

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, 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 announcement.

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 (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) 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.

Investors should note that this announcement appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares of the Company.



Fortune Telecom Holdings Limited
長遠電信網絡集團有限公司*

(Incorporated in Bermuda with limited liability)

SHARE TRANSACTION

**ACQUISITION OF 51 PER CENT. EQUITY INTERESTS IN
SYNERGY PACIFIC (HOLDING) LIMITED**

The Board is pleased to announce that the Agreement was entered into on 24 May, 2001 whereby TTL has agreed, subject to certain conditions precedent, to subscribe for 5,000 new shares and to acquire from WFI 7,300 existing shares in SyPac at a total consideration of HK\$12.3 million, of which HK\$8.1 million will be settled in cash and the remaining balance of HK\$4.2 million will be settled by allotment of 2,100,000 Shares. Completion of the Agreement is expected to take place on 6 July, 2001. Following completion of the Agreement, TTL will hold 51 per cent. of the enlarged issued share capital of SyPac, and SyPac will become a non-wholly owned subsidiary of the Company. The consideration of the Agreement was arrived at after arm's length negotiations between the parties thereto.

As the Agreement involves an acquisition of assets by the Company where the consideration includes Shares for which listing on GEM will be sought and that all percentage ratios as provided under Chapter 19 of the GEM Listing Rules are less than 15 per cent., the Agreement constitutes a share transaction (as defined in the GEM Listing Rules) that is required to be disclosed by way of announcement under Chapter 19 of the GEM Listing Rules.

A. TERMS OF THE AGREEMENT

Date of the Agreement

24 May, 2001

Parties to the Agreement

Purchaser : TTL, a wholly owned subsidiary of the Company

Vendor : WFI, an investment holding company with its sole asset in the shares of SyPac. The shareholders of WFI are Messrs. Fong Kin Kiu, Yu Sau Ning, Homer and Fong Po Kiu who are third parties independent of and not connected with any of the Directors, the chief executives, the substantial shareholders and the management shareholders of the Company and its subsidiaries or their respective associates

Issuer : SyPac

Guarantor : the Company

Consideration

Pursuant to the Agreement, TTL has agreed, subject to certain conditions precedent, to subscribe for 5,000 new shares and acquire from WFI 7,300 existing shares in SyPac at a total consideration of HK\$12.3 million, of which HK\$8.1 million will be settled in cash and the remaining balance of HK\$4.2 million will be settled by allotment of 2,100,000 Shares. Following completion of the Agreement, which is expected to take place on 6 July, 2001, TTL will hold 51 per cent. of the enlarged issued share capital of SyPac, and SyPac will become a non-wholly owned subsidiary of the Company. The amount of consideration of HK\$12.3 million comprises the following:–

- (i) a subscription price of HK\$5 million to be paid in cash to SyPac upon completion of the Agreement; and
- (ii) a purchase price of HK\$7.3 million to be paid to WFI as follows:–
 - (a) an amount of HK\$2.1 million to be paid in cash upon execution of the Agreement; and
 - (b) an amount of HK\$4.2 million to be settled by allotment of 2,100,000 Shares by the Company (which represent approximately 0.70 per cent. and approximately 0.69 per cent. of the existing and the enlarged issued share capital of the Company, respectively) to WFI at HK\$2.0 each upon completion of the Agreement, through the exercise of general mandate given to the Directors; and
 - (c) the balance of HK\$1 million to be paid in cash after three months from the date of completion of the Agreement.

There is no provision in the Agreement to restrict subsequent transfers or disposals by WFI of the Shares to be allotted to it pursuant to the Agreement.

The consideration under the Agreement will be funded by internal financial resources of the Group. Although the acquisition under the Agreement was not part of the business objectives and implementation plans set forth in the prospectus of the Company dated 9 February, 2000, the Directors consider that the acquisition will enhance the Company's current business developments in wireless communications solutions and e-business infrastructure. The Directors also believe that the terms of the Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

An application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the 2,100,000 Shares on GEM.

