



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sector or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

*The Stock Exchange takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.*

*This document, 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 document 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 document misleading; and (3) all opinions expressed in this document 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 six months ended 30th September, 2002 was approximately HK\$1,683 million, representing an increase of approximately 4% as compare with the corresponding period in the previous year.
- Unaudited profit from operations for the six months ended 30th September, 2002 was approximately HK\$54 million, representing an increase of approximately 80% as compare with the corresponding period in the previous year.
- The earnings per share was 11.4 cents for the six months period.
- The Board does not recommend the payment of interim dividend for the period (2001: Nil).

## SIGNIFICANT QUARTERLY EVENTS

- In August, road show and promotional campaign for Nokia's new model 3610 was carried out in Guangzhou, Beijing, Fuzhou and Kunming.
- In August, Synergy was engaged in the set up and supply of wireless networking equipment to the Cheung Kong Group for the "Wireless Community" Project at Hampton Place.
- In September, annual regional dealer meetings were carried out in Urumqi (Northern China) and Sanya (Southern China).
- On 18th September, 2002, the Group has entered into a HK\$160,000,000 2-years transferable term loan facility agreement with a syndicate of banks and financial institutions.



## RESULTS

The board of directors (the "Board") of Fortune Telecom Holdings Limited (the "Company") is pleased to present the second quarterly report 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,	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	2	<b>916,202</b>	943,503	<b>1,683,544</b>	1,616,848
Cost of sales		<b>(885,990)</b>	(918,665)	<b>(1,597,199)</b>	(1,571,639)
Gross profit		<b>30,212</b>	24,838	<b>86,345</b>	45,209
Other revenue		<b>951</b>	2,063	<b>2,088</b>	4,584
Distribution costs		<b>(3,506)</b>	(4,836)	<b>(12,793)</b>	(7,730)
Administrative expenses		<b>(5,577)</b>	(7,128)	<b>(14,513)</b>	(11,325)
Other operating expenses		<b>(6,880)</b>	(526)	<b>(7,175)</b>	(741)
Profit from operations	4	<b>15,200</b>	14,411	<b>53,952</b>	29,997
Finance costs		<b>(4,172)</b>	(3,326)	<b>(8,227)</b>	(6,442)
Deficit on revaluation of an investment property		<b>(1,250)</b>	–	<b>(1,250)</b>	–
Unrealised holding loss on other investments		<b>(62)</b>	(8,947)	<b>(808)</b>	(4,751)
Share of results of associates		<b>1</b>	(42)	<b>(38)</b>	(101)
Profit before taxation		<b>9,717</b>	2,096	<b>43,629</b>	18,703
Taxation	5	<b>(3,433)</b>	3,632	<b>(9,595)</b>	2,132
Profit before minority interests		<b>6,284</b>	5,728	<b>34,034</b>	20,835
Minority interests		<b>(143)</b>	(663)	<b>341</b>	(663)
Profit for the period		<b>6,141</b>	5,065	<b>34,375</b>	20,172
Dividends paid during the period	6	<b>15,105</b>	3,021	<b>15,105</b>	3,021
Earnings per share – Basic	7	<b>2.0 cents</b>	1.7 cents	<b>11.4 cents</b>	6.7 cents



**CONDENSED CONSOLIDATED BALANCE SHEET**

	Notes	As at 30th September, 2002 Unaudited HK\$'000	As at 31st March, 2002 Audited HK\$'000
<b>Non-Current Assets</b>			
Investment property	8	5,750	7,000
Property, plant and equipment	9	2,082	2,384
Goodwill		2,215	2,535
Interest in associates		–	475
		<b>10,047</b>	12,394
<b>Current Assets</b>			
Inventories		373,293	243,724
Trade and other receivables	10	149,377	101,456
Amount due from a related party	11	30,363	20,931
Other investments		1,324	2,132
Tax recoverable		751	674
Pledged bank deposits		172,994	125,759
Bank deposits		6,249	4,204
Bank balances and cash		94,774	173,929
		<b>829,125</b>	672,809
<b>Current Liabilities</b>			
Trade and other payables	12	100,546	167,539
Tax liabilities		11,149	7,393
Bank and other borrowings	13	335,868	242,003
Obligations under finance leases		200	240
		<b>447,763</b>	417,175
<b>Net Current Assets</b>		<b>381,362</b>	255,634
		<b>391,409</b>	268,028



