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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)

ANNOUNCEMENT

**PROPOSED VOLUNTARY WITHDRAWAL OF LISTING
ON THE GROWTH ENTERPRISE MARKET OF
THE STOCK EXCHANGE OF HONG KONG LIMITED,
WAIVER OF THE MINIMUM NOTICE PERIOD
IN RESPECT OF THE PROPOSED WITHDRAWAL,
PROPOSED TERMINATION OF THE EXITING SHARE OPTION SCHEME,
PROPOSED ADOPTION OF THE PROPOSED SHARE OPTION SCHEME
DISCLOSURE OF CERTAIN FINANCIAL AND OTHER INFORMATION
AND
ADOPTION OF NEW BYE-LAWS IN SUBSTITUTION
FOR THE EXITING BYE-LAWS**

The Company is proposing to list the Shares on the Main Board by way of introduction. Immediately prior to the listing of the Shares on the Main Board, the listing of the Shares on GEM will be withdrawn. In connection with the Proposed Listing, the Company proposes to adopt the Proposed Share Option Scheme (which will replace the Existing Share Option Scheme) and the New Bye-Laws. A circular, containing, among other things, a notice of the SGM will be despatched to the Shareholders on 22 December 2003. A listing document in connection with the Proposed Listing will be despatched to the Shareholders for information purpose only on 22 December 2003.

Warning:

There is no assurance that permission will be obtained from the Stock Exchange for the Proposed Listing. Shareholders and potential investors should be aware that the implementation of the Proposed Listing and the Proposed Withdrawal are subject to certain conditions to be fulfilled and thus may or may not become effective. **Accordingly, the Proposed Listing and the Proposed Withdrawal may or may not proceed. Shareholders and potential investors are advised to exercise extreme caution when dealing in the Shares.**

* For identification purpose only

On 9 December 2002, the Directors announced that the Company had submitted an application to the Stock Exchange for the proposed listing of the Shares on the Main Board by way of introduction and informed the Stock Exchange of its intention to voluntarily withdraw the listing of the Shares on GEM subject to the conditions set out below.

In connection with the Proposed Withdrawal and the Proposed Listing, the Board proposes to seek the approval of the Shareholders to the relevant resolutions relating to the Proposed Withdrawal, the proposed reduction of the notice period for the Proposed Withdrawal, the proposed termination of the Existing Share Option Scheme, the proposed adoption of the Proposed Share Option Scheme and the New Bye-Laws. A circular, containing, among other things, a notice of the SGM will be despatched to the Shareholders on 22 December 2003. A listing document in connection with the Proposed Listing will be despatched to the Shareholders for information purpose only on 22 December 2003.

THE PROPOSED WITHDRAWAL AND THE PROPOSED LISTING

On 9 December 2002, the Directors announced that the Company had submitted an application to the Stock Exchange for the listing on the Main Board of, and permission to deal on the Main Board in, the Shares in issue and any Shares which may fall to be issued upon the exercise of any option which may, prior to the termination of the Existing Share Option Scheme, be granted thereunder or under the Proposed Share Option Scheme. Immediately following the Proposed Withdrawal, the Shares will be listed on the Main Board by way of introduction.

The implementation of the Proposed Withdrawal and the Proposed Listing will be conditional upon, among other things:

- (a) the Listing Committee granting approval to the listing on the Main Board of, and permission to deal on the Main Board in, the Shares in issue and any Shares which may fall to be issued upon the exercise of any option which may, prior to the termination of the Existing Share Option Scheme, be granted thereunder or under the Proposed Share Option Scheme;
- (b) the Stock Exchange granting a waiver from strict compliance with the minimum three months' notice period requirement for the Proposed Withdrawal;
- (c) the passing of an ordinary resolution by the Shareholders at the SGM to approve the Proposed Withdrawal; and
- (d) the publication of a notice of the Proposed Withdrawal after the Shareholders' approval of the same shall have been obtained at the SGM on a date that is no less than five clear Business Days prior to the Effective Date.

Pursuant to Rule 9.19 of the GEM Listing Rules, an issuer that has an alternative listing on another stock exchange or securities market recognised for this purpose by the Stock Exchange may not voluntarily withdraw its listing on GEM unless:–

- (a) the prior approval of the shareholders of the issuer has been obtained by way of an ordinary resolution passed at a duly convened meeting of the shareholders of the issuer; and

- (b) the issuer has given its shareholders at least three months' notice of the proposed withdrawal of listing.

