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

(Incorporated in Bermuda with limited liability)

RESULTS ANNOUNCEMENT
For the year ended 31st March, 2001

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This announcement, 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 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 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.

** For identification only*

HIGHLIGHTS

- Turnover was approximately HK$1,545 million for the year ended 31st March, 2001, representing a growth of 12% over the previous financial year.
- Profit from operations was HK$33.6 million and net profit for the year was HK$18.0 million.
- The earnings per share was 6.0 HK cents.

RESULTS

The directors of Fortune Telecom Holdings Limited (the "Company") are pleased to announce the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st March, 2001, together with the comparative audited figures for the corresponding year ended 31st March, 2000 as follows:

	Notes	**2001** ***HK$'000*** *(Note 1)*	2000 *HK$'000* *(Note 1)*
Turnover	*2*	**1,544,856**	1,380,786
Costs of sales		**(1,474,031)**	(1,301,335)
Gross profit		**70,825**	79,451
Other revenue		**6,911**	4,376
Distribution costs		**(20,235)**	(7,623)
Administrative expenses		**(23,938)**	(13,784)
Profit from operations		**33,563**	62,420
Deficit on revaluation of an investment property		**(2,500)**	(200)
Unrealised gain on investment securities	*3*	**39,458**	–
Unrealised holding loss on other investments	*3*	**(41,448)**	–
Finance costs		**(4,721)**	(1,609)
Shares of results of associates		**(261)**	(9)
Profit before taxation		**24,091**	60,602
Taxation	*4*	**6,109**	9,760
Profit for the year		**17,982**	50,842
Dividends		**3,000**	15,000
Earnings per share	*5*	**6.0 cents**	20.3 cents

1. Group reorganisation and basis of presentation

The Company is an exempted company with limited liability incorporated in Bermuda under The Companies Act 1981 of Bermuda (as amended) with its shares listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Fortune 2000 Limited, a company incorporated in the British Virgin Islands.

Pursuant to a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on GEM, 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 dated 9th February, 2000.

The consolidated income statements and the consolidated cash flow statement for the year ended 31st March, 2001 include the results and the cash flows of the companies comprising the Group as if the current group structure has been in existence throughout the years under review, or since the dates of incorporation of the companies where this is a shorter period. In the opinion of the Company's directors, the financial statements, prepared on the above basis, present fairly the results, cash flows and the state of affairs of the Group as a whole.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

Investment in securities

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

Investments other than held-to-maturity debt securities are classified as investment securities or other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

2. Turnover

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

3. Unrealised gain/(loss) on investment securities / other investments

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

Since the Group previously relied on the expertise of PacificNet.com in the early development stage of e-business, the investment in PacificNet.com was classified as investment securities held for strategic purpose and was stated at cost as at 31st March, 2000.

During the year, the Group reduced the significance of PacificNet.com to its business by building up its own e-commerce team and due to the listing of the shares of PacificNet.com on the Nasdaq, the Group became increasingly concerned about the future returns from the investment. 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.

The fair value of the investment in PacificNet.com at the date of transfer was determined with reference to the subscription price of 1,000,000 shares in PacificNet.com subscribed by an independent investor in May 2000. The unrealised gain at transfer of PacificNet.com from investment securities to other investments recognised in the consolidated income statements was approximately HK$39,458,000.

4. Taxation

	2001	2000
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the year		
Current year	**510**	1,949
Overprovision in prior years	**–**	(108)
	510	1,841
People's Republic of China other than Hong Kong ("PRC") income tax	**5,599**	7,770
Overseas tax	**–**	100
Deferred tax	**–**	49
	6,109	9,760

PRC income tax represents taxation charges on the assessable profits of the Company's subsidiary, Fortune (Shanghai) International Trading Co., Ltd.. ("Fortune Shanghai") established in the PRC at a rate of 15% for the year ended 31st March, 2001 (2000: 15%). Pursuant to the Income Tax Law of the PRC, Fortune Shanghai is subject to PRC income tax 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 ended 31st December, 2000 provided that the export sales of Fortune Shanghai accounted for not less than 15% of the total sales of the Company. No tax refund had been received by the Group during the two years ended 31st Match, 2001.

Overseas tax is calculated at the rates prevailing in the relevant jurisdictions.

