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 THREE MONTHS ENDED 30TH JUNE, 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 (the "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 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 purpose only*

HIGHLIGHTS

- Turnover for the three months ended 30th June, 2001 was approximately HK$673.3 million, representing an increase of approximately 84% as compared with the corresponding period in the previous year.
- Unaudited profit from operations for the three months ended 30th June, 2001 was approximately HK$16.8 million, representing an increase of approximately 184% as compared with the corresponding period in the previous year.
- An unrealised holding gain on other investments of approximately HK$4.2 million was recorded.
- The earnings per share was 5.0 cents for the period.
- The board of directors does not propose the payment of an interim dividend for the three months ended 30th June, 2001.

RESULTS

The board of directors (the "Board") of Fortune Telecom Holdings Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 30th June, 2001, together with the unaudited comparative figures for the corresponding period in 2000 as follows:

		Three months ended 30th June,	
		2001	2000
	Notes	***HK$'000***	*HK$'000*
		(Note 1)	*(Note 1)*
Turnover	*2*	**673,345**	365,395
Cost of sales		**(652,974)**	(355,805)
Gross profit		**20,371**	9,590
Other revenue		**2,521**	2,122
Distribution costs		**(2,894)**	(2,369)
Administrative expenses		**(3,224)**	(3,445)
Profit from operations		**16,774**	5,898
Finance costs		**(4,304)**	(1,678)
Unrealised gain on investment securities	*3*	**–**	39,418
Unrealised holding gain on other investments	*3*	**4,196**	–
Share of results of associates		**(59)**	(18)
Profit before taxation		**16,607**	43,620
Taxation	*4*	**(1,500)**	(996)
Net profit for the period		**15,107**	42,624
Earnings per share	*5*	**5.0 cents**	14.2 cents
Dividend per share		**Nil**	Nil

Notes:

1. **Basis of presentation**

The Company was incorporated in Bermuda as an exempted company with limited liability on 22nd October, 1999.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of members of the Group for the three months ended 30th June, 2001.

All significant inter-company transactions and balances amongst members of the Group are eliminated on consolidation.

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 on investment securities and holding gain on other investments**

The amount represents the surplus 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 consolidated 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 has substantially reduced its reliance on PacificNet.com for development of e-business solutions. On the other hand, the Group became increasingly concerned about the future returns from its investment in PacificNet.com. As a result of this change of intention, the Group's investment in PacificNet.com was transferred to other investments and carried at fair value as from May 2000 onward. The unrealised gain on investment securities represents the gain at transfer of PacificNet.com from investment securities to other investments. Also, the fair value of PacificNet.com as at 30th June, 2001 was determined with reference to the closing price of PacificNet.com on the NASDAQ National Market in the United States as at 29th June, 2001.

Pursuant to the benchmark treatment under the HKSSAP 24, the change in valuation of other investments should be included in the net profit or loss for the relevant period. Accordingly, the surplus arising on the revaluation of the investment in PacificNet.com was recorded as a holding gain on other investments in the Group's income statement for the three months ended 30th June, 2001.

4. Taxation

	Three months ended 30th June,	
	2001	2000
	HK$'000	*HK$'000*
	(Note 1)	*(Note 1)*
The charge comprises:		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profit	**–**	305
Mainland China ("PRC") income tax	**1,500**	691
	1,500	996

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") at a rate of 15% for the three months ended 30th June, 2001 (2000: 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 by the Group up to 30th June, 2001.

5. Earnings per share

The calculation of the basic earnings per share for the three months ended 30th June, 2001 is based on the unaudited net profit of HK$15,107,000 (2000: HK$42,624,000) and on 300,000,000 shares in issue during the period (2000: 300,000,000 shares).

INTERIM DIVIDEND

In order to reserve financial resources to accelerate business growth, the Board does not propose the payment of an interim dividend for the three months ended 30th June, 2001 (2000: Nil).

REVIEW AND OUTLOOK

Financial Review

The turnover of the Group increased to HK$673.3 million for the three months ended 30th June, 2001, representing an increase of approximately 84% as compared with the corresponding period in the previous year. The profit from operations increased by 184% to approximately HK$16.8 million. The Group also recorded an unrealised holding gain of HK$4.2 million for the three months ended 30th June, 2001.