## CONDENSED CONSOLIDATED BALANCE SHEET (continued)

	Notes	As at 30th September, 2002 Unaudited HK\$'000	As at 31st March, 2002 Audited HK\$'000
<b>Capital and Reserves</b>			
Share Capital		30,210	30,210
Reserves		247,814	228,492
		<b>278,024</b>	258,702
<b>Minority Interests</b>			
		<b>8,335</b>	8,676
<b>Non-Current Liabilities</b>			
Bank and other borrowings	13	104,500	–
Obligations under finance leases		550	650
		<b>105,050</b>	650
		<b>391,409</b>	268,028



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th September, 2002

	Share Capital	Share Premium	Special reserve	Goodwill	Translation reserve	PRC Accumulated		Total
						statutory reserve	profits (deficit)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2001	30,000	102,225	2,481	(1,981)	279	-	76,424	209,428
Issue of shares for acquisition of subsidiaries	210	-	-	-	-	-	-	210
Premium arising on issue of shares	-	1,050	-	-	-	-	-	1,050
Transfer to PRC statutory reserve	-	-	-	-	-	1,280	(1,280)	-
Impairment loss in respect of goodwill arising on acquisition of an associate	-	-	-	704	-	-	-	704
Exchange differences arising on translation of the financial statements of operations in the PRC	-	-	-	-	16	-	-	16
Profit for the year	-	-	-	-	-	-	50,315	50,315
Dividend paid	-	-	-	-	-	-	(3,021)	(3,021)
At 1st April, 2002	30,210	103,275	2,481	(1,277)	295	1,280	122,438	258,702
Transfer to PRC statutory reserve	-	-	-	-	-	7,211	(7,211)	-
Exchange differences arising on translation of the financial statements of operations in the PRC	-	-	-	-	52	-	-	52
Profit for the period	-	-	-	-	-	-	34,375	34,375
Dividend paid	-	-	-	-	-	-	(15,105)	(15,105)
<b>As at 30th September, 2002</b>	<b>30,210</b>	<b>103,275</b>	<b>2,481</b>	<b>(1,277)</b>	<b>347</b>	<b>8,491</b>	<b>134,497</b>	<b>278,024</b>



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	For the six months ended 30th September,	
	2002 HK\$'000	2001 HK\$'000
Net cash (used in) generated from operating activities	<b>(215,233)</b>	37,438
Net cash used in investing activities	<b>(45,024)</b>	(5,875)
Net cash generated from (used in) financing activities	<b>185,657</b>	(2,958)
(Decrease) Increase in cash and cash equivalents	<b>(74,600)</b>	28,605
Cash and cash equivalents at beginning of period	<b>175,571</b>	29,172
Effect of foreign exchange rate changes	<b>52</b>	250
Cash and cash equivalents at end of period	<b>101,023</b>	58,027
Analysis of cash and cash equivalents		
Bank deposits	<b>6,249</b>	26,040
Bank balances and cash	<b>94,774</b>	38,098
Bank overdraft	–	(2,991)
Trust receipt loans	–	(3,120)
	<b>101,023</b>	58,027



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 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 condensed consolidated financial statements are consistent with those used in the annual audited consolidated financial statements for the year ended 31st March, 2002.

Certain comparatives figures of the condensed consolidated income statement for the three months and six months ended 30th September, 2001 have been reclassified to conform with current year presentation.

**2. Turnover**

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

**3. Segment information**

For the six months ended 30th September, 2002 and 30th September, 2001, substantially all of the Group's turnover and contribution to operating profit were attributable to the activity of mobile phone distribution located in the People's Republic of China.



#### 4. Profit from operations

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

	Three months ended 30th September,		Six months ended 30th September,	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Amortization of goodwill	72	41	320	41
Depreciation and amortization	280	561	585	1,031
And after crediting:				
Interest Income	820	2,077	1,614	4,373

#### 5. Taxation

	Three months ended 30th September,		Six months ended 30th September,	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The (charge) credit comprises:				
Hong Kong Profits Tax calculated at 16% of the estimated assessable profits	(30)	-	(30)	-
The People's Republic of China ("PRC") income tax:				
Current period	(3,403)	(221)	(9,565)	(1,721)
Overprovision in prior year	-	4,200	-	4,200
Share of taxation of associates:				
Hong Kong	-	(347)	-	(347)
	(3,433)	3,632	(9,595)	2,132

PRC income tax represents taxation charges on the assessable profits of the Company's wholly owned subsidiary Fortune (Shanghai) International Trading Co., Ltd. ("Fortune Shanghai") established in the PRC at a rate of 15% for the six months ending 30th September, 2002. (2001: 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.