5. Earnings per share

The calculation of the basic earnings per share for the year ended 31st March, 2001 is based on the profit for the year of HK$17,982,000 and on 300,000,000 shares in issue during the year.

The calculation of the basic earnings per share for the year ended 31st March, 2000 was based on the profit for the year of HK$50,842,000 and on the weighted average number of 250,319,672 shares that would have been in issue throughout the year on the assumption that the Group Reorganisation has been completed as at 1st April, 1999.

DIVIDENDS

The directors propose a final dividend of 1 HK cent (2000: 5 HK cents) per share to be paid to the shareholders on record on 27th August, 2001.

CHANGE OF NAME

Pursuant to a special resolution passed at a special general meeting held on 8th January, 2001, the name of the Company was changed from Fortune Tele.com Holdings Limited to Fortune Telecom Holdings Limited.

FINANCIAL REVIEW

Revenue and Profitability

Turnover increased by HK$164 million, or 12% to HK$1,545 million for the year. In addition to sales revenues from the PRC mobile phone distribution operation, turnover also consisted of revenues from new business operations launched during the year. The Hong Kong retail operation and the prepaid IDD operation, launched in July 2000 and December 2000 respectively, generated revenue amounting to HK$11,464,000 (2000: nil) and HK$3,077,000 (2000: nil) respectively. While these new operations did not contribute significant revenues and profits to the Group during the year, they are growing rapidly and will make more contributions in the future.

During the year, the Group experienced severe industrial and seasonal impacts on its core mobile phone distribution business. As reported in the 3rd quarter report, the Group recorded a drop in sales by HK$99 million for the nine months ended 31st December, 2000, or 10% compared with the same period in the previous year. This was mostly due to the gradually ceasing supply by the Group's major supplier for Hong Kong delivery, as well as a drop in demand for the Group's products due to increased competition and lack of new models. Expecting an eventual cessation of Hong Kong delivery, Fortune extended its distribution network into the PRC and acquired additional financial resources to expand its PRC operation. The Group obtained the exclusive wholesale distribution rights for the Nokia 8250 in January 2001. As a result of the extensive sales and marketing activities and a strong demand for the new model, the Group achieved sales of HK$633 million for the last quarter, representing a substantial increase of HK$265 million, or 72% compared with the same quarter in the previous year, and a surge of 108% compared with the average sales per quarter of HK$304 million for the preceding three quarters.

The Group recorded a slightly drop in gross profit ratio from 5.8% to 4.6%, which was mainly due to the increasing competition during the year both from manufacturers and distributors, as well as the Group's further investment in selling and marketing. Also since the Group was in a transition period to wait for new models in the first three quarters the profit margin was affected. Furthermore, the Group adopted a penetration strategy to speed up the expansion of its distribution network in the PRC during the year, particularly in the last quarter.

During the year, the Group recorded a substantial increase in distribution costs, general expenses and finance costs. The increase in distribution costs was in line with the Group's expansion of its PRC distribution network. Fortune also increased its promotional activities, either on its own or jointly with its major suppliers. The increase in general expenses was mainly due to the increase in staff and rental costs relating to the expansion of the PRC operation, as well as the increase in professional and statutory expenditures relating directly or indirectly to the Group's listing on GEM. The increase in finance costs was due to the requisition of RMB borrowings to finance the PRC operation and the requisition of the US$12 million Transferrable Loan Certificate which was aimed at financing the additional working capital required for the expansion of the Group's PRC operations. The Group also financed its PRC operation by RMB borrowings secured by Hong Kong Dollars cash deposits to minimise exchange risks as well as to enhance the feasibility of cash withdrawal from the PRC operation. The interest expenses incurred for the RMB borrowings were mostly offset by interest income generated from the deposits pledged to banks as securities.

The Group recorded net unrealised holding loss of HK$2 million on its investment in PacificNet.com LLC ("PacificNet.com"), a company incorporated in the USA and listed on NASDAQ. During the year, the Group changed its investment philosophy in PacificNet.com from a strategic holding to an investment holding. The investment in PacificNet.com therefore transferred to other investments and carried at fair value since 30 June 2000. Subsequently to PacificNet.com listing on NASDAQ in July 2001, the fair value of its investment in PacificNet.com was decided by its closing share price. Due to the significant drop in PacificNet's share price lately, the fair value of the Group's investment dropped correspondingly, the resulting deficit has been recorded as an unrealised loss. However this loss, being unrealised, has no real impact on the Group's liquidity and operation.

