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 nine months ended 31st December, 2001

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This announcement, for which the directors (the "Directors") of Fortune Telecom Holdings Limited (the "Company") 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 the Company. 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

- The turnover of the Group for the nine months ended 31st December, 2001 was approximately HK$2,364 million, representing an increase of approximately 159% as compared with the corresponding period in the previous year.
- The unaudited profit from operations of the Group for the nine months ended 31st December, 2001 was approximately HK$45.9 million, representing an increase of approximately 329% as compared with the corresponding period in the previous year.
- An unrealised holding loss on other investments of approximately HK$7.8 million was recorded.
- The earnings per share was 7.4 cents for the nine months ended 31st December, 2001.
- The Board does not propose the payment of an interim dividend for the nine months ended 31st December, 2001.

RESULTS

The board (the "Board") of Directors is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the "Group") for the three months and the nine months ended 31st December, 2001, together with the unaudited comparative figures for the corresponding periods in 2000 as follows:

		Three months ended 31st December,		**Nine months ended 31st December,**	
		2001	2000	**2001**	2000
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	2	**747,560**	283,379	**2,364,408**	913,439
Cost of sales		**(725,578)**	(264,925)	**(2,297,217)**	(877,850)
Gross profit		**21,982**	18,454	**67,191**	35,589
Other revenue		**2,577**	1,234	**7,161**	5,134
Distribution costs		**(3,764)**	(8,915)	**(11,494)**	(11,899)
Administrative expenses		**(6,873)**	(8,762)	**(16,981)**	(18,136)
Profit from operations		**13,922**	2,011	**45,877**	10,688
Finance costs		**(4,193)**	(1,892)	**(12,593)**	(6,778)
Unrealised gain on investment securities	3	–	–	–	39,418
Unrealised holding loss on other investments	3	**(3,044)**	(16,894)	**(7,795)**	(33,374)
Share of results of associates		**(29)**	(12)	**(130)**	(60)
Profit (Loss) before taxation		**6,656**	(16,787)	**25,359**	9,894
Taxation	4	**(4,212)**	(238)	**(2,080)**	(1,626)
Profit (Loss) before minority interests		**2,444**	(17,025)	**23,279**	8,268
Minority interests		**(331)**	0	**(994)**	0
Net profit (loss) for the period		**2,113**	(17,025)	**22,285**	8,268
Earnings (Loss) per share – Basic	5	**0.7 cent**	(5.7 cents)	**7.4 cents**	2.8 cents

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 consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the nine months ended 31st December 2001.

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 financial statements are consistent with those used in the annual financial statements for the year ended 31st March, 2001, except that the Group has changed its accounting policy in respect of goodwill following the adoption of SSAP 30 "Business Combinations" issued by the Hong Kong Society of Accountants which are effective for accounting period commencing on or after 1st April, 2001.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions occurring on or after 1st April, 2001 is included in intangible assets and is amortized using the straight line method over its estimated useful life. Goodwill on acquisition that occurred prior to 1st April, 2001 was written off against reserves. The Group has adopted the transitional provisions in SSAP 30 and such goodwill has not been retroactively capitalized and amortized. However, any impairment arising on such goodwill is accounted for in accordance with SSAP 31 "Impairment of Assets" which requires any impairment loss be recognized as an expense in income statement immediately and allocated to reduce the carrying amount of the acquired subsidiary/associate.

Goodwill is generally amortized over a period not exceeding 20 years.

2. **Turnover**

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the period. Over 90% of the turnover is attributable to the business of distribution of mobile phones in Mainland China.

3. **Unrealised gain on investment securities and holding loss on other investments**

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 as from May

2000 onward. Due to such transfer, an unrealised gain on investment securities was recorded. The fair value of PacificNet.com as at 31st December, 2001 was determined with reference to the closing price of PacificNet.com on the Nasdaq National Market in the United States on 31st December, 2001. From 30th January, 2002 onward, the shares are traded on the Nasdaq SmallCap Market.

