



長遠電信網絡集團有限公司  
FORTUNE TELE.COM HOLDINGS LIMITED

# Interim Report 2000



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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*This announcement, for which the directors (the "Directors") of Fortune Tele.com 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 for the purpose of giving information with regard to Fortune Tele.com 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## HIGHLIGHTS

For the six months ended September 2000:

- Turnover was approximately HK\$630 million, representing a decrease of approximately 11% as compared with the corresponding period in the previous year.
- Profit from operations was approximately HK\$8,677,000.
- An unrealised gain on investment holding of approximately HK\$23 million was recorded.
- The earnings per share was HK8.4 cents, representing an increase of 82% as compared with the HK4.6 cents for the corresponding period in the previous year.

## RESULTS

The directors (the "Directors") of Fortune Tele.com Holdings Limited (the "Company") hereby announce the unaudited results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30th September, 2000, together with the comparative figures for the corresponding periods in 1999 as follows:

	<i>Notes</i>	Six months ended 30th September,		Three months ended 30th September,	
		unaudited 2000 HK\$'000 ( <i>Note 1</i> )	audited 1999** HK\$'000 ( <i>Note 1</i> )	unaudited 2000 HK\$'000 ( <i>Note 1</i> )	unaudited 1999 HK\$'000 ( <i>Note 1</i> )
Turnover	2	630,060	707,948	264,665	391,070
Cost of sales		(612,925)	(690,087)	(257,120)	(380,558)
Gross profit		17,135	17,861	7,545	10,512
Other revenue		3,900	2,473	1,778	1,494
Distribution costs		(2,984)	(1,921)	(615)	(850)
Administrative expenses		(9,374)	(3,443)	(5,929)	(1,977)
Profit from operations		8,677	14,970	2,779	9,179
Finance costs		(4,886)	(1,978)	(3,208)	(1,551)
Unrealised gain/(loss) on investment holding	3	22,938	--	(16,480)	--
Share of results of associates		(48)	--	(30)	--
Profit/(Loss) before taxation		26,681	12,992	(16,939)	7,628
Income tax expense	4	(1,388)	(1,828)	(392)	(349)
Net profit/(loss) for the period		25,293	11,164	(17,331)	7,279
Earnings/(Loss) per share	5	8.4 cents	4.6 cents	(5.8 cents)	3.0 cents

## Notes:

### 1. Group reorganisation and basis of presentation

The Company was incorporated on 22nd October, 1999 as an exempted company with limited liability in Bermuda under The Companies Act 1981 of Bermuda (as amended).

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 10th December, 1999. The shares of the Company were listed on the GEM of the Stock Exchange on 16th February, 2000.

Details of the Group Reorganisation are set out in the prospectus of the Company (the "Prospectus") dated 9th February, 2000. The Group Reorganisation principally involved the exchange of fully paid shares of the Company with the entire issued shares of Express Fortune Holdings Limited.

The Group resulting from the above Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared on the merger basis of accounting as if the Company had always been the holding company of the Group.

The consolidated income statements for each of the three months and six months period ended 30th September, 2000 and 30th September, 1999 includes the results of the companies comprising the Group as if the current group structure had been in existence throughout the periods under review, or since the dates of incorporation of the companies where this is a shorter period.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the three months and six months period ended 30th September each year.

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

## **Investments in securities**

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group intends to hold to maturity (held-to-maturity debt securities) are measured at amortised cost; less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium arising on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments in debt or equity securities that are intended to be held on a continuing basis and that are held for an identified, strategic, long term purposes (investment securities) are measured at cost, less provision for any diminution in value that is expected to be other than temporary.

Securities not classified as investment securities nor as held-to-maturity securities (other investments) are measured at fair value, with valuation movements included in net profit or loss for the period.

## **2. Turnover**

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the period.