In connection with the Proposed Withdrawal, the Company has applied to and has obtained from the Stock Exchange, a waiver from strict compliance with the minimum three months' notice required under the GEM Listing Rules, subject to the fulfilment of the following conditions:–

- (a) the prior approval of the Shareholders for the reduction in the notice period for the Proposed Withdrawal to a minimum period of five clear Business Days shall have been obtained;
- (b) in respect of the Shares, there is no change in the board lot size, the share certificates, the registrars of the Shares and the trading currency in connection with proposal to transfer its listing status; and
- (c) there is no other fact that leads the Stock Exchange to believe that the reduced notice period is not feasible.

Accordingly, the SGM is convened to seek the approval of the Shareholders for, among other things, the Proposed Withdrawal and the proposed reduction in the notice period for the Proposed Withdrawal. After the approval shall have been obtained, a notice of the Proposed Withdrawal will be published not less than five clear Business Days before the Effective Date.

The Directors consider that it is in the best interest of the Shareholders and the Company as a whole that the notice period for the Proposed Withdrawal be reduced so that the Proposed Withdrawal and the Proposed Listing can be carried out as soon as practicable after obtaining the relevant approvals from the Shareholders at the SGM.

Effects of the Proposed Withdrawal and the Proposed Listing

It is expected that dealings in the Shares on GEM will cease at 9:30 a.m. on the Effective Date and dealings in the Shares on the Main Board will commence at 9:30 a.m. on the Effective Date. The Company will make an announcement after the SGM on the results of the SGM and other information on the Proposed Withdrawal and the trading arrangement of the Shares in respect of the Proposed Withdrawal and the Proposed Listing.

The Proposed Withdrawal and the Proposed Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and will not involve any transfer or exchange of the existing share certificates. The Directors propose no change to be made to the board lot size, trading currency of the Shares and the registrars of the Shares in connection with the Proposed Withdrawal and the Proposed Listing. Shares will continue to be traded in board lots of 2,000 Shares each following the Proposed Listing. **Please note that if and when the Shares are listed on the Main Board, you may be required to sign a new client agreement with your stockbrokers.**

Please also note that the continuing obligations of listed issuers under the Listing Rules and the GEM Listing Rules are not the same. Under the GEM Listing Rules, the Company is required to publish its quarterly results on the internet website operated by the Stock Exchange. Upon its listing on the Main Board, the Company will cease the practice of

quarterly reporting and will follow the relevant requirement of the Listing Rules which include, among other things, through paid announcements on newspapers generally circulated in Hong Kong, publish its interim results and the annual results within three months and four months from the end of relevant period or financial year-end respectively. The Directors are of the view that quarterly results may not reflect the full year performance of the Group, as they are bound to be affected by various matters beyond the control of the Group, such as the market strategies of the leading brands of mobile phones, availability of the required mobile phone models and holidays in a particular quarter. The Directors are of the view that following the reporting requirements under the Listing Rules will provide investors and shareholders a relatively completed picture of the performance of the Group during the relevant period without being affected by the factors described above.

Reasons for the Proposed Withdrawal and the Proposed Listing

Since the listing of the Company on GEM in February 2000, the business of the Group has been growing rapidly, with sales of approximately HK\$1,545 million for the financial year ended 31 March 2001 increased to approximately HK\$2,945 million for the financial year ended 31 March 2003. The track record of the Group for the three financial years ended 31 March 2003 have already met the minimum profit requirement stipulated in the Listing Rules. With the anticipated continuous economic development in the PRC and the fact that the PRC mobile phone market is currently one of the largest markets in the world, the Directors believe that the business of the Group will continue to grow, and this will invariably require the Company to have access to additional working capital. The Directors are of the view that the Proposed Listing will enhance the profile of the Group, resulting in more research coverage from leading industry analysts that will lead to more trading liquidity of the Shares, all of these will enable the Group to have easier access to equity capital markets that will benefit the Group's future business development.

The Proposed Listing will involve no issue of new Shares by the Company.

Expected Timetable

The expected timetable for the Proposed Withdrawal and the Proposed Listing is set out below:–

Despatch of the circular, notice of the SGM and the related forms of proxy for the SGM to the Shareholders	Monday, 22 December, 2003
Despatch of the listing document in relation to the Proposed Listing	Monday, 22 December, 2003
Latest time for lodgement of related forms of proxy for the SGM	9:00 a.m. on Monday, 12 January, 2004
SGM	9:00 a.m. on Wednesday, 14 January, 2004
Date of announcement of results of the SGM and the notice of the Proposed Withdrawal, which are to be published on the GEM website, in The Standard (in English) and the Hong Kong Economic Times (in Chinese)	Wednesday, 14 January, 2004
Last day of dealings in the Shares on GEM	Wednesday, 21 January, 2004
Withdrawal of listing of Shares on GEM effective from	9:30 a.m. on Monday, 26 January, 2004
Commencement of dealings in the Shares on Main Board	9:30 a.m. on Monday, 26 January, 2004