**6. Dividends Paid**

	Three months ended 30th September,		Six months ended 30th September,	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
2002 final dividend of HK5 cents per share (2001: 2001 final dividend of HK1 cent per share)	<b>15,105</b>	3,021	<b>15,105</b>	3,021

A final dividend of HK5 cents (2001: HK1 cent) 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, 2002 of HK\$6,141,000 and HK\$34,375,000 respectively (2001: HK\$5,065,000 and HK\$20,172,000 respectively) and on the weighted average number of 302,100,000 shares (2001: 301,400,000 shares and 300,700,000 shares for the three months and six months period respectively) 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 31st October, 2002 by Midland Surveyors Limited, an independent property valuer, on an open market existing use basis.

This revaluation resulted in a revaluation deficit of HK\$1,250,000 (2001: nil) which has been charged to the income statement for the six months ended 30th September, 2002.

**9. Property, plant and equipment**

During the six months ending 30th September, 2002, addition to Property, plant and equipment amounts to HK\$413,000 (2001: HK\$979,000).



## 10. Trade and other receivables

The Group has a policy of allowing a credit period up to 30 days (as at 31st March, 2002: up to 30 days) to its trade customers. Included in the trade and other receivables are trade receivables of HK\$117,718,000 (as at 31st March, 2002: HK\$72,128,000) and their aged analysis are as follows:

	<b>As at 30th September, 2002 HK\$'000</b>	As at 31st March, 2002 HK\$'000
Trade receivables		
0 to 30 days	<b>109,902</b>	62,886
31 to 90 days	<b>5,643</b>	7,142
More than 90 days	<b>2,173</b>	2,100
	<b>117,718</b>	72,128
Add: Value-added-tax receivables	<b>19,718</b>	11,326
Rebates receivables	<b>4,704</b>	11,192
Deposits and prepayments	<b>7,237</b>	6,810
	<b>149,377</b>	101,456

## 11. Amount due from a related party

The amount due from a related party represents amounts due from Guangzhou Fortune Telecom Development Co. Ltd ("Guangzhou Fortune"). The amount is unsecured, non-interest bearing and has no fixed terms of repayment. A relative of a director, Mr. Lau Siu Ying, Steve has beneficial interests in this company. It is regarded as a related company by virtue of the fact that the company is controlled by a family member of Messrs. Lau Siu Ying, Steve.

## 12. Trade and other payables

Included in trade and other payables are trade payables of HK\$88,210,000, (at 31st March, 2002: HK\$156,470,000) and their aged analysis are as follows:

	<b>As at 30th September, 2002 HK\$'000</b>	As at 31st March, 2002 HK\$'000
Trade payables:		
0 to 30 days	<b>84,869</b>	152,285
31 to 90 days	<b>2,581</b>	479
More than 90 days	<b>760</b>	3,706
	<b>88,210</b>	156,470
Add: accrued charges and other payables	<b>12,336</b>	11,069
	<b>100,546</b>	167,539



**13. Bank and other borrowings**

	<b>As at 30th September, 2002 HK\$'000</b>	As at 31st March, 2002 HK\$'000
Bank and other borrowings comprise:		
Bank loans	<b>428,938</b>	239,441
Bank overdrafts	–	2,562
Trust receipt loans	<b>11,430</b>	–
	<b>440,368</b>	242,003
Analysed as		
– secured	<b>101,890</b>	109,434
– unsecured	<b>338,478</b>	132,569
	<b>440,368</b>	242,003
The bank and other borrowings are repayable as follows:		
Within one year or on demand	<b>335,868</b>	242,003
More than one year, but not exceeding two years	<b>104,500</b>	–
	<b>440,368</b>	242,003
Less: Amount due within one year and shown under current liabilities	<b>335,868</b>	(242,003)
Amount due after one year	<b>104,500</b>	–

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

- (a) investment property of the Group; and
- (b) fixed deposits of HK\$172,994,000 (at 31st March, 2002: HK\$125,759,000).



#### 14. Related Party Transactions

During the period, the Group entered into the following transactions with related parties:

Name of Party	Nature of transactions	Three months ended 30th September,		Six months ended 30th September,	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guangzhou Fortune (Note I)	Sales of goods by the Group	94,213	118,708	176,245	181,618
Harvest Union Investment Limited (Note II)	Rental expenses paid by the Group	120	195	240	390

Note I: The sales of goods were carried out at market prices.