## **3. Unrealised gain/(loss) on investment holding**

The amount represents the surplus/(deficit) arising on the revaluation of the Group's investment in PacificNet.com LLC ("PacificNet.com")

Since the Group relied heavily on PacificNet.com's expertise in the early development of e-business, the investment in PacificNet.com was considered strategic oriented. Accordingly the investment was classified as investment securities and was carried at cost in the Group's balance sheet as at 31st March, 2000. Following the increase in maturity of the Group's e-business and the establishment of an in-house expert team, the Group had substantially reduced its reliance on PacificNet.com for e-business solutions. On the other hand, the Group became

increasingly concerned about the future returns from the investment in PacificNet.com. As a result of the Group's change of intention to hold the investment for long term capital return, the investment in PacificNet.com was transferred to other investments and carried at fair value since 30th June, 2000 and up to now. Also, the fair value of PacificNet.com in the balance sheet as at 30th September, 2000 was determined with reference to the closing share price of PacificNet.com in the NASDAQ of USA at 30th September, 2000.

Pursuant to the benchmark treatment under the HKSSAP 24, the change in valuation of others investments should be included in the net profit or loss for the relevant period. Accordingly, the deficit arising on the revaluation of the investment in PacificNet.com was recorded as a holding gain/(loss) in the Group's income statement for the six months and three months ended 30th September, 2000.

## 4. Income tax expense

	Six months ended 30th September,		Three months ended 30th September,	
	unaudited <u>2000</u> HK\$'000 (Note 1)	audited <u>1999**</u> HK\$'000 (Note 1)	unaudited <u>2000</u> HK\$'000 (Note 1)	unaudited <u>1999</u> HK\$'000 (Note 1)
The charge comprises:				
Hong Kong Profits Tax calculated at 16% of the estimated assessable profit	479	1,200	174	(279)
People's Republic of China other than Hong Kong ("PRC") income tax at 15% of the assessable profit	909	628	218	628
	<b>1,388</b>	<b>1,828</b>	<b>392</b>	<b>349</b>

PRC income tax represents taxation charges on the assessable profits of the Company's wholly owned subsidiary ("Fortune Shanghai") at a rate of 15% for the six months ended 30th September, 2000 (1999: 15%). Pursuant to the Income Tax Law of the PRC, Fortune Shanghai is subject to PRC income tax at a rate of 33%. However, Fortune Shanghai is entitled to a

preferential PRC income tax rate of 15% which is granted to companies established in Shanghai Waigaoqiao Free Trade Zone. In addition, according to a preferential tax arrangement granted by the Tax Bureau and Finance Bureau of Shanghai Pudong New District, Fortune Shanghai is further entitled to refunds of 100% of PRC income tax for the tax year ended 31st December, 1999 and 50% of PRC income tax for the tax year ending 31st December, 2000 provided that the export sales of Fortune Shanghai accounts for not less than 15% of the total sales of the company. No tax refund had been received during the two six months ended 30th September, 2000 as Fortune Shanghai had not made any export sales.

The Group did not share any taxation of associated companies, as the associated companies did not incur any taxation charge post acquisition by the Group.

## 5. Earnings/(Loss) per share

The calculation of the basic earnings/(loss) per share for the six months and the three months ended 30th September, 2000 is based on the unaudited net profit of HK\$25,293,000 and unaudited net loss of HK\$17,331,000 respectively on the number of 300,000,000 shares in issue.

The calculation of the basic earnings per share for the six months and the three months ended 30th September, 1999 is based on the audited net profit of HK\$11,164,000 and unaudited net profit of HK\$7,279,000 respectively on the number of 243,000,000 shares that would have been in issue throughout the period on the assumption that the Group Reorganisation has been completed as at 1st April, 1999.

*\*\*\*Audited figures extracted from prospectus\**

## DIVIDEND

The Directors do not propose the payment of an interim dividend for the six months ended 30th September, 2000 (1999: Nil).

## REVIEW AND OUTLOOK

### Financial Review

Due to keen market competition and the delay of new models launched by the Group's major supplier, the turnover of the Group was approximately HK\$630 million for the six months ended September 2000, representing a decrease of approximately 11% as compared to the corresponding period in the previous year. The profit from operations decreased to approximately HK\$8,677,000.