Assets and Liquidity

Inventories increased significantly from HK$61 million to HK$181 million. The significant increase in inventories was mainly due to the Group expanded its operation in the last quarter of the year. It was also due to the shifting of the Group's distribution from Hong Kong delivery to PRC delivery. The average monthly sales for the last quarter of the year was HK$211 million, representing a 72% increase as compared with the monthly sales of HK$123 million for the same quarter of the previous year. Based on these monthly sales, the inventories turnover period was 26 and 17 days respectively. For Hong Kong delivery, the Group maintains a centralized logistic centre with relatively low level of inventories. For PRC delivery, the Group has warehouses in Beijing, Shanghai and Guangzhou to ensure timely delivery of goods to customers. In addition, the Group also placed bulkier purchases for cost and effective advantages in consideration of the inventories protection offered by its major supplier and the marketability of the goods.

With effective financial control and tight credit policies, the Group maintained strong liquidity throughout the year. As at the balance sheet date for the year under review and the previous year, the Group managed to keep a current ratio of approximately 2.0. During the year, the Group continued to tighten its credit policy, with the majority of the sales continued to be settled by cash on delivery. With reference to the monthly sales of HK$211 million for the last quarter of the year and the monthly sales of HK$123 million for the same quarter of the previous year, the turnover period for trade receivables, as well as the trade balance due from a related company decreased from 13 to 10 days.

In December 2000, Fortune obtained a 2-year term floating rate syndication loan for financing the working capital required for expanding its PRC operation. The loan principal is repayable upon maturity and the loan interest is repayable every six months. The annual interest cost arising from this loan will be around HK$7 million, representing approximately 25% of the Group's profit from operations this year.

Throughout the year, the Group maintained a strong cash position. As at the balance sheet date, the Group had total cash balance of HK$185 million, of which HK$106 million was unpledged and free from any lien. The strong cash position allows higher flexibility for the Group's business planning, and also allows the Group to grasp business opportunities.

BUSINESS REVIEW

Mobile Business

Mobile Phone Distribution

Mobile phone distribution continued to be the Group's core business which accounts for over 98% of the Group's turnover for the year. During the first 3 quarters of the year the Group experienced a drop in sales due to increase in competition and delay of new products launched by the Group's major supplier. The launch of Nokia 3310 and Nokia 8250 by the Group's major supplier Nokia, at the end of September 2000 and early January 2001 respectively, restored the Group's competitive product edge, particularly when the Group acquired the wholesale exclusive wholesale distribution right in the Nokia 8250 in the PRC. During the last quarter of the year, the Group's average monthly sales achieved 100% increase as compared with the average monthly sales in the preceding third quarters.

Distribution network in the PRC

During the year, the Group's major supplier had been gradually ceasing its supply for Hong Kong delivery. In view of an eventual cessation of Hong Kong delivery, the Group had been focusing on the expansion in its PRC operations throughout the year, particularly after the requisition of a transferable term loan in December 2000 for financing the rapid expansion. Currently the Group developed around 23 NPC in the PRC with its extensive distribution network consisting of 120 authorised distributor shops and 130 authorised dealer shops operating under the Group's trade name, spread out in nearly 100 cities across over 28 provinces and capital cities in the PRC. The number of authorised services centres developed by the Group also increased to 28 during the period. In the future, the Group will continue to work closely with Nokia and other major vendors to expand its distribution network in the PRC. The Group is also establishing a regional headquarter in Chengdu to extend the coverage of its distribution network in the western region of the PRC.

During the year, the Group conducted a number of marketing and promotional activities together with its major suppliers, local partners and retailers. Most of the activities were supported by the local operators including China Mobile and China Unicom in form of activation fee subsidy, roadshow and prepaid SIM promotions.

In January, 2001 Chinese Lunar New Year period, the Group rolled out a Nokia 3310 handset promotion plan in Shanghai and selected cities in Eastern China to offer : "3310 – 祝您"袋袋"平安. Customer can get a free original "U2" brand travel bag (worth RMB185/bag) when buying one set of 3310. The plan was very successful, sales volume increase 7,000 sets during the three weeks promotion and the selling price raised RMB80/set accordingly.