Note II: Rental expenses were charged in accordance with the relevant tenancy agreement and the prevailing rent is equivalent or approximate the open market rental. Mr. Lau Siu Ying, Steve is a director and beneficial shareholder of Harvest Union Investment Limited.



## **INTERIM DIVIDEND**

The Board does not propose the payment of an interim dividend for the six months ended 30th September, 2002 (2001: Nil).

## **REVIEW AND OUTLOOK**

### **FINANCIAL REVIEW**

The number of mobile phones, mainly Nokia's model 8250 and 3610, sold during the second quarter is approximately 639,000 units, increased significantly as compare to 483,000 units for the same period last year. However, the turnover of the Group was slightly decreased by 2.9% to approximately HK\$916 million for the three months ended 30th September, 2002 as compare with the corresponding period in 2001. This is because of the drop in retail price of model 8250 from over Rmb2,000 last year to Rmb 1,780 in the second quarter in year 2002. For the six months ended 30th September, 2002, the number of handsets sold in the PRC is 1,128,000 units and the consolidated turnover is HK\$1,683 million. Due to improved margin and rebates from our supplier, the gross profit margin has improved to 3.3% for the second quarter and 5.1% for the first half year. As a result, the gross profit for the first half year has increased significantly by 91% to HK\$86 million. The Group's operating profit for the first half year was increased by 80% to approximately HK\$54 million. The net profit for the six months ended 30th September, 2002 has increased significantly by 70% to HK\$34 million as the negative impact of provision for investment in PacificNet, Inc. was largely reduced in the current period.

On 18th September, 2002, the Company has entered into a HK\$160,000,000 2-years transferable term loan facility agreement with a syndicate of banks and financial institutions arranged by Bank of China (Hong Kong) Limited and Citic Ka Wah Bank in Hong Kong. Proceeds of the loan facility were applied to repay outstanding former syndicated loans of the Company and for development of distribution network and for additional working capital to finance the Group's existing mobile phone trading business. As at 30th September, 2002, an amount of HK\$110,000,000 has been drawn from the syndicated facilities and the remaining HK\$50,000,000 will be drawn in the third quarter. As at 30th September, 2002, the Group's aggregate bank borrowings amounted to approximately HK\$440 million, of which HK\$104 million are



non-current liabilities. The gearing ratio of the Group, calculated as non-current liabilities to shareholders fund was approximately 38%. Approximately HK\$319 million of the Group's aggregate bank borrowings are denominated in Renminbi with the balance denominated in Hong Kong dollars. As at 30th September, 2002 the total bank deposits and cash balances amounted to approximately HK\$274 million.

The amount of inventory as at 30th September, 2002 was HK\$373 million, which represents approximately 42 days stock turnover, as compare to 27 days stock turnover based on the inventory level of HK\$244 million as at 31st March, 2002. The increase is mainly due to the necessity to replenish stock to meet the demand for the long National Day holidays in the PRC. Substantially all of the inventory is current models of mobile phones and no provision for obsolescence is necessary. The amount of trade receivables as at 30th September, 2002 was HK\$118 million, which represents approximately 13 days debtors' turnover period as compare to 8 days debtors' turnover based on the amount of trade receivables of HK\$72 million as at 31st March, 2002. The increase is part of the marketing strategy along side with other incentives and promotional campaign but the receivables level is still considered comfortable.

The Board believes that the Group will continue to have sufficient financial resources and funding for its operational requirements. The Board is also confident that it has the necessary management calibre and appropriate corporate and marketing strategies in place to add value for shareholders.

## **OPERATIONAL REVIEW**

### ***Market Overview***

#### *The PRC Mobile Phone and Telecommunications Market*

According to statistics from the Ministry of Information Industry ("MII"), the number of mobile phone subscribers in the PRC grew to approximately 190 million in the first nine months of the year 2002 and during the period from January to May, approximately 38.92 million handsets were produced in the PRC by 30 licensed manufacturers. The penetration rate has increased to approximately 16%. The MII has also forecast that 95 million handset units to be produced in the year 2002, of



which 45 million units will be exported. Approximately 20% of the total production were made by 12 domestic producers as compare to 12% last year. This would mean local handset producers were expected to double production this year in terms of actual units and snatch a greater market share from foreign rivals. According to statistics from the MII, the increase in the number of mobile phone users for July, August and September was 4.1 million, 4.5 million and 5.53 million respectively. The growth in mobile handset sales and production would outpace mobile user growth in the PRC and more competition would be foreseeable both between foreign brands and local brands as well as among local brands. Both the quality and design of the handsets made by domestic manufacturers had shown significant improvement. However, most of the domestic manufacturers' production scales and technology were still far behind foreign players.