According to the HKSSAP adopted by the Group, the Group recorded an unrealised holding gain of HK\$23 million for the six months ended September 2000. The unrealised holding gain was attributed to the change in share price of PacificNet.com, a major investment of the Group, listed on NASDAQ in the United States. With its continuing future business developments and excellent expertise, the Group is confident in PacificNet.com's prospects in the long term. In addition, the Group's actual investment cost is still far below PacificNet.com's current market value despite the recent market downturn.

### Operations Review

#### *General*

During the period under review, mobile phone distribution remained the Group's core business. To leverage the Group's expertise in telecommunications and its connections in the PRC, the Group has been diversifying its business since its listing on the GEM Board of the Stock Exchange in February 2000. The Group's core business has been successfully expanded to include m-business, e-business, multi-media and IP business.

Although these new business operations are in the early development stages, the Directors are optimistic in view of the significant progress achieved during the period. The Directors are highly encouraged as some of these new operations have begun to contribute satisfactory returns to the Group, though comparatively these are not highly significant as yet at this early stage of investment.

## **M-Business**

### **Mobile Phone Distribution**

Nokia continued to be the Group's major supplier. In addition to the exclusive distribution rights for the Nokia 6150 dual band phone, the



Group obtained the exclusive distribution rights for the N7110 (WAP dual band) and N8850 (dual band) for delivery in Hong Kong from April to June 2000. Apart from Nokia's products, the Group also obtained non-exclusive distribution rights for NEC SB1000 and DB3300 in April 2000.

The sales of mobile phones dropped for the three months ended September 2000 due to unexpected and uncontrollable market factors. The drop was mainly due to the unforeseen and prolonged delay of the launch of new models by the Group's major supplier. However, following the launching of Nokia N6210 (WAP dual band), and N3310 (dual band) at the end of September 2000, the Group restored its edge in product competitiveness and sales improved significantly in October 2000. In view of the exceptional quality and the extremely high demand for these new Nokia mobile phones, the Group expects to achieve satisfactory growth in sales for the remainder of this financial year as compared to the corresponding period in the previous year.

### **Distribution Network in the PRC**

Aiming to maintain its leading position and enlarge market share, the Group has been expanding its retail network in the PRC. The Group has been working closely with Nokia to expand its PRC retail network since 1998. Currently the Group has developed around 20 Nokia Professional Centres ("NPC") in the PRC. The expansion of the retail network in the 2nd and 3rd level cities continues to be one of the Group's major development focuses this year. Currently, the Group's extensive distribution network consists of 95 authorised distributor shops and 95 authorised dealer shops operating under the Group's trade name, spread out in over 50 cities across over 20 provinces in the PRC. The number of authorised services centres developed by the Group also increased to 20 during the period.

## Telecom-Port Retail Chain

A high mobile phone replacement rate is expected in the next few years due to the development of new technologies (GPRS, 3G) and the emergence of mobile business through wireless Internet applications. The Group introduced a new concept "Telecom-port.com" retail chain to provide comprehensive m-business service consultancy, activation and personal digital devices. This has been done through the acquisition and change of name of Top Success International Holdings Ltd ("Top Success") to Telecom-Port, a handset retailer who has four outlets in Hong Kong.

Telecom-port obtained Sunday dealership in July in addition to Orange. Apart from the original four outlets, the Group opened three new outlets in Tuen Mun's Jusco store, Tsimshatsui and Mongkok in the past few months.

The Telecom-port retail chain stores also formed alliances with prominent Internet players such as Beenz and Go2hk.com for the enhancement of its operation. Go2hk has over 110,000 members. By providing Go2hk's members with a physical trading place to complete their online auctions, Telecom-port stores earn increased traffic and cross-selling opportunities. Through its cooperation



with Aeon-Spot, customers can purchase Telecom-port's products by the hire & purchase scheme. After a few months in operation, the Telecom-port stores have started to yield satisfactory and steady returns since September 2000. This convincing result has also attracted a number of independent investors to join the business. In view of this burgeoning demand, the Group is currently developing a franchise programme for the Hong Kong retail market. With recent progress under this franchise programme, the Group will open four franchise shops before the end of the financial year.

