of direct sales channel to retailers to enhance profitability.



RESULTS

The board of directors (the “Board”) of Fortune Telecom Holdings Limited (the “Company”) is pleased to present the second quarterly results and the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”).

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	Three months ended 30th September,		Six months ended 30th September,	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	2	598,879	916,202	926,534	1,683,544
Cost of sales		(573,005)	(885,990)	(885,761)	(1,597,199)
Gross profit		25,874	30,212	40,773	86,345
Other operating income		1,674	951	2,811	2,088
Distribution costs		(2,822)	(3,506)	(6,639)	(12,793)
Administrative expenses		(4,848)	(5,577)	(10,014)	(14,513)
Other operating expenses		(3,510)	(6,880)	(4,188)	(7,175)
Profit from operations	4	16,368	15,200	22,743	53,952
Finance costs		(3,758)	(4,172)	(8,434)	(8,227)
Profit (deficit) on revaluation of an investment property		200	(1,250)	200	(1,250)
Unrealised holding gain (loss) on other investments		3,446	(62)	2,638	(808)
Share of results of associates		-	1	-	(38)
Profit before taxation		16,256	9,717	17,147	43,629
Taxation	5	(1,999)	(3,433)	(2,265)	(9,595)
Profit before minority interests		14,257	6,284	14,882	34,034
Minority interests		361	(143)	682	341
Net profit for the period		14,618	6,141	15,564	34,375
Dividends paid during the period	6	15,105	15,105	15,105	15,105
Earnings per share – basic	7	4.8 cents	2.0 cents	5.2 cents	11.4 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30th September, 2003	As at 31st March, 2003
	<i>Notes</i>	Unaudited HK\$'000	Audited HK\$'000
Non-Current Assets			
Investment property	8	5,700	5,500
Property, plant and equipment	9	1,993	2,026
Goodwill		1,576	1,895
		<hr/>	<hr/>
		9,269	9,421
Current Assets			
Inventories		232,077	334,662
Trade and other receivables	10	210,543	155,752
Other investments		3,752	3,730
Tax recoverable		765	765
Pledged bank deposits		204,381	199,339
Other bank deposits		4,170	25,293
Bank balances and cash		182,230	101,459
		<hr/>	<hr/>
		837,918	821,000
Current Liabilities			
Trade and other payables	11	37,834	32,024
Tax liabilities		2,942	6,323
Bank and other borrowings	12	492,760	342,101
Obligations under finance leases		200	200
		<hr/>	<hr/>
		533,736	380,648
Net Current Assets			
		<hr/>	<hr/>
		304,182	440,352
		<hr/>	<hr/>
		313,451	449,773
		<hr/>	<hr/>
Capital and Reserves			
Share Capital		30,210	30,210
Reserves		274,816	274,357
		<hr/>	<hr/>
		305,026	304,567
Minority Interests			
		8,075	8,756
Non-Current Liabilities			
Bank and other borrowings	12	–	136,000
Obligations under finance leases		350	450
		<hr/>	<hr/>
		350	136,450
		<hr/>	<hr/>
		313,451	449,773
		<hr/>	<hr/>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th September, 2003

	Share capital	Share premium	Special reserve	Goodwill	Translation reserve	PRC statutory funds	Acc- umulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2002	30,210	103,275	2,481	(1,277)	295	1,280	122,438	258,702
Transfer to PRC statutory funds	-	-	-	-	-	7,211	(7,211)	-
Exchange differences arising on translation of the financial statements of operations in the PRC which is not recognised in the income statement	-	-	-	-	53	-	-	53
Profit for the year	-	-	-	-	-	-	60,917	60,917
Dividend paid	-	-	-	-	-	-	(15,105)	(15,105)
At 1st April, 2003	30,210	103,275	2,481	(1,277)	348	8,491	161,039	304,567
Transfer to PRC statutory funds	-	-	-	-	-	10,765	(10,765)	-
Profit for the period	-	-	-	-	-	-	15,564	15,564
Dividend paid	-	-	-	-	-	-	(15,105)	(15,105)
At 30th September, 2003	<u>30,210</u>	<u>103,275</u>	<u>2,481</u>	<u>(1,277)</u>	<u>348</u>	<u>19,256</u>	<u>150,733</u>	<u>305,026</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	For the six months	
	ended 30th September,	
	2003	2002
	HK\$'000	HK\$'000
Net cash generated from (used in)		
operating activities	60,230	(215,233)
Net cash used in investing activities	(23)	(45,024)
Net cash (used in) generated from		
financing activities	(559)	185,657
	<hr/>	<hr/>
Increase (decrease) in cash and		
cash equivalents	59,648	(74,600)
Cash and cash equivalents at beginning		
of the period	126,752	175,571
Effect of foreign exchange rate changes	–	52
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	186,400	101,023
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and		
cash equivalents		
Bank deposits	4,170	6,249
Bank balances and cash	182,230	94,774
	<hr/>	<hr/>
	186,400	101,023
	<hr/> <hr/>	<hr/> <hr/>



Notes:

1. Basis of preparation and accounting policies

The Company was incorporated in Bermuda as an exempted company with limited liability on 22nd October, 1999. The Company is an investment holding company. The principal activities of the subsidiaries are the distribution and trading of mobile phones and related accessories and the development of marketing and after-sales service network.