FINANCIAL INFORMATION OF THE GROUP

Indebtedness

Borrowings

As at the close of business on 31 October 2003, being the latest practicable date for the purpose of preparing the indebtedness statement prior to the printing of the listing document dated 22 December 2003 issued in connection with the Proposed Withdrawal and the Proposed Listing, the Group had outstanding bank loans of approximately HK\$403 million and trust receipt loans of approximately HK\$9 million which are repayable within one year and obligation under finance lease of approximately HK\$0.5 million. The bank borrowings comprised of secured bank loans and trust receipt loans of approximately HK\$195 million and unsecured bank loans and trust receipt loans of approximately HK\$217 million.

Securities and guarantees

As at 31 October 2003, the Group's banking facilities were secured by the Group's property with a net book value of approximately HK\$6 million and bank deposits of the Group amounting to approximately HK\$204 million.

Contingent liabilities

As at 31 October 2003, the Group had no material contingent liabilities.

Disclaimer

As at 31 October 2003, save as aforesaid and apart from intra-group liabilities, the Group did not have:

- (i) any debt securities issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed or unguaranteed, secured (whether the security is provided by the Company or by third parties) or unsecured;
- (ii) any other borrowings or indebtedness including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits commitments, whether guaranteed or unguaranteed, and whether secured or unsecured;
- (iii) any mortgage or charge; or
- (iv) any material contingent liabilities or guarantees.

The Directors have confirmed that there has not been any material change in the indebtedness, commitments or contingent liabilities of the companies comprising the Group since 31 October 2003.

Liquidity, financial resources and capital structure

Net current assets

As at 31 October 2003, the Group had net current assets of approximately HK\$312 million. The current assets comprised bank balances and cash of approximately HK\$328 million, inventories of approximately HK\$259 million, trade and other receivables of approximately HK\$163 million, other investment of approximately HK\$3 million and tax recoverable of approximately HK\$1 million. The current liabilities comprised trade and other payables of approximately HK\$24 million, tax liabilities of approximately HK\$6 million and bank and other loans of approximately HK\$412 million.

Borrowings and banking facilities

The Group generally finances its operations with internally generated cash flow and by banking facilities.

As at 31 October 2003, the Group had available aggregate banking facilities of approximately HK\$580 million, out of which approximately HK\$412 million had been utilised are repayable within one year.

As at 31 October 2003, some of the Group's banking facilities were secured by the Group's property and bank deposit.

Capital commitment

As at 31 October 2003, the Group did not have any capital expenditure commitment in respect of acquisition of property, plant or machinery contracted but not provided for in the financial information.

Working capital

The Directors are of the opinion that, after taking into account the existing internal financial resources and banking facilities currently available to the Group, the Group has sufficient working capital for its present requirements.

Adjusted net tangible assets

The following pro forma statement of adjusted net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group as at 31 August 2003 as shown in the accountants' report set out in Appendix I to the listing document dated 22 December 2003 issued in connection with the Proposed Withdrawal and the Proposed Listing, adjusted as follows:

	HK\$'000
Audited consolidated net assets of the Group as at 31 August 2003	292,671
Less: Goodwill arising from the acquisition of 51% interest of Synergy in July 2001	<u>1,629</u>
Audited consolidated net tangible assets of the Group as at 31 August 2003	291,042
Unaudited consolidated profit after taxation and minority interests for the two months ended 31 October 2003	<u>19,708</u>
Adjusted net tangible assets	<u><u>310,750</u></u>
Adjusted net tangible asset value per Share (<i>Note</i>)	<u><u>HK\$1.03</u></u>

Note: The adjusted net tangible asset value per Share is arrived at based on 302,100,000 Shares currently in issue.

PROPOSED SHARE OPTION SCHEME

The Company had adopted the Existing Share Option Scheme since 2 February 2000. In connection with the Proposed Listing and in order to comply with the provisions of the Listing Rules, the Directors propose to the Shareholders to approve the Proposed Share Option Scheme to be adopted by the Company, which will enable the Directors to grant share options to certain selected participants as incentives or rewards for their contribution to the Group. The rules of the Proposed Share Option Scheme will contain provisions that comply with the requirements of Chapter 17 of the Listing Rules.

Application has been made to the Listing Committee for the listing on the Main Board of, and permission to deal on the Main Board in the Shares which may fall to be issued upon the exercise of any option which may be granted under the Proposed Share Option Scheme.