Pursuant to the benchmark treatment under the SSAP 24, the change in valuation of other investments should be included in the net profit (loss) for the relevant period. Accordingly, the deficit arising on the revaluation of the investment in PacificNet.com was recorded as a holding loss on other investments in the Group's income statement for the nine months ended 31st December 2001.

4. Taxation

	Three months ended 31st December,		**Nine months ended 31st December,**	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The credit (charge) comprises:				
Hong Kong Profits Tax calculated at 16% of the estimated assessable profit				
Current period	**(340)**	(79)	**(340)**	(558)
Overprovision in prior year	**1,705**	–	**1,705**	–
Mainland China ("PRC") income tax				
Current period	**(6,424)**	(159)	**(8,145)**	(1,068)
Overprovision in prior year	**500**	–	**4,700**	–
Share of taxation of associates				
Hong Kong	**347**	–	**–**	–
	(4,212)	(238)	**(2,080)**	(1,626)

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 nine months ended 31st December, 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. The amount of tax credit received during the nine months period was HK$2,308,000 and has been used to offset against current period tax charge.

5. Earnings (Loss) per share

The calculation of the basic earnings (loss) per share is based on the following data:

	Three months ended 31st December,		Nine months ended 31st December,	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Earnings (Loss)				
Net profit (loss) for the period and profit (loss) for the purposes of basic earnings (loss) per share	**2,113**	(17,025)	**22,285**	8,268
Number of shares	**Number of shares**			
Weighted average number of shares for the purpose of basic earnings (loss) per share	**302,100,000**	300,000,000	**301,166,667**	300,000,000

6. Transfer to Reserves

During the nine months period, 2,100,000 shares was issued on 30th July, 2001 as part of the consideration for acquisition of 51% shareholdings in Synergy Pacific (Holding) Limited and an amount of HK$3,990,000 (2000: Nil) was transferred to share premium account.

INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the nine months ended 31st December, 2001 (2000 : Nil).

REVIEW AND OUTLOOK

Financial Review

The turnover of the Group increased significantly to approximately HK$2,364 million for the nine months ended 31st December 2001, representing an increase of approximately 159% as compared with the corresponding period in the previous year. The Group's operating profit for the nine months ended 31st December, 2001 increased by approximately 329% to approximately HK$45.9 million. The Group also recorded an unrealised holding loss of approximately HK$7.8 million for the nine months ended 31st December 2001.

The satisfactory result for the nine months ended 31st December, 2001 was largely attributable to the Group's success in the exclusive distribution of Nokia 8250 mobile phone. The mobile phone market in China remains competitive and the general market condition, as expected, was sluggish in October after the National Holidays. However, following the downward adjustment in the retail price of Nokia 8250 mobile phones to approximately RMB2,100 (equivalent to approximately HK$1,980) in December, the monthly sales of such mobile phone set has rebounded from approximately 100,000 sets in October 2001 to approximately 170,000 sets in December 2001. For the nine months period ending 31st December, 2001, the number of units of Nokia 8250 mobile phones sold was approximately 1.1 million sets. On this basis, the Directors are optimistic on the overall results of the Group for the year ending 31st March, 2002, as the sales of mobile phone sets are expected to increase around the

Chinese New Year season. The satisfactory increase in the Group's turnover during the nine months ended 31st December, 2001 was also attributable to the Group's comprehensive distribution infrastructure in China and its dedicated and successful marketing strategy implemented in China. The Group currently also distributes Nokia model 6250, 3310T and on an exclusive basis the new Nokia model 6510G. In making a decision to distribute a new mobile phone model, the Directors will evaluate its market position taking into consideration the target price, the target customer group and the mobile phone sets with similar functionality available in the market. The success of the distribution strategy of the Group was reflected in the continued strong sales of Nokia 8250 mobile phone.

