



INTERIM RESULTS

The board of directors (the "Board") of Fortune Telecom Holdings Limited (the "Company") is pleased to present the unaudited interim results and the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2004 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		For the six months ended	
		30 September	
		2004	2003
	Notes	HK\$'000	HK\$'000
Turnover	2, 3	1,264,858	926,534
Cost of sales		(1,214,188)	(885,761)
Gross profit		50,670	40,773
Other operating income		1,893	2,811
Distribution costs		(9,804)	(6,639)
Administrative expenses		(9,673)	(10,014)
Other operating expenses		(2,427)	(4,188)
Profit from operations	3, 4	30,659	22,743
Finance costs		(8,586)	(8,434)
Surplus arising on revaluation of an investment property		-	200
Unrealised holding (loss) gain on other investments		(1,526)	2,638
Profit before taxation		20,547	17,147
Taxation	5	(4,358)	(2,265)
Profit before minority interests		16,189	14,882
Minority interests		326	682
Profit for the period		16,515	15,564
Dividend paid during the period	6	15,105	15,105
Earnings per share – Basic	7	5.5 cents	5.2 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 September 2004 Unaudited HK\$'000	As at 31 March 2004 Audited HK\$'000
	<i>Notes</i>		
Non-Current Assets			
Investment property	8	7,500	7,500
Property, plant and equipment	9	1,285	1,613
Goodwill		936	1,256
		9,721	10,369
Current Assets			
Inventories		133,026	243,032
Trade and other receivables	10	245,463	153,131
Other investments	11	1,661	3,187
Taxation recoverable		752	752
Pledged bank deposits		176,300	216,040
Bank balances and cash		129,083	119,724
		686,285	735,866
Current Liabilities			
Trade and other payables	12	33,934	24,963
Taxation liabilities		2,831	1,350
Bank borrowings	13	258,908	389,573
Obligations under finance leases		200	200
		295,873	416,086
Net Current Assets		390,412	319,780
		400,133	330,149
Capital and Reserves			
Share capital		30,210	30,210
Reserves		292,343	290,933
		322,553	321,143
Minority interests		8,430	8,756
Non-Current Liabilities			
Bank borrowings	13	69,000	–
Obligations under finance leases		150	250
		69,150	250
		400,133	330,149



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2004

	Share capital	Share premium	Special reserve	Goodwill	Translation reserve	PRC		Total
						statutory funds	Accumulated profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2003	30,210	103,275	2,481	(1,277)	348	8,491	161,039	304,567
Transfer	-	-	-	-	-	10,765	(10,765)	-
Exchange differences arising on translation of operations in the PRC and gain not recognised in the income statement	-	-	-	-	54	-	-	54
Profit for the year	-	-	-	-	-	-	31,627	31,627
Dividend paid (note 6)	-	-	-	-	-	-	(15,105)	(15,105)
At 31 March 2004	30,210	103,275	2,481	(1,277)	402	19,256	166,796	321,143
Transfer	-	-	-	-	-	6,874	(6,874)	-
Profit for the period	-	-	-	-	-	-	16,515	16,515
Dividend paid (note 6)	-	-	-	-	-	-	(15,105)	(15,105)
At 30 September 2004	30,210	103,275	2,481	(1,277)	402	26,130	161,332	322,553

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	For the six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
Net cash generated from operating activities	45,194	60,230
Net cash generated from (used in)		
investing activities	41,048	(23)
Net cash used in financing activities	(76,883)	(559)
	<hr/>	<hr/>
Increase in cash and cash equivalents	9,359	59,648
Cash and cash equivalents at beginning		
of the period	119,724	126,752
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Cash and cash equivalents at end of the period	<u>129,083</u>	<u>186,400</u>



Notes:–

1. Basis of preparation and accounting policies

The Company is an exempted company with limited liability incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended). The shares of the Company have been listed on The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 16 February 2000. On 26 January 2004, the Company withdrawn the listing of its shares on GEM, and on the same date, the Company has by way of introduction, listed its entire share capital on the Main Board of the Stock Exchange. Its ultimate holding company is Future 2000 Limited, a company incorporated in the British Virgin Islands.

The Company is an investment holding company. The principal activities of its subsidiaries are the distribution and trading of mobile phones and related accessories, computer hardware and software and the development of marketing and after-sales service network.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange.

All significant inter-company transactions and balances between group companies are eliminated on consolidation.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the annual audited financial statements for the year ended 31 March 2004.

The accounting year end date for the Company and the Group has been changed from 31 March to 31 December and the Group shall publish its next audited consolidated financial statements covering the period from 1 April 2004 to 31 December 2004.

2. Turnover

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

3. Segment information

For the six months ended 30 September 2004 and 30 September 2003, substantially all turnover and contribution to profit from operations of the Group were derived from the distribution and trading of mobile phones. In addition, no geographical market analysis is provided as substantially all turnover and contribution to profit from operations of the Group were derived from the People's Republic of China ("PRC") and substantially all the assets are located in the PRC.