The Group's encouraging results for the period was largely attributable to the strong sales of Nokia model 8250 mobile phone. The demand for this model of mobile phone is expected to remain strong for the remaining period of the year. The management is optimistic on the overall results for the year due to the strong demand for the new Nokia model mobile phone in the PRC market. During the period, the gross profit margin was maintained at around 3%. The increase in finance cost was in line with the strong sales during the period which required additional financing for working capital. The Group currently has adequate bank facilities to cater for the anticipated future increase in trading volume. As at 30 June, 2001, while the Group's aggregate bank borrowings decreased to approximately HK$111 million, it maintained bank deposit of approximately HK$165 million. The gearing ratio of the Group, calculated as non-current liabilities to shareholders' fund, remained low at 0.18 as at 30th June, 2001.

During the period, the Group recorded an unrealised holding gain of HK$4.2 million as a result of the increase in share price of PacificNet.com, a major investment of the Group, listed on the NASDAQ National Market of the United States.

The Board believes that the Group will continue to have sufficient financial resources and funding for its operational requirements. The Board is confident that it has the necessary management calibre and appropriate strategy in place to develop the business of the Company so as to enhance the value of its shares.

Operation Review

Market and Industrial Update

The wireless telecommunications and data industry continued to consolidate during the period. Major telecommunications equipment vendors kept recording declining results or even losses while only few market leaders were able to achieve forecast earnings. In Japan, NTT DoCoMo soft launched the world's first 3G service but the initial results were far below expectation. In Europe, Vodafone announced the delay of launching 3G service. In Hong Kong, mobile network operators increasingly emphasize on new and value-added services, such as data communications and SMS services, including various downloads, games and entertainments to enhance their revenue base.

In the PRC, the wireless telecommunication industry still maintains a promising growth despite the downturn in the rest of the world. In June 2001, the total number of mobile phone subscribers reached 117 millions which is very close to the world's largest market – U.S.A. (around 120 millions). It is expected that the PRC will maintain substantial growth of approximately 4 million new subscribers per month in this year and is expected to become the world's largest mobile phone market by the end of the year.

According to the latest industry data, the global market share of major telecommunications equipment vendors has changed to Nokia 35.3%, Motorola 13.2%, Ericsson 6.9%, Siemens 6.8%, Samsung 6.3%, others 31.5%, which is in line with the perception of the Directors in the earlier days. In the PRC, the mobile phone market shows a different picture where Nokia and Motorola still remain the market leaders, and Siemens became the third which is followed by Ericsson. At the same time, domestic mobile phone manufacturers achieved a strong growth of market position with market share of approximately 10%.

Mobile Phone Distribution

Mobile phone distribution continued to be the core business of the Group for the period which accounts for over 90% of the reported turnover.

The mobile phone distribution, as a core business, has recorded an explicit growth for the period again following the significant improvement in the last quarter of the preceding financial year. The Group recorded remarkable sales of Nokia 8250 mobile phone, which the Group has an exclusive wholesale distribution right. The market share of Nokia 8250 experienced a significant growth in the PRC market as a result of diligent efforts by the Group's staff and effective marketing campaigns. During April to June 2001 the Group organized various dealer seminars and conferences in 20 major PRC cities, including Beijing, Shanghai, Chengdu, Kunming, Wuhan, Changsha, Nanning, Quanzhou, Hefei, Nanjing, Hangzhou, Qingdao, Jinan, Zhengzhou, Xian, Changchun, Harbin, Shenyang, Dalian and Nanchang. The Group committed significant investment for such conferences, and the number of participants exceeds 2,000, including local operators of China Mobile and China Unicom networks dealers of different size, retailers, media and consumers. The Chairman and CEO of the Group, Mr. Steve Lau also actively participated these seminars and gave his speeches in over 10 cities in the PRC regarding the industry outlook, distribution strategies and the success of the Group.

The Group successfully enhanced the mobile phone sales in the PRC market for the period. Apart from achieving a good result, the distribution network of the Group in the PRC was further enhanced and developed. As a result, the solid foundation for the Group to maintain its competitive edge on the product was well preserved.

Distribution network in the PRC

During the period, despite the continuing economic slowdown in the global economy, the PRC economy still recorded an outstanding performance. The distribution network of the Group in the PRC also experienced a rapid development with the growth of business.