In February 2001, the Group launched a promotional program in over 15 cities in Northern, Eastern and Southern China to stimulate the demand for Nokia 8250. The program was "buy one get one free" which end customers of Nokia 8250 can get one free G2000 business handbag. These activities were broadly welcomed by consumers and the demand for Nokia 8250 had increased subsequently.

Telecom-Port Retail Chain

In June 2000, the Group acquired the entire equity shares of Top Success International Holdings, subsequently renamed Telecom-Port, to mark its entry into the retail operation. Telecom-Port is positioned to be a leading Communications and Computer (C&C) retailer and value added services provider in Hong Kong. In view of the continuous growth of the mobile phone replacement market and the emergence of increasing mobile business through wireless Internet applications, Telecom-port retail chain aims at providing customers with mobile service consultancy, activation and personal digital devices. Currently the Telecom-Port chain has expanded to a total of 8 retail outlets in prime areas in Hong Kong and the Jusco stores together with one franchise shop opened in Tsuen Wan in February 2001.

Mobile Commerce

The Group achieved noticeable progress in finalizing the 50:50 joint venture (Mobilerex Technology Ltd.) with a Finnish partner. The joint venture aims at becoming a leading Wireless Solutions Provider (WSP) which will ultimately empower all the Group's Internet projects to be wireless ready, ultimately extending channel coverage to mobile phone users. With the cutting edge of Finnish technology from wireless platforms, applications and services to 3G technology, the Group will be able to provide vast amount of Chinese localised applications and platform with a full range of wireless solutions in the PRC.

E-Business

Investments

Amonic Solutions Limited

In July 2000, the Group acquired a 30% interest in Amonic Solutions Limited ("Amonic"), a Hong Kong based software company engaging in the provision of one-stop Internet solutions. Leveraging its strong technical background, Amonic became cnXML's premium partner in building commercial solutions for the private sectors in the PRC and is actively organizing XML education programs in Hong Kong to promote this standard for programming language in website applications. During the year, Amonic has officially rolled out its new web design package, Amonic Express, for SMEs.

PacificNet.com LLC

PacificNet.com was the Group's earliest investments in technology companies. It was incorporated in the USA and is engaged in the provision of e-commerce application site construction and site hosting management, support, maintenance and development services. On July 27, 2000, PacificNet.com was successfully listed in the NASDAQ of the USA, trading under the symbol "PACT". The Group has been holding approximately 9% of shares in PacificNet.com since its listing. The Group's shares in PacificNet.com are currently restricted from trade until expiry of the lockup period in July 2001.

E-Commerce Project Development

Telecom-port.com

Telecom-port.com is the online store of Telecom-port retail chain. In addition to its provision of up to date products and market news, it integrates three payment gateways – Aeon-Spot, Beenz and Visa Credit Card. It is one of the first local websites to provide e-shopping convenience, flexibility and security in the B2C online marketplace. Most customer online orders can be collected at Telecom-Port's retail outlets. During the year, Telecom-port.com also launched its membership card to provide a series of benefits to members.

FortuneTele.com

Fortunetele.com is the Group's corporate website providing corporate information and a mobile B2B marketplace. The website features hyperlinks to the Group's franchisees in the PRC, and also e-logistics, e-payments for enhancing the Group's distribution operations in the PRC.

Multimedia Communications Business

Distribution of Multimedia/Telecom Products

In view of the rapid development in the PRC telecommunications industry, the Group has successfully obtained exclusive distribution rights for a variety of multimedia/telecom products including "Multimedia/Internet Payphone", "Prepaid-card Vending Machine", and "Calling Card Payphone" in Macau, Hong Kong and the PRC. The Group has been marketing these products to PRC telecom operators through its established distribution network and business connections.

Provision of VoIP Services

The Group launched its prepaid IDD services in December 2000 under the "Fortune Multimedia" brand. Currently the Group is offering Phillipino and Indonesian prepaid IP calling cards. The Group has already soft launched its post paid IDD services in April 2001 and will officially launch the post paid IDD services in August 2001. For the provision of VoIP and Fax over IP package services in the future, the Group is currently applying for Private Pay Phone and Internet Service Provider ("ISP") licenses.

OUTLOOK

WTO Challenges

Upon China's accession into the WTO, the deregulations of telecommunications policy will create severe competition. However, the complexity, formality, bureaucracy and cultural difference in doing business in China will form entry barriers for new foreign investors, network operators, manufacturers and retailers. Fortune will take advantage of its established distribution platform to serve as an effective medium for the international mobile and IT corporations entering into the PRC market.