## Mobilere Technology Ltd

Mobilere Technology Ltd ("Mobilere") is the Group's joint venture with Finnish company-Mobilemode.com. With the technology backup from our joint venture partner, Mobilere will be

able to provide more than 300 Chinese localised applications and platforms in the PRC. While the Group is still finalising the details of the joint venture agreement with Mobilemode.com, a test site has already been established with a major local operator in the PRC to test the relevant applications and platform. With existing progress, the Group expects to launch the service before the end of 2000.

The joint venture aims to become a leading wireless solutions provider which will ultimately enable all the Group's Internet projects to be wireless ready, extending channel coverage to mobile phone users.

## E-Business

### Strategic Investments

In July 2000, the Group subscribed to a 30% equity interest in Amonic Solutions Limited ("Amonic"), a Hong Kong based software company engaging in the provision of one stop Internet solutions including website design, e-commerce site development and maintenance, website hosting, payment processing, site traffic auditing and implementation of enterprises information technology infrastructure and applications. Amonic's flagship software ([www.auditrex.com](http://www.auditrex.com)) is an independent traffic auditing and statistic reporting application. AuditRex is the first independent third party website auditing application in Asia. Currently AuditRex is in the process of obtaining endorsement from one of the "Big Five" international accounting firms. Amonic is also forming an alliance with a world-renowned circulation-audit bureau.

Recently, Amonic completed the development of its second flagship telecommunications software — a leading web based long distance and IP telephony billing system with an online payment gateway — and is ready to launch it. The Group's new VoIP IDD services, Fortune Multimedia will be the first user in Hong Kong.





## E-Commerce Project Development

### *Telecom-port.com*

Telecom-port.com is the Group's core e-business development project which integrates telecom-port retail chain to provide on and off line services and full e-business and m-business solutions for both the

Group and outside business partners. The Group is continuously enhancing Telecom-port.com's features to include communities, auctions, free email, membership zones, and a B2B and B2C marketplace. The third version of Telecom-port.com was launched recently with the

introduction of a number of new features including telecom stocks reporting. It is the first online marketplace in Hong Kong which allows customers to select a mobile phone, operator, phone number and service plan simultaneously. It also accepts the use of "Beenz", the prominent "Internet Money" in Hong Kong.

### *FortuneTele.com*

Fortunetele.com is the Group's corporate website providing corporate information and a mobile B2B marketplace. The website is currently under redevelopment to enhance its contents, features and presentation. After the redevelopment, Fortunetele.com will consist of two versions, one in English and another using Chinese simplified characters. One of the new features will be the addition of hyperlinks to the websites of the Group's franchises in the PRC. The Group is currently working out the development plan of relevant e-commerce sites for introduction to franchises. Other new features will be introduced in the near future including ERP and CRM to enhance the Group's distribution operations in the PRC.

The English version of the corporate site will be completed and launched in November 2000. The Group is currently preparing the Chinese version which will be launched in December 2000.



## Multimedia Business

### Distribution of Multimedia/ Internet products

At the beginning of the financial year, the Group obtained exclusive distribution rights in Macau, Hong Kong and the PRC for a variety of telecom/ multi-media products including the "Multimedia/ Internet Payphone", "Telephone-card Vending Machine", "Calling Card Payphone", "Internet Remote Smart Sign Display", "Coin/Token Exchange Machine" and "Auto Payment/Printing Machine". The Group has been marketing these products to the PRC's telecom operators through the Group's established business connections. The first sales contact was received in September 2000 from Guangzhou Telecom for 1,000 payphones and the second sales order for the supply of SIM card Vending Machines was obtained in October from China Mobile Hangzhou.

