http://www.fortunetele.com

FORTUNE TELECOM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

2 0 0 2

THIRD QUARTERLY REPORT

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 nine months ended 31st December, 2002 was approximately HK$2,271 million, representing a decrease of approximately 4% as compared with the corresponding period in the previous year. The decrease is mainly attributable to the lowering of selling price of handsets over the period.

- Unaudited profit from operations for the nine months ended 31st December, 2002 was approximately HK$70 million, representing an increase of approximately 62% as compared with the corresponding period in the previous year. The increase is mainly attributable to improved gross profit margin to 4.8% from 2.8% for the same period last year.

- The earnings per share was 13.5 cents for the nine months period.

SIGNIFICANT QUARTERLY EVENTS

– Joint promotional activities with China Mobile Communications Corporation ("China Mobile") to market Nokia's handset model 8250 and 3610 in various cities of Guangdong Province including Dongguan, Guangzhou and Shenzhen

– Carried out promotional activities in Shanghai jointly with Shanghai Mobile Communications Co. Ltd. for Nokia new colour display GPRS handset model 7210 in December 2002

– Established marketing network in Urumqi, Shijiazhuang and Taiyuan to explore new sales channels

– Obtained distribution rights for Kejian's handset model K320

– Appointment of Synergy Pacific (Holding) Limited ("Synergy") as the "Official Infrastructure Provider of Wireless Network" in the ITU Telecom Asia 2002 Conference held in Hong Kong

– During the quarter, Synergy has launched O_2 Plus and Palm Tungsten T PDA in Hong Kong

UNAUDITED CONSOLIDATED RESULTS

The board of directors (the "Board") of Fortune Telecom Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months and nine months ended 31st December, 2002 together with the unaudited comparative figures for the corresponding periods in 2001 as follows:

		Three months ended 31st December,		Nine months ended 31st December,	
		2002	2001	**2002**	2001
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover	2	**587,570**	747,560	**2,271,114**	2,364,408
Cost of sales		**(565,452)**	(725,578)	**(2,162,651)**	(2,297,217)
Gross profit		**22,118**	21,982	**108,463**	67,191
Other revenue		**3,535**	2,577	**5,623**	7,161
Distribution costs		**(4,625)**	(3,764)	**(17,418)**	(11,494)
Administrative expenses		**(4,608)**	(6,531)	**(19,121)**	(17,856)
Other operating expenses		**(772)**	(1,232)	**(7,947)**	(1,973)
Profit from operations	4	**15,648**	13,032	**69,600**	43,029
Finance costs		**(6,735)**	(3,303)	**(14,962)**	(9,745)
Deficit on revaluation of an investment property	8	**–**	–	**(1,250)**	–
Unrealised holding gain (loss) on other investments		**1,491**	(3,044)	**683**	(7,795)
Share of results of associates		**–**	(29)	**(38)**	(130)
Profit before taxation		**10,404**	6,656	**54,033**	25,359
Taxation	5	**(3,707)**	(4,212)	**(13,302)**	(2,080)
Profit before minority interests		**6,697**	2,444	**40,731**	23,279
Minority interests		**(366)**	(331)	**(25)**	(994)
Profit for the period		**6,331**	2,113	**40,706**	22,285
Dividends paid during the period	6	**–**	–	**15,105**	3,021
Earnings per share – Basic	7	**2.1 cents**	0.7 cent	**13.5 cents**	7.4 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 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.

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 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 unaudited consolidated results for the three months and nine months ended 31st December, 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. Substantially all of the Group's turnover was derived from the distribution and trading of mobile phones in the People's Republic of China ("PRC").

3. Segment information

For the nine months ended 31st December, 2002 and 31st December, 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 PRC.

