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FORTUNE TELECOM HOLDINGS LIMITED

長遠電信網絡集團有限公司*

(Incorporated in Bermuda with limited liability)

CONNECTED TRANSACTIONS

The Board wishes to announce that the Existing Sales Agreement was entered into on 29 March, 2001 whereby, with effect from 1 April, 2001, FSH continued the sales of mobile phone products to Guangzhou Fortune. The terms and conditions of the Existing Sales Agreement are in all aspects identical to that of the Original Sale Agreement, save for the time period covered by it. At that time, the Directors mistakenly believed that the Waiver applicable to the Original Sales Agreement would continue to apply to the Existing Sales Agreement and as such, the Company did not separately disclose the entering into the Existing Sales Agreement by way of announcement and did not seek approval from the independent Shareholders to the Existing Sales Agreement, as required by Chapter 20 of the GEM Listing Rules. Nevertheless, the independent non-executive Directors, after instructing the Company's auditors to carry out additional procedures to review the relevant transactions for the period, had confirmed in the Company's annual report for the financial year ended 31 March, 2002 that the sales transactions under the Existing Sales Agreement were carried out at market prices in the ordinary and usual course of business of the Group and on normal commercial terms that were fair and reasonable and in the interest of the Shareholders as a whole.

However, it has recently come to the notice of the Board that the Waiver was lapsed upon the expiration of the Original Sales Agreement and that by entering into the Existing Sales Agreement, being a non-exempt continuing connected transaction for the Company, the Company should have complied with all the applicable requirements in Chapter 20 of the GEM Listing Rules, which include disclosing the terms of the Existing Sales Agreement by way of announcement and obtaining a prior approval from the independent Shareholders. Without complying with these requirements, the Company is in breach of the relevant requirements under GEM Listing Rules. **The Stock Exchange has indicated that it reserves its right to take appropriate action in respect of such breach.**

The Existing Sales Agreement was terminated by mutual agreement between FSH and Guangzhou Fortune on 25 February, 2003.

* For identification purpose only

BACKGROUND INFORMATION

Original Sales Agreement

On 1 October, 1999, FSH entered into the Original Sales Agreement for the sales of mobile phone products from FSH to Guangzhou Fortune from time to time at prices in accordance with the prevailing reasonable market prices. The sales under the Original Sales Agreement were conducted on normal commercial terms in the ordinary and usual course of business of the Group. The Waiver was applicable to the sales under the Original Sales Agreement. Particulars of the Waiver are stated in the Prospectus.

Existing Sales Agreement

The Original Sales Agreement expired on 31 March, 2001 and as such, the Existing Sales Agreement was entered into to continue the sales of mobile phone products from FSH to Guangzhou Fortune with all identical terms and conditions, save for the time period covered by it. At that time, the Directors mistakenly believed that the Waiver would continue to apply to the Existing Sales Agreement and as such, the Company did not separately disclose the entering into the Existing Sales Agreement and did not seek approval from the independent Shareholders to the Existing Sales Agreement, as required by the Chapter 20 of the GEM Listing Rules. Nevertheless, the independent non-executive Directors, after instructing the Company's auditors to carry out additional procedures to review the relevant transactions for the period, had confirmed in the Company's annual report for the financial year ended 31 March, 2002 that the sales transactions under the Existing Sales Agreement were carried out at market prices in the ordinary and usual course of business of the Group and on normal commercial terms that were fair and reasonable and in the interest of the Shareholders as a whole.

For the financial year ended 31 March, 2002 and six months ended 30 September, 2002, the Group's sales of mobile phone products to Guangzhou Fortune amounted to approximately HK\$436 million and HK\$176 million, respectively, representing approximately 13 per cent. and 10 per cent. of the Group's total turnover during the period.