The Group also participated in Beijing Telecom Expo - the biggest annual telecom exhibition in the PRC. Currently the Group has been receiving a large number of enquiries from China Mobile and China Telecom in other regions. The Group is confident that sales orders will be received from other PRC operators in the next few months.

### Provision of VoIP services

The Group obtained an External Telecommunication Service ("ETS") license in July 2000 and was assigned the access code "1522" in August 2000. In early November 2000, the Group launched prepaid IDD services internationally with the initial focus on the Philippino and Indonesian markets. The Group has been offering prepaid IDD cards with face values of HK\$100 and HK\$50. Currently the Group is applying for Private Pay Phone and Internet Service Provider ("ISP") licenses for the provision of a full services package for VoIP and Fax over IP in the future. In addition, the Group is actively looking for strategic alliances with well-known international, including China, long distance and IP carriers to expand its services.

## E-Capital Business

### PacificNet.com

PacificNet.com is the Group's first investment in a technology company. PacificNet.com was incorporated in the USA and is engaged in the provision of e-commerce applications,



site construction and site hosting management, support, maintenance and development services. PacificNet.com successfully listed on the NASDAQ in the US in July 2000 and is trading under the symbol "PACT". The Group holds approximately 9% of the shares in PacificNet.com at a total cost of approximately HK\$12 million. Although the share price of PacificNet.com has dropped in the three months to September 2000 as a result of the recent market downturn on the NASDAQ, the current

market price of the Group's shares in PacificNet.com still far exceeds the Group total cost of investment. In addition, the Group is absolutely confident of PacificNet.com's unmatched technical strength and solid business leadership and is optimistic of future returns from its investment in PacificNet.com.



## Talentsoft.com

In July, the Group completed its subscription of 25,000 shares in Talentsoft.com, Inc ("Talentsoft"). Talentsoft is a private company incorporated in the USA and is engaged in developing, marketing, and supporting web application development tools and e-commerce applications. Talentsoft's major products include the renowned Web+, one of the most popular Internal Application Development tools in the world. In March 2000, the Sino Group, a prominent property developer in Hong Kong, subscribed to 12% of Talentsoft's shares.

## Conclusion

Looking ahead, in order to capture the tremendous opportunities generated in the PRC telecommunication market, the Group is committed to developing its m-business and wireless communication businesses. Leveraging on the integration of its strategic investment and distribution network, technology development and multi-media business, the Group is diversifying itself in order to consolidate its leading position in the industry.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business objectives as set out in the prospectus dated 9th February, 2000 to actual business progress to date:

### Business Objectives

### Actual Business Progress

In respect of Fortune Telecom Limited (related businesses are now under "M-Business"):

*For the six months ended 31st March, 2000*

- Increase monthly mobile phone sales targets to about 120,000 - 160,000 sets
  - Launch of new model mobile phones such as Nokia 3210, 8850, 7110 and 8210
  - Provision of fulfilment and repackaging services to Nokia and other manufacturers
  - Increase authorised distributor shops and dealer shops to 160
  - Increase after-sales facilities along its distribution network in the PRC
- For the three months ended March 2000, average monthly mobile phone sales reached 120,000 sets. The Group incurred about HK\$2 million in costs as estimated.
  - The Group took delivery and launched all these Nokia models during the period. The Group incurred costs of about HK\$1 million as estimated.
  - This programme was under consideration has not yet commenced during the period. The Group had not yet incurred any cost.
  - As at June 2000, total distributor shops and dealer shops reached 165, spreading over 50 cities and across 20 provinces. The Group incurred costs of about HK\$1 million as estimated.
  - Mobile phone service centres increased to 18 as at June 2000. The Group incurred about HK\$1 million cost as estimated.

*For the six months ended 30th September, 2000*

- Increase monthly mobile phone sales target to about 130,000 - 170,000 sets
  - Launch of new model mobile phones
- Monthly sales of mobile phones increased to around 130,000 sets for the three months ended June 2000. Monthly sales dropped to around 100,000 sets for the three months ended September 2000 due to the delay of new models launched by the Group's major supplier. The Group has incurred about HK\$1 million in cost to date.
  - The Group took delivery and launched the NEC SB1000 and DB3300 in April 2000. The Group incurred costs of about \$0.5 million to date.