During the nine months ended 31st December, 2001, the Group continued to established new relationships with both Hong Kong and PRC financial institutions to cater for its increasing need for working capital, as a result of the anticipated expansion in the Group's sales volumes. At the same time, the Group continued to enforce a strict policy on accounts receivable and maintained a reasonable level of inventory. As at 31st December 2001, the Group's aggregate bank borrowings amounted to approximately HK$223 million and bank deposits and cash balance of approximately HK$224 million.

To a certain extent, the Group's results for the nine months were adversely affected by the unrealised holding loss of approximately HK$7.8 million as a result of the decrease in the share price of PacificNet.com. From 30th January, 2002 onward, the trading of shares are transferred from the Nasdaq National Market in the United States to the Nasdaq SmallCap Market in the United States.

All in all, the Board believes that the Group will 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 to the shareholders of the Company.

Operational Review

Market Overview

The Mobile Phone and Telecommunication Market in China

During the nine months ended 31st December, 2001, the growth trend in China's mobile phone market continued. The number of mobile phone users in China had reached approximately 145 million and is growing at the rate of approximately 5 million users per month.

China Unicom has officially launched the long waited code division multiple access (CDMA) mobile phone network on 8th January, 2002 which represented a milestone of the history of telecommunication development in China . At the same time, China Mobile focused on the establishment of General Packet Radio Service (GPRS) network. The first phase of the GPRS network development is expected to have a capacity of 400,000 users, covering 25 cities in 16 provinces in China, and is currently under trial testing period. The network can now fully cover the entire Beijing area and it is expected that full country coverage will be completed by the end of this year. In order to attract more users, China Mobile has lowered GPRS usage fee for commercial customers. The major mobile phone suppliers have already targeted the GPRS market by launching various GPRS mobile phones, like Nokia 8310 and 6510 models, Ericsson T65 and T68 models (Bluetooth enabled), etc.

The Chinese government has also announced plan to restructure its telecom industry and set up four integrated operators providing fixed line, mobile, data broadband and other basic services. This means the telecommunication market in China will become more competitive. China Telecom, currently providing fixed line services, is expected to be restructured and split into two operations.

The local brand mobile phones suppliers, such as Bodao, TCL, Haier, Kejian, continued to expand their market share. According to certain published information, the aggregate market share of these local brands in China have already reached 15% and is expected to continue to grow. Nevertheless, it is expected that increasing price competition amongst the local mobile phone brands will lead to a further market consolidation amongst the local mobile phone brands.

With such fast moving development of the telecommunication industry in China, it is anticipated that mobile phone market will face rapid changes, increasing competition and challenges as well as additional business opportunities.

Business Review

Distribution of mobile phone set business

One of the Group's long-term business goals is to become one of the best and largest mobile phone distributors in China. On this basis, the business of distribution of mobile phone continued to be the Group's core business for the nine months ended 31st December, 2001, accounting for approximately 90% of the Group's turnover during the period. The Group sold approximately 1.1 million sets of Nokia 8250 mobile phone and approximately 180,000 sets of Nokia 3310/3310T mobile phones during the nine months period. During such period, there were approximately 500 new active customers. The current market price (tax included) of Nokia 8250 in China has recently adjusted downward from approximately RMB2,800 (equivalent to approximately HK$2,640) to currently approximately RMB2,100 (equivalent to approximately HK$1,980). Due to high quality and attractive features, the sales were accelerated upon the price decrease. The success was also attributable to the marketing strategy of offering promotional gifts like battery, fashionable mobile phone set cover, handsfree device, etc. According to the latest market research, Nokia 8250 mobile phone is still one of the five best selling mobile phone models in China. In certain cities in Southern China, such as Guangzhou, Dongguan and Zhongshan, Nokia 8250 mobile phone is the best selling model with market share of approximately 10%.