4. Profit from operations

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

	Three months ended 31st December,		Nine months ended 31st December,	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amortisation of goodwill	**159**	372	**479**	413
Depreciation and amortisation	**246**	829	**831**	1,860
And after crediting:				
Interest Income	**898**	1,952	**2,512**	6,325

5. Taxation

	Three months ended 31st December,		Nine months ended 31st December,	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
The credit (charge) comprises:				
Hong Kong Profits Tax calculated at 16% of the estimated assessable profits				
Current period	**11**	(340)	**(19)**	(340)
Overprovision in prior years	**–**	1,705	**–**	1,705
PRC income tax:				
Current period	**(3,718)**	(6,424)	**(13,283)**	(8,145)
Overprovision in prior year	**–**	500	**–**	4,700
Share of taxation of associates:				
Hong Kong	**–**	347	**–**	–
	(3,707)	(4,212)	**(13,302)**	(2,080)

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 nine months ending 31st December, 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 the Shanghai Waigaoqiao Free Trade Zone.

6. Dividends paid

	Three months ended 31st December,		Nine months ended 31st December,	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
2002 final dividend of HK 5 cents per share (2001: 2001 final dividend of HK 1 cent per share)	**–**	–	**15,105**	3,021

7. Earnings per share

The calculation of the basic earnings per share is based on the profit for the three months and nine months ending 31st December, 2002 of HK$6,331,000 and HK$40,706,000 respectively (2001: HK$2,113,000 and HK$22,285,000 respectively) and on the weighted average number of 302,100,000 shares (2001: 302,100,000 shares and 301,166,667 shares for the three months and nine months period respectively) in issue during the period.

8. Deficit on revaluation of an 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 nine months ended 31st December, 2002.

9. Transfer to reserves

During the period, the following reserve movements were booked:

	Three months ended 31st December,		Nine months ended 31st December,	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Transfer to translation reserve due to exchange differences arising on translation of the financial statements of operation in the PRC	**1**	–	**53**	–
Transfer to the PRC statutory reserve from income statement	**–**	–	**7,211**	1,280

INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the nine months ended 31st December, 2002 (2001: Nil).

REVIEW AND OUTLOOK

FINANCIAL REVIEW

Sale of mobile phones, consists mainly of Nokia 8250 and 3610, during the third quarter amounted to approximately 435,000 units, decreased slightly when compared to 442,000 units for the same period last year. However, the turnover of the Group decreased by 21% to approximately HK$588 million for the three months ended 31st December, 2002 when compared to the corresponding period in 2001. The decrease was attributed to the maturity of Nokia 8250's product life cycle, with the decline in both the average cost and selling price (retail price at RMB1,650) compared to 2001 third quarter (retail price at RMB2,100). Nevertheless, the Group's profit margin improved significantly during the period under review. The Group is also distributing the new Nokia 3610 at RMB1,450 targeting at the mid-low price segment of consumer. Due to improved margin and rebates from our suppliers, gross profit margin has improved to 3.8% for the third quarter and 4.8% for the nine months period. For the nine months ended 31st December, 2002, the number of handsets sold in the PRC is approximately 1,563,000 units and the consolidated turnover is approximately HK$2,271 million. The gross profit for the nine months period has increased significantly by 61% to approximately HK$108 million. The Group's operating profit for the nine months period was increased by 62% to approximately HK$70 million. The net profit for the nine months ended 31st December, 2002 has increased significantly by 83% to approximately HK$41 million.

As at 31st December, 2002, the Group's aggregate bank borrowings amounted to approximately HK$567 million, of which approximately HK$144 million were non-current liabilities. The balance of approximately HK$423 million, of which approximately HK$396 million is denominated in Renminbi, consists mainly of short term revolving working capital loans. This arrangement provides flexibility for the Group in response to the changing monthly trading volume. The interest rate for all the loans are fixed on either monthly, quarterly or semi-annual basis. The gearing ratio of the Group, calculated as non-current liabilities to shareholders fund was approximately 50%. The increase in bank borrowings from approximately HK$242 million as at 31st March, 2002 to approximately HK$567 million is largely attributable to the increase in working capital requirement and the draw down of HK$160 million syndicated loan during the period. As at 31st December, 2002 total bank deposits and cash balances amounted to approximately HK$351 million.

During the period, there is no material change in the Group's funding and treasury policy. As over 90% of the Group's sales and purchases are denominated in Renminbi and the exchange rate of Renminbi and Hong Kong dollar is stable, the risk of currency exposure is considered minimal.