- Development of fulfilment facility in Dongguan, the PRC
- Increase authorised distributor shops and dealer shops to 210
- Increase after-sales facilities along its distribution network in South China
- Recruiting 10 more staff to support its distribution network in the PRC and more technicians to support after-sales services
- Since the Group is still in the negotiation with its major suppliers, the establishment of this fulfilment facility has not yet commenced. The Group had not yet incurred any cost.
- As at September 2000, total distributor shops and dealer shops reached 190, spreading over 50 cities and across 20 provinces. The Group has incurred about HK\$0.5 million cost to date.
- Mobile phone service centres increased to 20 as at September 2000. The Group has incurred about HK\$0.2 million in cost to date.
- The Group recruited the necessary staff to support its distribution network and after-sales service in the PRC. Costs incurred are about HK\$0.3 million to date.

## In respect of Fortune E-Commerce Limited (related businesses are now under "E-Business"):

*For the six months ended 31st March, 2000*

- Increase interest in PacificNet.com
- Joint venture with PacificNet.com for WAP solutions
- E-commerce development involving the launch of the corporate website, Fortune Tele.com and telecom-port.com
- Advertising programmes
- The Group acquired an additional 3% interest in PacificNet.com in March 2000, taking its stake to 14.67%, for HK\$8.8 million which exceeded the estimated cost of HK\$8 million. The Group's interest in PacificNet.com has been diluted to approximately 9% subsequent to its listing on the NASDAQ on 27th July, 2000.
- The Group formed a 50/50 joint venture with Mobilemode.com, a Finnish based company, instead of PacificNet.com, for the provision of wireless solutions. The Group had not yet incurred any costs during the six months ended March 2000. (This project is now under "M-business")
- Websites were tested and launched with continuous enhancements and Intranet and Extranet capability as well as customer relationship management. The Group has incurred testing and launching fees of about HK\$1 million as estimated.
- The Group is engaged in advertising programmes together with its newly established distributor shops and dealer shops spreading over 50 cities and across 20 provinces. The Group has incurred costs of about HK\$50,000 as estimated.

*For the six months ended 30th September, 2000*

- Finalisation of joint venture between the Group and PacificNet.com
- Continuous technical support, maintenance and enhancement of e-commerce facilities through the strengthening of online wholesaling facilities on www.fortunetele.com; and upgrading its technology to enhance value-added features including software and ringer tone download; and upgrade contents of portal site
- Co-operation with PacificNet.com to apply WAP solutions to www.telecom-port.com to allow users of WAP-based mobile phones to gain access to the Group's WAP-based portal site
- The Group is finalizing the joint venture agreement with Mobilemode.com for the provision of wireless solutions in the PRC. The Group has incurred expenses of about HK\$0.3 million to date.  
(This project is now under "M-Business")
- The Group is upgrading the corporate site on www.fortunetele.com to enhance its e-commerce facilities and other value-added features. The Group has incurred costs of about HK\$0.2 million to date.
- The Group has already launched its WAP-based portal site. The Group is currently enhancing the site's features and has incurred about HK\$0.2 million in costs to date.

**In respect of Fortune Internet Communications Limited (related businesses are now under "Multi-media Business"):**

*For the six months ended 31st March, 2000*

- Distribution of IP telephony products
- The Group has obtained exclusive distribution rights and has been appointed as a certified reseller for a variety of telecom/ multi-media products such as the "Multimedia/ Internet Payphone", "Pre-paid Calling-card Payphone", "Telephone-card Vending Machine" and "Auto Payment/ Printing Machine" supplied by various IP telephony manufacturers for the PRC, Hong Kong & Macau market. The Group received its first sales orders in September 2000. Costs incurred are about HK\$1.5 million as estimated.
- Development of IP telephony service
- The Group submitted a formal application for a PNETS (ETS) license to the Office of the Telecommunications Authority of Hong Kong in May 2000. The license and access code "1522" were obtained in July and August 2000 respectively. Costs incurred were about HK\$0.2 million which slightly exceeded the estimated cost of HK\$0.1 million.