If approved by the Shareholders at the SGM, the Existing Share Option Scheme will be terminated and replaced by the Proposed Share Option Scheme once the Proposed Share Option Scheme becoming unconditional. The Directors confirm that the Company has not granted any option under the Existing Share Option Scheme. The Directors further confirm that the Company has no present intention to grant any option under the Existing Share Option Scheme prior to its proposed termination.

Since the period during which the Shares are traded on GEM, which commenced in February 2000, is not long enough to derive any meaningful financial estimates upon which a value of the options would be determined and there is no share option granted under the Existing Share Option Scheme, the Directors consider that it is currently not feasible to ascertain a value of the options that may be granted under the Proposed Share Option Scheme.

Conditions of the Proposed Share Option Scheme

The Proposed Share Option Scheme will be considered and, if thought fit, to be approved by the Shareholders at the SGM and will be conditional upon:–

- (a) the Listing Committee granting approval to the listing on the Main Board of, and permission to deal on the Main Board, in the Shares in issue and any Shares which may fall to be issued upon the exercise of any option which may, prior to the termination of the Existing Share Option Scheme be granted thereunder or under the Proposed Share Option Scheme;
- (b) the passing of an ordinary resolution by the Shareholders at the SGM to approve the termination of the Existing Share Option Scheme and the adoption of the Proposed Share Option Scheme; and
- (c) commencement of dealings in the Shares on the Main Board.

ADOPTION OF THE NEW BYE-LAWS

In connection with the Proposed Listing and to remove references to GEM and to make other immaterial changes in the Existing Bye-Laws, the Board proposes to seek the approval of the Shareholders to the adoption of the New Bye-Laws at the SGM, the provisions of which will comply with the requirements of the Listing Rules. The provisions of the New Bye-Laws are in all material respects identical to the Existing Bye-Laws. The New Bye-Laws will substitute the Existing Bye-Laws when the New Bye-Laws shall have been approved and adopted by the Shareholders at the SGM.

Conditions of the New Bye-Laws

The adoption of the New Bye-Laws will be conditional upon:–

- (a) the listing of the Shares on the Main Board; and

- (b) the passing of a special resolution by the Shareholders at the SGM to approve and adopt the New Bye-Laws in substitution for the Existing Bye-Laws.

THE SGM

The Board recommends the Shareholders to vote in favour of the ordinary and special resolutions to be proposed at the SGM so that the Proposed Withdrawal and the Proposed Listing can be implemented. As at the Latest Practicable Date, Future 2000 Limited, being the controlling shareholder (as defined in the GEM Listing Rules) holding approximately 70% of the existing issued share capital of the Company, has undertaken to the Company that it will vote in favour of all the ordinary resolutions and the special resolutions to be proposed at the SGM.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors
“Business Day(s)”	any day(s) on which the Stock Exchange is open for business of dealings in securities
“Company”	Fortune Telecom Holdings Limited (長遠電信網絡集團有限公司*), a company incorporated in Bermuda with limited liability with the Shares are listed on GEM
“Director(s)”	the director(s) of the Company
“Effective Date”	on or about 26 January 2004, the day on which the Proposed Withdrawal becomes effective
“Existing Bye-Laws”	the bye-laws adopted by the Company on 10 December 1999
“Existing Share Option Scheme”	the share option scheme conditionally adopted by the Company on 2 February 2000
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	15 December 2003, being the latest practicable date prior to the printing of this announcement for the purpose of ascertaining certain information for inclusion in this announcement

“Listing Committee”	the listing sub-committee of the directors of the Stock Exchange responsible for Main Board listing matters
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM and which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM.
“New Bye-Laws”	the new bye-laws proposed to be adopted by the Shareholders at the SGM
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Listing”	the proposed listing of the Shares on the Main Board by way of introduction
“Proposed Share Option Scheme”	the share option scheme proposed to be adopted by the Company at the SGM
“Proposed Withdrawal”	the proposed voluntary withdrawal of listing of the Shares on GEM
“SGM”	the special general meeting of the Company to be held at Room 1505-7, 15th Floor, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong on 14 January 2004 at 9:00 a.m. or any adjournment thereof
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$” or “cents”	Hong Kong dollars or cents, the lawful currency of Hong Kong

“%”

per cent.

By order of the Board
FORTUNE TELECOM HOLDINGS LIMITED
LAU SIU YING, STEVE
Chairman

Hong Kong, 22 December 2003

This announcement, for which the directors of 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 for the purpose of giving information with regard to the Company. The director of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material aspects and not misleading; (2) there are no other matters the omissions of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are found on bases and assumptions that are fair and reasonable.

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