4. Profit from operations

	For the six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Amortization of goodwill	319	320
Auditors' remuneration	410	278
Depreciation and amortization on		
– owned assets	365	318
– assets held under finance leases	156	156
Exchange loss	121	56
Loss on disposal of property, plant and equipment	283	–
Staff costs		
– directors' emoluments	1,279	1,274
– other staff costs	10,515	8,699
– retirement benefits scheme contribution (excluding directors)	286	256
and after crediting:		
Bank interest income	1,689	1,904
Gain on disposal of other investment	–	736
	<u> </u>	<u> </u>



5. Taxation

	For the six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
The charge comprises:		
PRC enterprises income tax		
Current period	4,358	2,984
Overprovision in prior year	—	(719)
	<u>4,358</u>	<u>2,265</u>

PRC enterprises income tax represents taxation charges on the assessable profits of the Company's subsidiaries, Fortune (Shanghai) International Trading Co., Ltd. ("Fortune Shanghai") and 上海遠嘉國際貿易有限公司 (「上海遠嘉」), established in Shanghai Waigaoqiao Free Trade Zone, the PRC. Fortune Shanghai and 上海遠嘉 are entitled to a preferential PRC enterprises income tax rate of 15% which is granted to companies established in Shanghai Waigaoqiao Free Trade Zone.

Hong Kong Profits Tax has not been provided for the period as the companies within the Group had no estimated assessable profits in Hong Kong.

6. Dividend paid

	For the six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
2004 final dividend of HK 5 cents per share (2003: 2003 final dividend of HK 5 cents per share)	<u>15,105</u>	<u>15,105</u>

The final dividend of HK 5 cents (2003: HK 5 cents) per share have been approved by shareholders in annual general meeting and was paid during the period.

7. Earnings per share

The calculation of the basic earnings per share is based on the profit for the six months ending 30 September 2004 of HK\$16,515,000 (2003: HK\$15,564,000) and on the weighted average number of 302,100,000 shares (2003: 302,100,000 shares) in issue during the period.

8. Investment property

The investment property is held under a long term lease in Hong Kong. It is pledged to a bank to secure general banking facilities granted to a subsidiary and rented out under an operating lease. It was valued at 31 March 2004 by an independent property valuer.

9. Property, plant and equipment

During the six months ending 30 September 2004, addition to property, plant and equipment amounts to HK\$651,000 (2003: HK\$441,000) .

10. Trade and other receivables

The Group allows credit period ranged from 30 to 90 days (at 31 March 2004: ranged from 30 to 90 days) to its trade customers. The following is an aged analysis of the trade receivables:

	As at 30 September 2004 HK\$'000	As at 31 March 2004 HK\$'000
Trade receivables		
Up to 30 days	173,721	107,636
31 to 90 days	10,433	4,846
More than 90 days	6,454	2,768
	190,608	115,250
Value-added-tax receivables	–	17,949
Rebates receivables	26,208	13,020
Deposits and prepayments	28,647	6,912
	245,463	153,131



11. Other investments

	As at 30 September 2004 HK\$'000	As at 31 March 2004 HK\$'000
Overseas equity securities:		
Listed	1,659	3,185
Unlisted	<u>2</u>	<u>2</u>
	<u>1,661</u>	<u>3,187</u>
Market value of listed securities	<u>1,659</u>	<u>3,185</u>

All the listed overseas equity securities were disposed subsequent to 30 September 2004.

12. Trade and other payables

The following is an aged analysis of the trade payables:

	As at 30 September 2004 HK\$'000	As at 31 March 2004 HK\$'000
Trade payables:		
Up to 30 days	14,289	15,212
31 to 90 days	41	2,720
More than 90 days	<u>43</u>	<u>148</u>
	14,373	18,080
Value-added-tax payables	7,953	–
Other payables	<u>11,608</u>	<u>6,883</u>
	<u>33,934</u>	<u>24,963</u>

13. Bank borrowings

	As at 30 September 2004 HK\$'000	As at 31 March 2004 HK\$'000
Bank borrowings comprise:		
Bank loans	321,679	384,566
Trust receipt loans	6,229	5,007
	<u>327,908</u>	<u>389,573</u>
Analysed as		
– secured	149,154	187,460
– unsecured	178,754	202,113
	<u>327,908</u>	<u>389,573</u>
The bank borrowings are repayable as follows:		
Within one year or on demand	258,908	389,573
More than one year, but not exceeding two years	25,000	–
More than two years, but not exceeding five years	44,000	–
	<u>327,908</u>	<u>389,573</u>
Less: Amount due within one year and shown under current liabilities	<u>(258,908)</u>	<u>(389,573)</u>
Amount due after one year	<u>69,000</u>	<u>–</u>

As at 30 September 2004, the following assets of the Group were pledged to banks to secure the above bank borrowings:

- (a) bank deposits amounting to HK\$176,300,000 (at 31 March 2004: HK\$216,040,000) ; and
- (b) investment property with net book value amounting to HK\$7,500,000 (at 31 March 2004: HK\$7,500,000) .