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules and with the Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual audited consolidated financial statements for the year ended 31st March, 2003.

2. Turnover

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the period. Substantially all of the Group’s turnover and contribution to profit from operations were derived from the distribution and trading of mobile phones in the People’s Republic of China (“PRC”).

3. Segment information

For the six months ended 30th September, 2003 and 30th September, 2002, substantially all of the Group’s turnover and contribution to operating profit were attributable to the activity of mobile phone distribution located in the PRC.

4. Profit from operations

The Group's profit from operations is arrived at after charging:

	Three months ended 30th September, 2003		Six months ended 30th September, 2003	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortization of goodwill	160	72	320	320
Depreciation and amortization	242	280	474	585
And after crediting:				
Interest Income	909	820	1,904	1,614
Gain on disposal of other investment	736	–	736	–

5. Taxation

	Three months ended 30th September, 2003		Six months ended 30th September, 2003	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The charge comprises:				
Hong Kong Profits Tax calculated at 16% of the estimated assessable profits	–	30	–	30
The PRC income tax:				
Current period	2,718	3,403	2,984	9,565
Overprovision in prior year	(719)	–	(719)	–
	1,999	3,433	2,265	9,595

The PRC income tax represents taxation charges on the assessable profits of the Company's wholly owned subsidiaries Fortune (Shanghai) International Trading Co., Ltd. ("Fortune Shanghai") and 上海遠嘉國際貿易有限公司 ("上海遠嘉"), established in the PRC at a rate of 15% for the six months ending 30th September, 2003 (2002: 15%). Pursuant to the Income Tax Law of the PRC, Fortune Shanghai and 上海遠嘉 are subject to PRC income tax at a rate of 33%. However, Fortune Shanghai and 上海遠嘉 are entitled to a preferential PRC income tax rate of 15% which is granted to companies established in Shanghai Waigaoqiao Free Trade Zone.



6. Dividends paid

	Three months ended 30th September, 2003		Six months ended 30th September, 2003	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
2003 final dividend of HK 5 cents per share (2002: 2002 final dividend of HK 5 cents per share)	15,105	15,105	15,105	15,105

A final dividend of HK 5 cents (2002: HK 5 cents) per share have been approved by shareholders in annual general meeting and was paid during the period.

7. Earnings per share

The calculation of the basic earnings per share is based on the profit for the three months and six months ending 30th September, 2003 of HK\$14,618,000 and HK\$15,564,000 respectively (2002: HK\$6,141,000 and HK\$34,375,000 respectively) and on the weighted average number of 302,100,000 shares (2002: 302,100,000 shares) in issue during the period.

8. Investment property

The investment property is held under a long term lease in Hong Kong. It was revalued at 30th September, 2003 by Midland Surveyors Limited, an independent property valuer, on an open market existing use basis.

9. Property, plant and equipment

During the six months ending 30th September, 2003, addition to property, plant and equipment amounts to HK\$441,000 (2002: HK\$413,000)

10. Trade and other receivables

The Group has a policy of allowing a credit period ranged from 30 days to 90 days (as at 31st March, 2003: ranged from 30 days to 90 days) to its trade customers. Included in trade and other receivables are trade receivables of HK\$158,559,000 (as at 31st March, 2003: HK\$104,146,000) and their aged analyses are as follows:

	As at 30th September, 2003 HK\$'000	As at 31st March, 2003 HK\$'000
Trade receivables		
Up to 30 days	150,747	101,596
31 to 90 days	5,514	1,966
More than 90 days	2,298	584
	158,559	104,146
Add: Value-added-tax receivables	16,399	5,646
Rebates receivables	10,891	24,864
Deposits and prepayments	24,694	21,096
	210,543	155,752

11. Trade and other payables

Included in trade and other payables are trade payables of HK\$17,268,000 (at 31st March, 2003: HK\$17,967,000) and their aged analyses are as follows:

