

**FORTUNE TELE.COM HOLDINGS LTD :
IT SHOULD DO WELL IN THE YEARS TO COME**

The latest offering on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd appears to be a company, which is not a hi-tech enterprise, as its name may imply, but a solid little company, selling mobile telephones and related accessories.

As such, it is unlikely to be a high-flyer even though it appears to be solidly based in the bread-and-butter end of the hi-tech industry.

Fortune Tele.com Holdings Ltd sells 3 selected brands of mobile telephones, produced by Nokia, Philips and Alcatel, and these mobile telephones find their way into the markets of the People's Republic of China (PRC) as well as the very competitive market of the Hongkong Special Administrative Region (HKSAR) of the PRC.

For the past 30 months, this Company appears to have done very well in increasing its sales into the PRC.

The following is its Trading Record since February 28, 1997:

Year Ended March 31			
	1998	1999	Six Months To September 30, 1999
(All Figures Are Denominated In \$HK'000)			
Turnover	632,270	819,575	707,948
Cost of Sales	(600,281)	(782,254)	(690,087)
Gross Profit	31,989	37,321	17,861
Other Revenues	2,815	5,992	2,473
Distribution Costs	(8,660)	(6,590)	(1,921)
Administrative Expenses	(6,011)	(8,120)	(3,443)
Operating Profit	20,133	28,603	14,970
Finance Costs	(5,079)	(2,770)	(1,978)
Deficit Arising From Revaluation Of An Investment Property	(2,124)	Nil	Nil
Profit Before Taxation	12,930	25,833	12,992
Taxation	(2,191)	(3,531)	(1,828)
Profit Attributable To Shareholders	10,739	22,302	11,164

For the Current Financial Year, ending March 31, 2000, the forecast Net Profit Attributable to Shareholders is expected to be *'not less than \$49 million.'*

This would indicate that the Company is expecting a growth rate of nearly 120 percent for this Year, in spite of the fact that, in the first 6 months of this Year, the Net Profit Attributable to Shareholders was about 50 percent of that achieved in the entire 1999 Year.

As for sales of mobile telephones by region, the Prospectus, at Page 9, states that it is the opinion of the Company's Directors that *'... all of the goods which are sold to wholesalers and distributors in Hong Kong are ultimately resold and distributed by them to ultimate customers in the PRC.'*

The following is extracted from the Prospectus and shows:

Turnover by Geographic Area

	Year Ended March 31				Six Months Ended September 30, 1999	
	1998		1999			
	\$HK'000	Percentage	\$HK'000	Percentage	\$HK'000	Percentage
Southern China	461,259	72.95	534,789	65.25	519,959	73.45
Eastern China	85,175	13.47	190,205	23.21	102,153	14.43
Northern China	85,836	13.58	94,581	11.54	85,836	12.12
TOTALS	632,270	100	819,575	100	707,948	100

Targeting the PRC market for the sales of mobile telephones makes a great deal of sense because the PRC, being an emerging market as well as having a Government, bent on transforming the country itself into a free market economy, has a growth potential which is enormous.

In the top 20 provinces and municipalities of the PRC, those having the highest penetration of mobile telephones, the total population is about 1,004,000,000 people.

These provinces and municipalities are dominated, in terms of the usage of mobile telephones, by Guangdong, the closest province to the HKSAR: Guangdong is said to have a total of about 3.73 million mobile telephone subscribers.

But that represents a mobile telephone penetration of just 5.20 percent of the total population of the province, estimated to be about 71 million people strong.

In total, the one billion-plus human population of the top 20 municipalities and provinces of the PRC can only boast of a mobile telephone penetration of about 2.75 percent, on average, according to the 1998 China Statistics Yearbook.

That means that the one billion-plus human population of these 20 municipalities and provinces shares somewhere in the neighbourhood of 27.50 million mobile telephones.

And that means that the 27.50 million mobile telephones are servicing the present needs of, just about, all of the most important areas of the PRC, in terms of population densities.

That there is a huge potential for growth in the sales of mobile telephones goes without saying.

Fortune Tele.com appears to be in the right business, but, no doubt, it has quite a number of competitors, legal and illegal, all of whom know of the potential for mobile telephone subscribers in the PRC.

The History

Fortune Tele.com first saw the light of day in 1992, the Prospectus states. It was founded by Mr Steve Lau Siu Ying.

He has never looked back since the day that he determined to establish this enterprise, it appears, and, today, Mr Lau's interests are contained in a group of 16 companies.

Fortune Tele.com is Placing a total of 57 million new, 10-cent shares at a Premium of \$HK2.40 per share.

The Net Proceeds from this fund-raising exercise, amounting to about \$HK133.38 million, will be used as follows:

1. \$HK35 million to build up an inventory base of mobile telephones, etc;
- 2.. \$HK8 million to increase its shareholder in PacificNet.com LLC,
a USA incorporated company in which, indirectly,
Fortune Tele.com owns about 11.67 percent of the Issued and Fully Paid-Up Share Capital;
3. \$HK10 million to improve and enhance certain features in certain web sites;
4. \$HK10 million to develop and to launch another version of a web site;
5. \$HK14 million to seek potential mergers and acquisitions;
6. \$HK4.50 million to buy some software and hardware;
7. \$HK2.50 million to hire some more staff;
8. \$HK4 million to be tipped into the General Working Capital Account;
9. \$HK10 million to be used to look for overseas partners/acquisitions; and,
10. \$HK35.38 million to be used as and when needed (same as Number 8).

(TARGET suspects that whoever put together this Prospectus had a difficult time in rationalising the need and use of the Net Proceeds because, careful reading of the Prospectus gives reason to think that ... [CLICK TO ORDER FULL ARTICLE](#)