The amount of inventory as at 31st December, 2002 was approximately HK$466 million, which represents approximately 58 days stock turnover, as compare to 42 days stock turnover based on the inventory level of approximately HK$373 million as at 30th September, 2002. The increase is mainly due to the necessity to replenish stock to meet the demand for the 2003 New Year's Day as well as the Chinese New Year long holidays in the PRC. The inventory held are of current models of mobile phones therefore no provision for obsolescence is necessary. Most of the inventory is expected to be sold before the Chinese New Year long holidays. The amount of trade receivables as at 31st December, 2002 was approximately HK$82 million, which represents approximately 10 days debtors' turnover period.

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

OPERATIONAL AND INDUSTRIAL REVIEW

China's Mobile Service Networks

In October 2002, China Mobile has launched its Multimedia Messaging Service ("MMS") for its General Pocket Radio Service ("GPRS") subscribers. MMS is well received by the PRC handset users with 560,000 usages during the first two months of its launch. The affordability of utilising MMS, less than RMB1 each, has attracted short message service users to try out the new service. With the increasing supply of colour display 2.5G handsets, it is predicted that MMS will become popular and keen competition will arise between Global System for Mobile Communication ("GSM") and Code Division Multiple Access ("CDMA") networks for mature 2.5G mobile service subscribers.

China United Telecommunications Corporation ("China Unicom"), PRC's second largest mobile phone service carrier, has achieved its target of seven million subscribers for its CDMA network by the end of year 2002. In 2003, China Unicom plans to launch CDMA 1x standard (2.5G) and add capacity for an extra 15 million users. The new standard was launched in Shanghai during the Chinese New Year, and planned to expand to other cities during the first quarter of year 2003. CDMA subscribers would then be able to send multi-media email and pictures through their handsets.

Xiaolingtong or "Small Smart" of China Telecom Corporation ("China Telecom") is an alternative mobile service known as a "Wireless Local Loop" offering limited mobility within a local area. It is estimated that China Telecom has about 12 million Xialingtong users, which is expected to double by the end of year 2003. Traffic are same as those of regular fixed line services which is substantially lower than those offered by the mobile network. The Ministry of Information Industry ("MII") considers this as an extension of fixed-line services and the service has already been launched in more than 300 cities. The management believes that the Xiaolingtong service will become a new market opportunity for handsets in addition to GSM and CDMA. The Group is actively pursuing the opportunity in distributing Xiaolingtong handsets in addition to the existing GSM and CDMA handsets.

China Handset Market

Market Size

China has become the world's largest handset market in year 2001 and the growth momentum continued in year 2002. According to statistics from MII, in December 2002, the number of mobile service subscribers, both GSM and CDMA, increased by 60 million (as compare to approximately 190 million new addition worldwide) and the accumulated mobile service subscribers reached 206 million (as compare to 1.1 billion worldwide). In year 2002, there are approximately 110 million handsets produced in the PRC by 36 licensed manufacturers for both local sales and export.

Regarding the handset market size, approximately 36 million new subscribers have purchased new phones together with subscription. The balance of approximately 42 million handsets was replacement sales. The management is of the view that the total handset market size for year 2002 was approximately 78 million sets (as compare to 395 million sets worldwide), representing a market size of approximately RMB133 billion (based on the average retail price of RMB1,700 per unit) for year 2002. According to the management's estimates, the average channel margin from manufacturer's ex-factory price to final retail price ranges between 10% to 20% depending on the product cycle and pricing strategy of different brands and models.

The mobile service subscription growth for year 2003 is expected to be slightly slower and is forecasted at 52 million. Based on the Group's estimation, approximately 30 million new subscribers will purchase new handsets and the replacement market is predicted to be between 60 to 65 million sets for year 2003. It is envisaged that an aggregate handset market size of 90 to 95 million sets for year 2003 (as compared to the industry's estimate of 430 million sets worldwide).