In the South Eastern region of the PRC, the market penetration rate of mobile phone reached 12.5% and the market penetration rate in Shanghai even reached 24%. The Group accelerated its development of distribution network in this highly developed economic region. New sales operations were established in Shenzhen and Fuzhou and a new and exclusive Nokia Professional Centre ("NPC"), Nokia (Chuang Yi) NPC, was established and open for business in Shanghai in July 2001. In the central and western regions of the PRC, the average market penetration rate of mobile phone was only 4.5% and 3.9%, respectively. Despite the economies of these regions are yet to develop, business opportunities are expected to emerge. New sales operations were launched by the Group in the central cities, such as Changsha, Hefei and Wuhan, during the past few months and such move will procure the distribution network of the Group to permeate in every PRC province, city and autonomous region. As a result, the Group's reputation of being a wireless communication and data product value-added distributor can be further enhanced. Furthermore, the Group will strive to become the "Leader" of mobile phone value-added service distributor in the PRC.

During the period, the Group continued to launch various large scale marketing and promotional activities together with major mobile phone suppliers, local operators of China Mobile and China Unicom networks, local partners and retailers of mobile phone. In May 2001, the Group launched joint promotion with China Mobile in Henan to boost China Mobile's customer base. During that period, mobile connection fee was waived with purchase of Nokia 8250 or 3310 mobile phone. The event achieved great success and the sales of mobile phone increased significantly. In May and June 2001, the Group launched a mobile phone "bundle" package promotion campaign. The package consisted of a model 8250 Li-ion battery, desktop charger and handfree device. The mobile phone "bundle" package was given out as a complimentary gift with the purchase of Nokia 8250 mobile phone. An exciting response was recorded for the campaign, and the sales volume and market share of Nokia 8250 mobile phone were further enhanced. A remarkable daily sales record of Nokia 8250 mobile phone was achieved at 10,000 sets during the period.

Multimedia Communication Business

The IDD 1522 service recorded steady revenue growth in the last period. The existing system capacity is almost fully utilized and the Group is upgrading its system capacity to cater for rapid increase in IDD volume. Moreover, IDD 1522 has lined up with different strategic partners to carry out joint promotion to promote the brand awareness as well as the services. In June 2001, the Group conducted joint promotion with Hong Kong Jusco Department Store to offer exclusive IDD packages to holders of Jusco Card. The Group is studying several value added services for better choices to both existing and potential IDD users.

Acquisition of 51% of the share capital of Synergy Pacific (Holding) Limited ("Synergy")

In May 2001, the Group entered into an agreement to acquire 51% of the share capital of Synergy. Completion of the agreement took place in July 2001. Synergy is a Hong Kong based company engaged in the provision of wireless data communication solutions and e-business infrastructure. It is the first Palm distributor outside US and currently is distributing a number of information technology and telecommunications products of renowned brands such as Lucent Technology, Palm, Netgear, 3Com, etc.

Outlook and Prospect

The Directors are confident that the growth of PRC mobile phone market will continue ahead upon the accession into WTO and the winning of hosting right of year 2008 Olympic Game. Later this year, it is expected that China Unicom will launch CDMA service across the country. The Group is encouraged by the new opportunities which may further increase the mobile phone sales by introducing CDMA phones and other business prospects. In addition, the Group will continue to expand its distribution and retail network in the PRC in order to cope with the rapid growth.

In order to maintain competitive product edge in the PRC market, the Group is considering to further expand its retail network in the PRC to handle multiple computer and communication products such as PDAs, MP3 players, digital camera, etc.

The Board views the coming year as a year of growth and is confident that the results for the whole financial year of 2001/2002 will be satisfactory.

DIRECTORS' INTERESTS IN SECURITIES

At 30th June, 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 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 June, 2001.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the share option scheme of the Company adopted on 2nd February, 2000, the Directors 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 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' INTEREST IN THE SHARE CAPITLAL OF THE COMPANY

At 30th June, 2001, other than the interests disclosed in the section headed "Directors' interests in securities" above, the Company was not 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 had any interest in the securities of the Company as at 30th June, 2001.

Pursuant to the agreement dated 8th February, 2000 entered into between the Company and DBS, DBS is entitled to 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 period from 1st April, 2001 to 30th June, 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 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.

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

Hong Kong, 6th August, 2001

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.