	As at 30th September, 2003 HK\$'000	As at 31st March, 2003 HK\$'000
Trade payables:		
Up to 30 days	11,168	15,799
31 to 90 days	5,866	2,107
More than 90 days	234	61
	17,268	17,967
Add: Accrued charges and other payables	20,566	14,057
	37,834	32,024



12. Bank and other borrowings

	As at 30th September, 2003 HK\$'000	As at 31st March, 2003 HK\$'000
Bank and other borrowings comprise:		
Bank loans	488,321	467,547
Trust receipt loans	4,439	10,554
	<u>492,760</u>	<u>478,101</u>
Analysed as		
– secured	275,666	117,158
– unsecured	217,094	360,943
	<u>492,760</u>	<u>478,101</u>
The bank and other borrowings are repayable as follows:		
Within one year or on demand	492,760	342,101
More than one year, but not exceeding two years	–	136,000
	<u>492,760</u>	<u>478,101</u>
Less: Amount due within one year and shown under current liabilities	<u>(492,760)</u>	<u>(342,101)</u>
Amount due after one year	<u>–</u>	<u>136,000</u>

The Group's banking facilities are secured by the followings:

- (a) investment property of the Group; and
- (b) fixed deposits of HK\$204,381,000 (at 31st March, 2003: HK\$199,339,000).

13. Related party transactions

During the period, the Group has not entered into any disclosable related party transaction. Related party transactions entered into during the corresponding period are as follows:

Name of Party	Nature of transactions	Three months ended		Six months ended	
		30th September,		30th September,	
		2003	2002	2003	2002
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guangzhou Fortune Telecom Development Co., Ltd.	Sales of goods by the Group	-	94,213	-	176,245
Harvest Union Investment Limited	Rental expenses paid by the Group	-	120	-	240



INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 30th September, 2003 (2002: Nil).

REVIEW AND OUTLOOK

Financial Review

The Group has successfully obtained various distribution rights for new color display mobile phones during the quarter under review, namely: Nokia's model 3100, 3300 and Siemens' model M55. Such new products have commenced delivery during July and August and the sales of Nokia's model 3100 is encouraging during September in anticipation of the long National Day holidays in China. These new products also contribute higher profit margin than other mature models. The total number of handset sold in July, August and September is 98,000 sets, 142,000 sets and 296,000 sets respectively. The total number of handset sold during the second quarter is 536,000 sets as compared with 280,000 sets during the first quarter. The total number of handset sold during the first six months totalled 816,000 sets representing a decrease of 27% as compared with 1,128,000 sets sold during the corresponding period in year 2002. The consolidated turnover for the month of July, August and September is HK\$115 million, HK\$167 million and HK\$317 million respectively. The amount of turnover during the second quarter is HK\$599 million as compared with HK\$328 million for the first quarter. The consolidated turnover for the six months ended 30th September, 2003 totalled HK\$927 million representing a decrease of 45% as compared with HK\$1,683 million during the corresponding period in year 2002. The decrease in turnover is attributable to the effect of Severe Acute Respiratory Syndrome ("SARS") in major cities in main land China during the first quarter. The adverse impact of SARS on the consumer market leads to excessive inventory problem in the overall handset market during July and August. This has slowed down the Group's business recovery until mid August and the business has showed significant improvement during the month of September. Due to the launch of new handsets and its satisfactory sales during September, the Group's overall profit margin has improved to 4.3% during the second quarter as compared with 3.3% for the corresponding period in year 2002. Notwithstanding the drop in turnover, the quarterly operating profit and the net profit was approximately HK\$16 million and HK\$15 million respectively as compared with HK\$15 million and HK\$6 million during the same period last year. This is mainly due to the higher profit margin contribution from new handset models sold during

September and the increase in share price of the Group's investment in PacificNet Inc. During the period, the Group has sold approximately half of its shareholdings in PacificNet Inc. and a realized gain of approximately HK\$0.7 million was booked as other operating income. As at 30th September, 2003, the Group's shareholding in PacificNet Inc. was reduced to 88,000 shares as compared with 159,000 shares at 31st March, 2003.

In September 2003, the Company has repaid HK\$8 million against the HK\$160 million syndicated loan. As the maturity date of the balance of the syndicated loan falls before September 2004, the amount was classified as current liabilities. The Group therefore has no long term debts as at 30th September, 2003 and aggregate bank borrowings amounts to HK\$493 million, of which HK\$336 million are denominated in Renminbi with the balance denominated in Hong Kong dollars. The interest rates for all the loans are fixed on either monthly, bi-monthly, quarterly or semi-annual basis. As at 30th September, 2003 the total bank deposits and cash balances amounted to approximately HK\$391 million, of which HK\$204 million was pledged as securities for short term revolving trade related bank facilities. During the period, there is no material change to the Group's funding and treasury policy. As over 90% of the Group's sales and purchases are denominated in Renminbi and the exchange rate between the Hong Kong Dollar and Renminbi is stable, the risk of currency exposure is considered minimal.