Handset Suppliers

In year 2001, the number of handset suppliers in the PRC market was more than 20 and total number of handset models selling in the market and retail outlets was around 150 of which all were GSM handsets. The top ten brands capturing 90% of the handset market in the PRC and consists of Motorola, Nokia, Siemens, Samsung, Ericsson, Kejian, Bird, Philips, Alcatel and TCL. To date, the number of handset brands increased to over 40 with more than 400 models (including over 200 new models) competing in the handset channel, over 90% of the models are GSM phones with the rest CDMA phones. The top ten brands capturing 80% of the total market share and with different composition compared to year 2001, namely Motorola, Nokia, TCL, Bird, Samsung, Siemens, Amoisonic, Kejian, Alcatel and Eastcom. There were only 10 handset models that have individual market share of over 2% and Nokia 8250 was still the number one best seller in December 2002.

The average product life cycle of a handset ranges from six to nine months. Therefore, it is utmost important for handset manufacturers to successfully launch their new products and increase the volume and market share rapidly. The price of a handset will gradually decrease over its life cycle in order to maintain its competitiveness and market share among the new models. Sometimes, successful handset will have an extended life cycle for a much longer period of time, such as the Nokia 8210 which was sold for over two years in the PRC until the manufacturer ceased production.

Handset Channel Characteristics

The management believe that there are over 50,000 handset retail shops spreading over 31 provinces and municipalities in the PRC. For a typical handset shop of 40 – 50 square meters, the maximum handset display area can only accommodate not more than 100 models. That means all handset models will have to compete for the limited display area in order to catch customers' attention. Handset manufacturers are all keen on establishing an effective sales and distribution channel to reach the 200 million existing users and other potential new customers who are living in over 3,000 cities and towns, among which, a few hundred cities and towns having a population over 400,000. Except for the four first tier cities – Beijing, Shanghai, Guangzhou, Shenzhen and few provincial cities which are retail driven market, the handset distribution channel in all other cities and counties are wholesale driven.

Operating in such a competitive environment, the role of handset distributors who possess strong financial resources, efficient logistic system, large retail customer base, strong channel influence and professional sales and marketing team in the PRC are crucial to handset manufacturers for meeting their sales targets and marketing their new models.

Strategy of Local Brands

- *Market Driven Strategy*

  Local brands are in general slower than foreign brands to enter the handset market. Handsets are designed after assessing market demand such as phones with jeweller and diamond on the cover (TCL and DBTEL) are designs which cater for the PRC consumers. Most of the phones offered in year 2002 by local brands were mainly clam shell design. Amoisonic was also the first in the market to offer 16 poly sound ring tone during year 2002 and received overwhelming success.

- *Promotional and Advertising Strategy*

  In November 2002, all the well known local brand handset suppliers, including Panda, TCL, Amoisonic, Soutec, Konka etc., participated and successfully bid with high price during the auction of prime advertising air time of the Chinese Central TV Channel. Panda, in particular, led the race with a bid of RMB108 million as the highest tender.

  This reflects the ambition of local brands to enlarge their market share in year 2003 through branding effect in addition to their success from the product and channel strategy during the previous year. It is hard to predict who will win as leading foreign brands are also aggressively adjusting their product and channel strategy in the PRC market.

- *Higher channel margin to enhance the "PUSH" force*

  Local brands believe that the "PUSH" force in the handset distribution channel is crucial to influence the purchase decision of consumers. And they also believe that the "PUSH" force is enhanced by higher channel margin given to distributors, wholesalers and retailers. For example, a local brand handset with retail price at RMB3,000, 20% (RMB600) rebate will be given to the distribution channel. This strategy has proved to be a significant motivation to the channel, especially retailers, to "hard sell" the local phones which have higher margin than others. A number of local brands were able to seize over 50% market share in certain provinces.

- *Huge merchandising support to enhance the "PULL" force*

  Local brand handset manufacturers, resemble the marketing and merchandising strategy of their counterparts in the home appliance industry, employ a sizable team of localised marketing representatives and promoters, working closely with local retailers and wholesalers to promote their phones over the counter to the consumers. They also offer high sales incentive to shop salesladies and shop owners to stimulate sales. This strategy also works to help the "PULL" force from shop level that often influences the end consumers' instant buying decision.