Distribution Infrastructure

Given the rapid increase in market size and business volume in the next few years, the Group intends to enlarge the investment in the PRC to strengthen its distribution and logistic network with advanced IT systems. Within one year, the Group will:

– expand sales operations from 15 to 25 within one year;

– enlarge sales and marketing team to over 1,000 people;

– extend total market coverage and direct supply to over 5,000 mobile and IT shops in the country.

Merger and Acquisition

In May 2001, the Group acquired 51% of the share capital of Synergy Pacific Holdings Ltd. ("Synergy"), a Hong Kong based company engaged in the provision of wireless data communications solutions and e-business infrastructure in Hong Kong and the PRC. Synergy is also a market leader in the systems integration business especially in WAN, wireless local area networks (WLAN), remote access systems (RAS), Internet service providing services (ISPS), personal digital assistants and point of sales solutions. This acquisition would provide strategic benefits to the Group, enabling the Group to enrich its product mix and enhance its capability to provide value-added services in the field of wireless data communications applications.

The acquisition of Synergy symbolizes a milestone for both parties to leverage on each others' expertise and enhance their strengths in handling sophisticated wireless communications and data products. Synergy is the first Palm PDA distributor outside the US and has developed the world's first Chinese Palm Operating System – Dragon Pen. Synergy is also one of the largest Lucent 802.11 Wireless LAN distributor in Southeast Asia. The Group strongly believes that there will be a strong synergy effect in terms of technology and distribution in Hong Kong and in the PRC. The group believes that the PRC will be the world's largest PDA market, thus the Group is positive to convence the distribution of handheld digital products in the PRC in the near future.

Product Diversification

The Group is considering to expand and re-engineer its existing authorized distributor shops and dealer shops in the PRC to handle more product lines including communication products and computers. Under the project, those shops will carry both wireless communications and computer/digital products including mobile phones, PDAs, pocket PCs, MP3 players, digital cameras, Wireless LAN and home networking products.

Conclusion

As the expectations of today's international investors revert to a focus on performance and demand for value, we believe that companies who can demonstrate genuine improvements in business results will be ultimately favoured. The group will be committed to enhancing shareholders' value and improving profitability in every aspect of its business.

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 six months ended 31st March, 2001	
• Increase monthly mobile phone sales target to about 150,000 – 200,000 sets	• Monthly mobile phone sales reached 150,000 sets. The Group incurred about HK$2 Million in costs as estimated.
• Development of fulfilment facility	• The establishment of this fulfilment facility has not yet commenced.
• Increase authorised distributor shops and dealer shops to 250	• Total distributor shops and dealer shops reached 250, spreading over 100 cities and across 28 provinces. The Group has incurred about HK$1 million cost to date.
• Increase after-sales facilities along its distribution network in the PRC	• Mobile phone service centres increased to 28 as at March 2001. The Group incurred about HK$2 million in cost as estimated.
• Recruiting sufficient staff to support its distribution network in the PRC.	• The Group recruited the necessary staff to support its distribution network and after-sales service in the PRC. Costs incurred are about HK$3 million to date.
In respect of Fortune E-Commerce Limited (related businesses are now under "E-Business"):	
For the six months ended 31 March 2001	
• Continuous technical support, maintenance and enhancement on e-commerce facilities	The Group has upgraded 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$5 million to date.

In respect of Fortune Internet Communications Limited (related businesses are now under "Multimedia Business"):

For the six months ended 31st March, 2001

• Launch of IP services in Hong Kong, thereby provide "voice over IP" IDD services to subscribers in Hong Kong	The Group launched prepaid IP Calling services under the international "Fortune Multimedia" Brand using the latest VIP technology in early November 2000. The Group has incurred costs of about HK$5 million to date.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31st March, 2001, 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

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 31st March, 2001.

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 year and no options were outstanding at 31st March, 2001.

Apart from the share option scheme as detailed above, at no time during the year 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 year.

SUBSTANTIAL SHAREHOLDERS

At 31st March, 2001, 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 31st March, 2001.

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 year ended 31st March, 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company's audit committee was formed on 10th December, 1999 and comprise 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 Telecom Holdings Limited
Lau Siu Ying, Steve
Chairman

Hong Kong, 28th June, 2001

* *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.