The amount of inventory as at 30th September, 2003 was HK\$232 million, which represents approximately 48 days stock turnover, as compared with 44 days stock turnover based on the inventory level of HK\$335 million as at 31st March, 2003. The inventory turnover is less than one month if it is computed based on the September's turnover of HK\$317 million. Substantially all the inventory is current models of mobile phones and no provision for obsolescence is necessary. The amount of trade receivables as at 30th September, 2003 was HK\$158 million, which represents approximately 31 days debtors' turnover period as compared with 13 days debtors' turnover based on the amount of trade receivables of HK\$104 million as at 31st March, 2003. The increase is mainly due to the bounce of sales during September in anticipation of the one week National Day holidays in China. The debtor's turnover period is less than 15 days if it is computed solely based on September's turnover.



As at 30th September, 2003, there is no material change in the number of staff, remuneration policy, bonus and share option scheme since 31st March, 2003. During the period under review, there is no acquisition or disposal of material investment, subsidiary, associates or affiliated company. There is no plan for material investment or purchase of capital assets in the next 12 months. There is no significant contingent liability or capital commitment as at 30th September, 2003.

The Board believes that the Group will continue to have sufficient financial resources and funding for its operational requirements.

Operational Review

Market Overview

The PRC Mobile Phone and Telecommunications Market

China has nearly 250 million mobile users and is adding between four to five million a month. It has more mobile users than any other countries. The government hopes to develop its own mobile standard and technology for third generation (“3G”) standards, the time division synchronous code division multiple access (“TDSCDMA”), so that the loyalty fees would benefit China’s economic growth and also due to national security reasons. However, wideband code division multiple access (“WCDMA”) network is the most common system and is preferred by China Mobile. China Unicom is most likely to adopt CDMA2000 as its 3G network. The ultimate success of any network is market driven by actual commercial deployment of its product. It is expected that China would issue 3G licences in the second half of next year.

During the period, China Telecom offered discount sales of Xiaolingtong handsets in five major cities in Guangdong as well as promotional tariff plans and recorded an overwhelming response. The handsets were selling at as low as 99 yuan and still enjoy discounted tariff plan as little as 56 yuan a month if they bundled Xiaolingtong with its fixed line service for one year.

China Unicom is stepping up efforts to boost subscriber numbers for its CDMA network with an order of 1 million 2.5G colour display handsets from various suppliers. China Unicom hopes to see colour handsets widely available among the users in order to stimulate the usage of its wireless value-added services. It also accelerated its handset subsidies so that it could reach its target of 21 million CDMA subscribers by the end of year 2003. At the end of September, China Unicom had 13 million CDMA mobile users, which included 1 million 2.5G users, and 61 million GSM users.

The handset industry's excessive inventory problem developed during the SARS period had eased as a result of price reduction of existing stock. The handset market remains competitive and all the new models introduced by various suppliers are mostly color display and priced at slightly less than 2,000 yuan. It is forecast that most of the mono display handsets will be replaced by color display during next year and this would accelerate the development of replacement demand. With the market being switched to color display handset, foreign brands like Nokia, Motorola and Siemens shall have competitive advantages over the local brands due to its technology advancement.

Business Review

Mobile Phone Distribution

Mobile phone distribution continued to be the Group's major core business for the three months ended 30th September, 2003, accounting for over 90% of the Group's turnover during the period. Following the impact of SARS on the business in the first quarter, the handset market was still sluggish during July and August due to excessive handset inventory in the market. During the period, the Group has successfully obtained distribution right for Siemens' M55 and Nokia's model 3100 and 3300. All these new products are characterized by colorful cover, full color display, MMS and polyphonic ringing tones. These new products provides satisfactory profit contribution to the Group. The Group's sales were still dominated by the mature Nokia's 8250 which was sold over 189,000 sets in September in anticipation of the long National holidays. With a total monthly sell out of approximately 300,000 handsets in September, the adverse effect of SARS developed earlier should have no further impact on the Group's business. The Group's leading position in mobile phone distribution in China was again proven by the acquisition of distribution right from Siemens and other new products from Nokia. The Group is confident that it will benefit from future new products distribution



rights from these well known international brands. The Group continued to restructure its sales team during the period aiming to enlarge its business of direct selling to retail shops, which is more profitable than wholesale distribution. This will further facilitates the Group's penetration into 3rd tier cities in China where it is still dominated by local brands handsets.