The Group successfully obtained the exclusive distribution right for new Nokia model 6510(G) in January 2002. Nokia 6510 series is equipped with the latest technology that can support both GPRS and High Speed Circuit Switched Data (HSCSD). This means that Nokia 6510 series can be used to connect to the Internet at a faster speed. FM radio capability is also installed with the mobile phone set. These features enable it to become not only a mobile phone set but also an integrated electronic wallet that allows online e-commerce transactions. The Directors are confident that this new model will be well received by the market.

As one of the Unicom Horizon's authorised distributors of CDMA mobile phones, the Group has obtained CDMA mobile phone distribution rights from Motorola and Hisense. According to the latest report, there were only four manufacturers that have CDMA mobile phones in supply and only have a limited initial volume of 220,000 sets in the market, far below the target number of subscribers of 15 million. The initial three months after launching are considered as trial period for CDMA network and more promotional activities are anticipated. In the future, it is anticipated that dual band mobile phones, supporting both CDMA and the GPRS network, will appear in the market.

Systems integration and the personal digital assistant (PDA) business

Synergy Technologies (Asia) Limited ("Synergy"), one of the Group's subsidiaries, announced in January 2002 the launch of latest "Bluetooth" products into the short range radio technology of Hong Kong. It is expected that the "Bluetooth" wireless technology will revolutionize the personal connectivity market by providing freedom from wired connections. With its insight and solid experience in product development in Hong Kong wireless communication market, Synergy is confident that Bluetooth products will emerge at a fast pace as it will provide users in any Bluetooth enabled area with the ability to connect and synchronize wirelessly with both corporate and personal data as well as internet based content. All these are perceived as favourite features for today's wireless PDA users.

Since the acquisition by the Group in July 2001, Synergy was able to explore many opportunities in the China PDA market and such development is in progress.

Retail business – Telecom-Port retail chain

As a result of the unfavourable economic outlook in Hong Kong and the increasing competitive environment in the saturated mobile telecommunication market, the Group has closed down two retail outlets and will take all appropriate steps to consolidate its existing operation in order to maximize its contribution to the Group's performance.

Outlook and Prospects

Despite the global consolidation of wireless telecommunication industry and over pricing of Europe's 3G licence fee, the China market remains as the strongest growth market. With the well-established distribution infrastructure and its marketing expertise, the Group is optimistic that it will benefit from the growth of mobile phone market in China. The Nokia mobile phones shall continue to be the main product in the year 2002 and the Group's profit shall be enhanced as a result of the distribution of new forthcoming models. With the distribution of CDMA mobile phones in year 2002, the Group has further strengthened its product ranges and brands selection. This is evidenced by the turnover of over HK$2 billion for the nine months ended 31st December, 2001 as compared with HK$913 million during the corresponding period in the previous year. The Directors are confident that the new business for CDMA mobile phones and the launching of new mobile phone models will enhance both the Group's profitability and its market share.

The distribution of PDA products, software development by Synergy and the forthcoming CDMA mobile phone business fall into the Group's strategy for business diversification. At the same time, the Group will continue to negotiate with existing mobile phone suppliers for new products and incentives. The Group has also plans to implement new planning and financial control software in year 2002 to further strengthen its internal control and financial and logistic information system.

DIRECTORS' INTERESTS IN SECURITIES

At 31st December, 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 31st December, 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 Group 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' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

At 31st December, 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 Asia"), its directors, employees or associates had any interest in the securities of the Company as at 31st December, 2001.

Pursuant to the agreement dated 8th February, 2000 entered into between the Company and DBS Asia, DBS Asia is entitled to receive 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 31st December, 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The 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. The audit committee has reviewed and approved this quarterly result announcement.

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

Hong Kong, 1st February, 2002

** For identification purpose only*

This announcement will remain on the website of the Growth Enterprise Market of the Stock Exchange with the domain name of www.hkgem.com on the "Latest Company Announcement" page for not less than seven days from the day of its posting.