Business Review

Handset Distribution

Mobile phone distribution continued to be the Group's core business for the three months ended 31st December, 2002, accounting for over 90% of the Group's turnover during the period. All mobile phones were purchased in the PRC and were sold locally. The current retail market price (inclusive of tax) of Nokia 8250 has been lowered to approximately RMB1,650. While Nokia 8250 is a more mature model, it is still a popular choice amongst consumers in the PRC with its successful marketing and pricing strategies. According to statistics, mobile phones fall within the price range of RMB1,000 to RMB2,000 constitutes approximately 60% of the PRC handset market were well received. In November, a nation wide promotional campaign through newspaper coverage was organized jointly with Nokia to boost the sales of Nokia 8250 with the aim to supporting various distribution channel sales and enhancing the fashionable product image through the introduction of new Nokia original colour cover (blue and red). Besides the distribution right for Nokia 3610, the Group has also successfully obtained the distribution right for new models, Nokia 7210 and 6610, during the quarter under review.

In view of the enlarging market share by local brands and the Group's well established distribution network, the Group has begun to distribute local brand's GSM handsets like Kejian (www.chinakejian.net) model K320 and DBTel (www.dbtel.com.cn) model 2017C.

As for the CDMA business, the Group continues to obtain the distribution right for Motorola latest colour display model with Karaoke function: V730. The Group will continue to explore opportunities in distributing different brands in a prudent manner in accordance with the pace of the mobile phone market in the PRC. The Group is targeted to further strengthen its marketing team to penetrate into small towns and villages where the handset penetration rate and market growth rate are accelerating. There is an ongoing negotiation with different handset suppliers to explore future business opportunities.

During the period under review, there was no significant investment held by the Group, no material acquisition or disposal of subsidiary or affiliated company, no material change in number of personnel and no material contingent liability or capital commitment since 31st March, 2002. There is also no plan for any material investment in capital assets.

The Board is confident that the Group, with its well established distribution network and expertise in handset business, will benefit from the competition among different handset manufacturers as the role of a nationwide distributor becomes prominent in the marketing of new models.

Wireless Local Area Network ("WLAN") and Personal Digital Assistant ("PDA") Distribution

Since its first introduction by Synergy in 2002, the O_2XDA was well received by the enterprise market in Hong Kong. In October 2002, Synergy has further introduced the new XDA plus with 64MB random-access memory ("RAM"). In December 2002, Synergy also distributes the new Palm developed Tungsten T, a colour screen (320 x 320 pixels) hand-held PDA, featuring the Palm 5.0 operating system and 16 megabytes of RAM. Another new advanced model – Tungsten W, a PDA-mobile phone hybrid device, will be introduced by Synergy in March 2003.

To meet the increasing demand in Hong Kong and the PRC, Synergy is the first in Hong Kong to launch the Proxim ORiNOCO new dual mode 802.11 a/b Combo PC card and the AP-2000. It is the first enterprise WLAN Solution that supports both 2.4GHz and 5GHz Frequency Spectrum simultaneously and work with 802.11a, 802.11b and 802.11g network.

The introduction of these new advanced products demonstrates the leading position of Synergy in the WLAN and PDA market in Hong Kong.

OUTLOOK AND PROSPECTS

The Group is well aware of the keen competition in the mobile phone market and the emergence of domestic brand handsets. The Group envitages this as a challenge as well as an opportunity in diversifying its mobile phone distribution business. The Board believes that the role of handset distribution specialist becomes more important to the handset manufacturers in such a competitive market. Through the well established distribution infrastructure and strong financial backings, the Group is well positioned to take advantage of the business opportunities in distributing various brands. The Group has applied to the Stock Exchange of Hong Kong Limited to migrate its listing from GEM board to the Main Board. The Group anticipated that upon listing on the Main Board, the Group will be in a better position to raise appropriate equity financing to reduce its financing cost.

DIRECTORS' INTERESTS IN SECURITIES

At 31st December, 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 31st December, 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 option under the scheme was 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 31st December, 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 31st December, 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 31st December, 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, 11th February, 2003