Waiver

However, it has recently come to the notice of the Board that the Waiver was lapsed upon the expiration of the Original Sales Agreement and that by entering into the Existing Sales Agreement, being a non-exempt continuing connected transaction for the Company, the Company should have complied with all the applicable requirements in Chapter 20 of the GEM Listing Rules, which include disclosing the terms of the Existing Sales Agreement by way of announcement and obtaining a prior approval from the independent Shareholders. Without complying with these requirements, the Company is in breach of the relevant requirements under the GEM Listing Rules. **The Stock Exchange has indicated that it reserves its right to take appropriate action in respect of such breach.**

The Existing Sales Agreement was terminated by mutual agreement between FSH and Guangzhou Fortune on 25 February, 2003. As the Group has other new and existing customers in the southern region of the PRC, the Directors consider that the termination of the Existing Sales Agreement does not have any adverse or material impact on the business and financial position of the Group.

INFORMATION ON THE GROUP AND GUANGZHOU FORTUNE

The Group is one of the leading distributors of mobile phones in the PRC, with a distribution and service network comprising approximately 140 authorised distributors in major PRC cities. The Group also provides wireless communications solutions to corporate customers in Hong Kong and distributes personal digital assistant and pocket personal computer products through independent computer stores and retail chains in Hong Kong.

Guangzhou Fortune, a limited liability company established in the PRC, was then and is currently owned as to 99 per cent. by Mr. Lau Ye Buo and as to one per cent. by an independent third party. As Mr. Lau Ye Buo is a cousin of Mr. Steve Lau, both Mr. Lau Ye Buo and Guangzhou Fortune are associates (as defined in the GEM Listing Rules) of Mr. Steve Lau and connected persons (as defined in the GEM Listing Rules) of the Company.

CONFIRMATION FROM THE DIRECTORS

The Directors have no intention to breach any provision of the GEM Listing Rules on connected transactions. As a matter of fact, the independent non-executive Directors had confirmed in the Company's annual report for the financial year ended 31 March, 2002 that the sales transactions under the Existing Sales Agreement were carried out at market prices in the ordinary and usual course of business of the Group and on normal commercial terms or on terms no less favourable to the Company than the terms available to independent third parties which were also fair and reasonable and in the interest of the Shareholders as a whole. Such confirmation was made as part of the Waiver as if it were applicable to those sales transactions.

Details of the sales transactions under the Existing Sales Agreement for the year ending 31 March, 2003 will be disclosed in the Company's annual report and the Company will continue to comply with Rules 20.27, 20.28, 20.29 and 20.30 of the GEM Listing Rules.

DEFINITIONS

Unless the context requires otherwise, the use of capitalised terms in this announcement shall have the following meanings:

“Board”	the board of Directors;
“Company”	Fortune Telecom Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on GEM;
“Director(s)”	the director(s) of the Company;
“Existing Sales Agreement”	the sales agreement entered into between FSH and Guangzhou Fortune on 29 March, 2001 for the sales of mobile phone products from FSH to Guangzhou Fortune for the period from 1 April, 2001 to 31 March, 2003 on the same terms and conditions as that contained in the Original Sales Agreement, which was terminated on 25 February, 2003;

“FSH”	Fortune (Shanghai) International Trading Co., Ltd., (長遠(上海)國際貿易有限公司), a wholly foreign-owned enterprise established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“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;
“Guangzhou Fortune”	Guangzhou Fortune Telecommunications Development Ltd. (廣州市長遠電信發展有限公司), a limited liability company established in the PRC;
“Mr. Steve Lau”	Lau Siu Ying, Steve, the Chairman of the Group and an executive Director and is deemed to be interested in 70.5 per cent. of the issued share capital of the Company under the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong);
“Original Sales Agreement”	the sales agreement entered into between FSH and Guangzhou Fortune on 1 October, 1999 for the sales of mobile phone products from FSH to Guangzhou Fortune for the period from 1 October, 1999 to 31 March, 2001;
“PRC”	the People’s Republic of China;
“Prospectus”	the prospectus of the Company dated 9 February, 2000;
“Shareholder(s)”	holder(s) of the shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Wavier”	the wavier granted by the Stock Exchange on 14 February, 2000 in respect of the sales transactions between FSH and Guangzhou pursuant to the Original Sales Agreement, particulars of which are set forth in the Prospectus.

By order of the Board
FORTUNE TELECOM HOLDINGS LIMITED
Lau Siu Ying, Steve
Chairman

Hong Kong, 27 February, 2003

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company’s website at www.fortunetele.com.