B. BASIS OF THE CONSIDERATION FOR THE ACQUISITION AND SUBSCRIPTION OF SHARES IN SYPAC

The basis of the consideration for the Company's subscription for 5,000 new shares and acquisition from WFI 7,300 existing shares in SyPac has taken into account the following factors:—

- (i) SyPac had an unaudited consolidated net tangible asset value of approximately HK\$12.4 million as at 31 March, 2001 and an unaudited consolidated net profit before and after taxation for the year ended 31 March, 2001 of approximately HK\$4.9 million and approximately HK\$4.1 million, respectively. No consolidated accounts as required by Statement of Standard Accounting Practice No. 2.107 "Group Accounts" issued by the Hong Kong Society of Accountants were prepared by SyPac for the financial year ended 31 March, 2000 and the previous years as the directors of SyPac considered it involving disproportionate expenses and delays. In the absence of such consolidated accounts, the Company relied on individual companies' audited accounts to appraise the financial position of SyPac and its subsidiaries;
- (ii) the cash consideration of HK\$5 million will be retained by SyPac for its business operations which is expected to enhance the net asset value of SyPac; and
- (iii) the total consideration was arrived at after arm's length negotiations between the relevant parties.

The closing price for each Share trading on GEM was HK\$0.63 as at the date of this announcement. Based on the value of HK\$2.0 attributable to each Share provided in the Agreement as part of the consideration for the Company's acquisition of an aggregate of 51 per cent. equity interests in SyPac, it represents a premium of approximately 217.5 per cent. over the closing price for each Share trading on GEM as at the date hereof.

C. CONDITIONS PRECEDENT OF COMPLETION OF THE AGREEMENT

Completion of the Agreement is expected to take place on 6 July, 2001 and is subject to satisfaction of all necessary statutory and corporate requirements that may need to be complied with by the Company.

D. INFORMATION ON SYPAC

SyPac is a Hong Kong based company commenced its business in December 1994. Together with its subsidiaries, SyPac currently engages in the provision of wireless communications solutions and e-business infrastructure in Hong Kong and the PRC. The business of SyPac focuses on systems integration in and distribution of wide area networks (WAN), wireless local area networks (WLAN), remote access systems (RAS), Internet service providing services (ISPS), personal digital assistants (PDA) and point of sales (POS) solutions.

Upon completion of the Agreement, TTL will hold 51 per cent. of the enlarged issued share capital of SyPac and the remaining 49 per cent. will continue to be held by WFI which is an investment holding company with its sole asset in the shares of SyPac. The shareholders of WFI are Messrs. Fong Kin Kiu, Yu Sau Ning, Homer and Fong Po Kiu who are third parties independent of and not connected with any of the Directors, the chief executives, the substantial shareholders and the management shareholders of the Company and its subsidiaries or their respective associates.

E. CORPORATE GOVERNANCE MATTERS ON SYPAC FOLLOWING COMPLETION OF THE AGREEMENT

Following completion of the Agreement, the board of directors of SyPac will comprise eight members. TTL will be entitled to nominate four directors (including the chairman of the board of directors of SyPac) and WFI will be entitled to nominate the remaining four directors of the board of directors of SyPac.

F. REASON FOR THE ACQUISITION AND SUBSCRIPTION OF SHARES IN SYPAC

The Directors consider that SyPac, being a company specialised in distribution and provision of wireless communications solutions and e-business infrastructure in Hong Kong and the PRC, would provide strategic benefits to the Company, enabling the Company to enrich its product mix and enhance its capability to provide value-added services in the field of wireless communications applications.

G. OTHER INFORMATION

As the Agreement involves an acquisition of assets by the Company where the consideration includes Shares for which listing on GEM will be sought and that all percentage ratios as provided under Chapter 19 of the GEM Listing Rules are less than 15 per cent., the Agreement constitutes a share transaction (as defined in the GEM Listing Rules) that is required to be disclosed by way of announcement under Chapter 19 of the GEM Listing Rules.

The Group is principally engaged in purchase, sale and distribution of different models of mobile phones and related accessories in Hong Kong and the PRC and recently engaged in the provision of telecommunication application solution business.

H. TERMS USED IN THIS ANNOUNCEMENT

Unless the context requires otherwise, capitalised terms used herein shall have the following meanings:–

“Agreement”	the subscription, sales and purchase agreement dated 24 May, 2001 entered into between TTL, WFI, the Company and SyPac
“associates”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Company”	Fortune Telecom Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on GEM
“Directors”	the directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited
“Group”	the Company and its subsidiaries
“Share(s)”	the share(s) of the Company with par value of HK\$0.10 each
“SyPac”	Synergy Pacific (Holding) Limited, a company incorporated on 6 December, 1994 in Hong Kong
“TTL”	Transaccess Technology Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“WFI”	Well Force International Inc., a company incorporated in the British Virgin Island with limited liability

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

Hong Kong, 24 May, 2001

* For identification purpose only

This announcement will remain on the Company’s website at www.fortunetele.com and on the GEM website with the domain name of www.hkgem.com on the “Latest Company Announcements” page for 7 days from the date of its posting.