China United Telecommunications Corporation ("China Unicom"), PRC's second largest mobile phone carrier, has seen growth in subscribers for its code division multiple access (CDMA) network accelerate as aggressive promotion start to pay off. The number of CDMA subscribers has boosted from approximately 1 million at the end of June to approximately 4 million by the end of October. China Unicom has also signed contracts with major equipment suppliers to upgrade its 15.15 million lines network to high-speed CDMA 1x standard (2.5G) and add capacity for an extra 15 million users.



It is also reported that China Mobile will also follow the lead of China Unicom by offering GPRS handset-subsidy promotional plans in the fourth quarter of year 2002 when it launches its multimedia messaging service (“MMS”). It is predicted that there will be keen competition between global system for mobile communication (“GSM”) and CDMA network for mature 2.5G mobile service subscribers. Backed by the MII, time division synchronous code division multiple access (“TD-SCDMA”) is a 3G standard developed by Datang Telecom and Technology in the hope of challenging dominant 3G standards – the CDMA2000 standard developed by San-Diego-based Qualcomm for CDMA networks and the European-backed wideband CDMA (WCDMA) for GSM networks. The PRC government hopes that the country can build its own 3G mobile standard that would redirect the hefty fees that domestic equipment suppliers pay to companies such as Qualcomm to the domestic industry. However, the popularity of such a new network is uncertain.

## **Business Review**

### *Mobile Phone Distribution*

Mobile phone distribution continues to be the Group’s major core business for the three months ended 30th September, 2002, accounting for over 90 % of the Group’s turnover during the period. The current retail market price (tax included) of Nokia’s model 8250 has stabilized at approximately Rmb1,780. While Nokia model 8250 is a mature model, but it is still a popular choice to consumers in the PRC when the pricing strategy is correctly set. In November, a country wide promotional campaign through newspaper coverage will be organized jointly with Nokia to boost the sales of model 8250 with the aim to support various distribution channel sales and regenerate awareness of the product and brand. Besides the distribution right for Nokia’s 3610 model, the Group has also successfully obtained the distribution right for new Nokia’s 7210 model in November 2002. This advance GPRS model is characterized by its colorful cover, full color display, built-in radio, MMS and WAP capabilities using JAVA technology and polyphonic ringing tones. The Group is confident that this new model will be well received by the PRC top tier consumer market.



Although the PRC mobile phone market is now dominated by Nokia and Motorola, it is still a highly competitive market for the handset manufacturers, both foreign and local. The market share of local brands are increasing, mainly TCL, and is estimated to have reached over 25%. Other foreign brands, like Samsung, Sony Ericsson and Siemens are expanding their PRC distribution as well. NEC also begins its shipment of GPRS handsets to the PRC market in November.

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

The new color GPRS PDA mobile phone, O<sub>2</sub> xda, was successfully launched and was well received by the Hong Kong enterprise market. In October, a new enhanced version with 64MB RAM, XDA Plus, was introduced and the Group is optimistic that it will also be well received by the enterprises users.

In August, Synergy and Cheung Kong Property Development Limited (“Cheung Kong”) jointly announced the “Magic Home” Project – Wireless Internet Home Access service in Hampton Place located in the waterfront area of West Kowloon. With its experience and superb know-how in wireless technology, Synergy was appointed to supply Proxim Orinoco Wireless Networking equipment, infrastructure design, providing technical advice and support to the whole “Magic Home” project.

#### **Outlook and Prospects**

The Group is alert of the keen competition of the mobile phone market and the emerging of the expanding domestic brand handsets. The Group sees this as a challenge as well as opportunity in diversifying its mobile phone distribution. The Board of directors believes that the role of handset distribution specialist becomes more important to the handset manufacturers in such a competitive handset market. Through the well established distribution infrastructure and adequate working capital back up, the Group is well positioned to take advantage of the business opportunity with other brands.



## DIRECTORS' INTERESTS IN SECURITIES

At 30th September, 2002, 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 other interest

Lau Siu Ying, Steve	211,500,013
---------------------	-------------

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 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, 2002.

## 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.

### **SUBSTANTIAL SHAREHOLDERS**

At 30th September, 2002, 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.

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

During the period from 1st April, 2002 to 30th September, 2002, 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, 2002 to 30th September, 2002 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, 12th November, 2002