- Set up of IP telephony architecture
- Explore alliance opportunities with IP telephony service providers
- This project was delayed and had been completed during the six-month period ended 30th September 2000. The Group incurred costs of about HK\$0.1 million as estimated.
- The Group is continuously seeking possible co-operations with IP telephony operators in the PRC and other countries to explore and establish a strong market presence. Expenditure has been about HK\$0.1 million as estimated.

#### *For the six months ended 30th September, 2000*

- Continuous research and development in IP telephony architecture
- Testing of IP telephony architecture
- The Group completed the set up of the IP telephony architecture for the provision of IP telephony services. Incurring costs of about HK\$2 million as estimated.
- Pre-launch testing has been satisfactorily completed and IP Telephony service was launched in early November 2000. The Group incurred costs of about HK\$0.5 million as estimated.

## USE OF PROCEEDS

The Group raised HK\$142 million through its initial public offering. After deducting related expenses, net proceeds were approximately HK\$133 million.

Of the net proceeds raised, approximately HK\$25 million has been applied to achieving business objectives as set out in the above section headed "Comparison of business objectives with actual business progress". Approximately HK\$4 million has been applied to establishing the Group's retail network in Hong Kong. Approximately HK\$3 million has been used for investment in potential companies engaging in e-commerce and technology-related businesses. In addition, the Group also placed HK\$30 million on deposit with a licensed bank in Hong Kong at prevailing market rates as security for the Group's short-term borrowing of RMB28 million from a bank in the PRC at prevailing market rates for the financing of its mobile phone distribution operations. The remaining net proceeds of approximately HK\$71 million are being used as general working capital and will be applied to achieving business objectives as set out in the Company's Prospectus.

## DIRECTORS' INTERESTS IN SHARE CAPITAL

At 30th September, 2000, the interests of the directors and their associates in the share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong's Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

### Number of ordinary shares held as family interest

Lau Siu Ying, Steve	211,500,013
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These shares are held by Fortune 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 and other than certain nominee shares in the subsidiaries held by certain directors in trust for the Company, none of the directors or their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance at 30th September, 2000.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the share option scheme of the Company adopted on 2nd February, 2000, 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 during the period and no options were outstanding at 30th September, 2000.

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.

## **SUBSTANTIAL SHAREHOLDERS**

At 30th September, 2000, other than the interests disclosed in the section headed "Directors' interests in securities" above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital.

## **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.

## **SPONSOR'S INTERESTS**

None of the Company's sponsor, DBS Asia Capital Limited ("DBS"), its directors, employees or associates (as referred to in Note 3 to rule 6.35 of the GM Listing Rules) had any interest in the shares of the Company as at 30th September, 2000.

Pursuant to the agreement dated 8th February, 2000 entered into between the Company and DBS, DBS has received an advisory fee for acting as the Company's retained sponsor for the period from 16th February, 2000 to 31st March, 2002.

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

During the six months ended 30th September, 2000, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## YEAR 2000 COMPLIANCE

The Group successfully made a smooth transition to 2000. All computer systems have been upgraded or replaced to ensure they are Year 2000 compliant and are now functioning normally.

## AUDIT COMMITTEE

The Company's audit committee was formed on 10th December, 1999 and comprises of both independent non-executive directors, Messrs. Chang Wing Seng, Victor and Liu Kwok Fai, Alvan. The terms of reference of the audit committee have been established with regard to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997.

By Order of the Board

**Fortune Tele.com Holdings Limited**

**Lau Siu Ying, Steve**

*Chairman*

Hong Kong, 13th November, 2000

*\* For identification purpose only*

This announcement will remain on the website of the Growth Enterprise Market of the Stock Exchange on the "Latest Company Announcement" page for seven days from the day of its posting.