

Notes:

1. Basis of preparation

During the last financial period, the Company changed its financial year end date from 31 March to 31 December in order to coincide with that of the major subsidiaries operating in the People's Republic of China (the "PRC"), of which year end date is set at 31 December each year by the PRC registration and cannot be changed.

The condensed consolidated financial statements for the current period cover the six months ended 30 June 2005. However, the corresponding comparative amounts shown for the condensed consolidated income statement, consolidated cash flows and related notes cover a period of six months ended 30 September 2004 and therefore may not be comparable with amounts shown for the current period.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. Principal accounting policies

The condensed financial statements have been prepared on the historical cost basis except for investment property, which is measured at a revalued amount.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the nine months ended 31 December 2004 except as described below:

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

2. Principal accounting policies *(Continued)*

Business combinations

In the current period, the Group has applied HKFRS 3, Business combinations, which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarized below:

In previous periods, goodwill arising on acquisitions after 1 April 2001 was capitalized and amortized on a straight line basis over its useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalized on the balance sheet, the Group has discontinued amortizing such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortization of goodwill has been charged in the current period. Comparative figures for the six months ended 30 September 2004 have not been restated.

Investment property

In prior periods, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of the retirement or disposal.

The change in accounting policy has had no effect on the condensed consolidated income statement and retained earnings.

3. Segment information

For the six months ended 30 June 2005 and 30 September 2004, 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 PRC (including Hong Kong) and substantially all the assets are located in the PRC (including Hong Kong).

4. Profit from operations

	1.1.2005 to 30.6.2005 HK\$'000	1.4.2004 to 30.9.2004 HK\$'000
Profit from operations has been arrived at after charging:		
Amortization of goodwill	–	319
Auditors' remuneration	411	410
Depreciation and amortization on		
– owned assets	332	365
– assets held under finance leases	78	156
Loss on disposal of property, plant and equipment	–	283
Staff costs	19,839	12,080

5. Taxation

	1.1.2005 to 30.6.2005 HK\$'000	1.4.2004 to 30.9.2004 HK\$'000
The charge comprises:		
– Hong Kong Profits Tax	861	–
– PRC enterprise income tax	2,236	4,358
	3,097	4,358

Hong Kong Profits Tax is calculated at 17.5% (1.4.2004 to 30.9.2004: 17.5%) of the estimated assessable profits for the six months ended 30 June 2005.

PRC enterprise 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 enterprise income tax rate of 15% which is granted to companies established in Shanghai Waigaoqiao Free Trade Zone.

6. Dividend

	1.1.2005 to 30.6.2005 HK\$'000	1.4.2004 to 30.9.2004 HK\$'000
The final dividend of HK3.75 cents per share for the nine months ended 31 December 2004 (1.4.2004 to 30.9.2004: final dividend of HK5 cents per share for the year ended 31 March 2004)	11,329	15,105

6. Dividend (Continued)

The final dividend of HK3.75 cents for the nine months ended 31 December 2004 (1.4.2004 to 30.9.2004: HK5 cents for the year ended 31 March 2004) per share has been approved by shareholders in annual general meeting, which was then payable (1.4.2004 to 30.9.2004: paid) at 30 June 2005 and was subsequently paid on 28 July 2005.

7. Earnings per share

The calculation of the basic earnings per share is based on the Group's profit for attributable to equity holders of the parent the six months ending 30 June 2005 of HK\$6,652,000 (1.4.2004 to 30.9.2004: profit of HK\$16,515,000) and on the weighted average number of 302,100,000 shares (1.4.2004 to 30.9.2004: 302,100,000 shares) in issued during the period.

8. Trade and other receivables

The Group allows credit period ranged from 30 to 90 days to some of its trade customers. The following is an aged analysis of the trade receivables:

	As at 30 Jun 2005 HK\$'000	As at 31 Dec 2004 HK\$'000
Trade receivables:		
– Up to 30 days	86,087	185,076
– 31 to 90 days	17,860	6,867
– More than 90 days	1,450	727
	105,397	192,670
Value-added-tax receivables	31,259	20,023
Rebates receivable	42,255	30,457
Deposits and prepayments	23,562	36,574
	202,473	279,724

9. Trade and other payables

The following is an aged analysis of the trade payables:

	As at 30 Jun 2005 HK\$'000	As at 31 Dec 2004 HK\$'000
Trade payables:		
– Up to 30 days	46,741	28,657
– 31 to 90 days	1,615	2,139
– More than 90 days	1,219	483
	49,575	31,279
Other payables	17,024	13,374
	66,599	44,653

10. Bank borrowings

	As at 30 Jun 2005 HK\$'000	As at 31 Dec 2004 HK\$'000
Bank borrowings comprise:		
Bank loans	474,718	454,170
Bank overdraft	5	9,963
Trust receipt loans	3,626	1,958
	478,349	466,091
Analysed as		
– secured	322,834	268,925
– unsecured	155,515	197,166
	478,349	466,091
The bank borrowings are repayable as follows:		
– Within one year or on demand	428,349	403,591
– More than one year, but not exceeding two years	26,000	25,000
– More than two years, but not exceeding five years	24,000	37,500
	478,349	466,091
Less: Amount due within one year and shown under current liabilities	(428,349)	(403,591)
Amount due after one year	50,000	62,500

11. Share capital

	No. of ordinary shares	Share capital HK\$'000
Ordinary shares of HK\$0.10 each		
<i>Authorised:</i>		
At 31 December 2004 and 30 June 2005	1,000,000,000	100,000
<i>Issued and fully paid</i>		
At 31 December 2004 and 30 June 2005	302,100,000	30,210

12. Subsequent events

On 31 August 2005, the Company entered into a loan agreement with a syndicate of banks for a three-year term loan facility amounting to US\$16,000,000 to finance the Company's general working capital requirements.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2005 (1.4.2004 to 30.9.2004: nil).

REVIEW AND OUTLOOK

Financial Review

Performance

During the period, the Group obtained a nationwide distribution right for Nokia's new handset model 6021. This together with other four nationwide distribution models, 7610, 3220, 2600 and N-Gage QD, and other provincial distribution models, 3100 and 2300, enabled the group maintain a high and stable turnover and push its sales to a record high for the period. The total number of handsets sold in the first six months of 1,484,000 sets represents an increase of 21% as compared with that of 1,222,000 sets sold in the six months ended 30 September 2004 and maintained the same momentum as in the last quarter of 2004 of total 741,000 sets per quarter. As most of the above models were launched in the second half of 2004, the strong demand from the market is expected to continue throughout the whole year of 2005. The consolidated turnover for the six months ended 30 June 2005 of HK\$1,541 million represents an increase of approximately 22% as compared with the six months ended 30 September 2004 while, at the same time, the gross profit increased by HK\$3.9 million to HK\$54.6 million.