The Group is actively seeking and evaluating business opportunities with various handset vendors in China and is making full use of our financial, marketing and logistic capability to develop channels for our products. The Group is confident to maintain a leading position in the growing handset market in China.

Wireless Local Area Network (WLAN) and Personal Digital Assistant (PDA) Distribution

After the successful introduction of O2 xda and Qtek 7070, the Group's subsidiary, Synergy, again leads the market by launching the O2 xda II in October. The new product comes with a camera, upgraded processor, more memory, and the Microsoft Windows Mobile 2003 operating system. The O2 xda II includes triband GSM, GPRS and Bluetooth, and optional Wi-Fi feature. Synergy also launched three latest handheld of Palm's PDA products in October: the Tungsten E, Tungsten T3 and Zire 21, each targeting a different segment of the market with an array of new features at new prices.

During the period, Synergy also introduced the world's first socket SDIO WLAN Card and SDIO barcode scanner. Both products are in strong demand by the Pocket PC market.

Outlook and Prospects

The Group is encouraged by the appointment as distributor for Siemens' products as well as for the new models from Nokia. The Group is one of the few national distributors for mobile phones in main land China and plays an important role in large scale sales coverage for key handset models. The Group continues to position itself as the leading handset distribution specialist providing value added services to handset suppliers. It will continue to strengthen its financial, logistic and promotional capabilities in order to enlarge its channel coverage. The Group is developing a web-based sales and inventory management system and should improve the operating efficiency upon successful implementation. Through the well established distribution infrastructure and adequate working capital back up, the board of directors is optimistic that the Group will continue to deliver satisfactory performance and returns to its shareholders.

INTERESTS OF THE DIRECTORS IN THE COMPANY

As at 30th September, 2003, the interests of the Directors and their associates in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities & Futures Ordinance (“SFO”)) which require notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO), or which were required, pursuant to Sections 352 or 345 of Part XV of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:–

Long Positions in Shares

Name of Director	Note	Nature of Interest	Number of Shares Held	Approximate percentage of interest
Lau Siu Ying, Steve	1	Corporate	211,500,013	70.01%

Note:

1. These shares are held by Future 2000 Limited, a company incorporated in the British Virgin Islands which in turn is held by a trustee. The beneficiaries of the discretionary trust include Mr. Lau Siu Ying, Steve, his spouse and his children.

Save as disclosed above, as at 30th September, 2003, none of the directors or their associates, had any interests in the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO), or which were required, pursuant to Sections 352 or 345 of Part XV of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.



INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

So far as known to any director or chief executive of the Company, as at 30th September, 2003, the person or company (not being a director or chief executive of the Company) who had interests or short positions in the shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company is as follows:

Long Positions in Shares

Name of Shareholder	Note	Nature of Interest	Number of Shares Held	Approximate percentage of interest
Future 2000 Limited	1	Beneficial owner	211,500,013	70.01%

Note:

1. The entire share capital of Future 2000 Limited, a company incorporated in the British Virgin Islands, is held by a trustee of a discretionary trust. The beneficiaries of the discretionary trust include Mr. Lau Siu Ying, Steve (a director of the Company), his spouse and his children.

Save for the shareholder as disclosed herein, the Directors are not aware of any persons who, as at 30th September, 2003, had an interest or short position in the shares of the Company which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO, or interested in 5% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the share option scheme of the Company adopted on 2nd February, 2000 and subject to the amendments made to Chapter 23 of the GEM Listing Rules effective on 1st October, 2001, the directors of the Company may grant to any executive directors or full time employees of the Company, or any of its subsidiaries, options to subscribe for shares in the Company at any price but not less than the higher of (i) the nominal value

of a share, (ii) the closing price of the shares on the Stock Exchange on the day of grant and (iii) the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of the grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time. No options under the scheme were granted or exercised since its adoption.

Apart from the share option scheme as detailed above, at no time during the period was the Company or its holding company or any of its subsidiaries, a party to any arrangements 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. None of the directors, their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company or had exercised any such rights during the period.

COMPETING INTEREST

None of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period from 1st April, 2003 to 30th September, 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee comprises the independent non-executive directors, Messrs. Chang Wing Seng, Victor and Liu Kwok Fai, Alvan. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group and to provide advice and comments to the Board. The audit committee has reviewed and approved this report.



BOARD PRACTICES AND PROCEDURES

The Company has complied through out the period from 1st April, 2003 to 30th September, 2003 with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

By Order of the Board
Fortune Telecom Holdings Limited
Lau Siu Ying, Steve
Chairman

Hong Kong, 11th November, 2003

