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If you have sold or transferred all your shares in the Company, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular does not constitute an offer of, nor is it calculated to invite offers for, shares or other securities of the Company, nor have such shares or other securities been allotted with a view to any of them being offered for sale to the public. No new shares will be issued in connection with, or pursuant to, the publication of this circular.



FORTUNE TELECOM HOLDINGS LIMITED

長遠電信網絡集團有限公司*

(Incorporated in Bermuda with limited liability)

**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 EXISTING 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 EXISTING BYE-LAWS**

A letter from the Board is set out on pages 5 to 13 of this circular.

A notice convening the SGM 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 is set out on pages 35 to 37 of this circular.

Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the SGM or any adjournment thereof to the office of the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof should you so wish.

This circular will remain on the GEM website at "www.hkgem.com" on the "Latest Company Announcements" page for at least seven days from the date of publication.

* *For identification purpose only*

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination of GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at “www.hkgem.com” in order to obtain up-to-date information of GEM-listed issuers.

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DEFINITIONS

In this circular, unless the context requires otherwise, 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
“Companies Act”	the Companies Act 1981 of Bermuda
“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 circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Committee”	the listing sub-committee of the directors of the Stock Exchange responsible for Main Board listing matters
“Listing Document”	the listing document dated 22 December 2003 issued by the Company in connection with the Proposed Listing
“Listing Rules”	The Rules Governing the Listing of Securities on the Main Board

* For identification purpose only

DEFINITIONS

“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 at the SGM, the principal terms of which are summarised in Appendix II to this circular
“PRC”	the People’s Republic of China, which for the purposes of this circular, 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, a summary of principal terms of which is set out in the Appendix I to this circular
“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, notice of which is set out on pages 35 to 37 of this circular
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of Shares
“Sponsors”	South China Capital Limited and Watterson Asia Limited, both of which are deemed licenced corporations under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), acting as the sponsor and the co-sponsor to the Proposed Listing, respectively
“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.

RESPONSIBILITY STATEMENT OF THIS CIRCULAR

This circular includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief,

- (i) the information contained in this circular is accurate and complete in all material aspects and not misleading;
- (ii) there are no other matters the omission of which would make any statement herein misleading; and
- (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

EXPECTED TIMETABLE

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

Despatch of this 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 the 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)	Thursday, 15 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



FORTUNE TELECOM HOLDINGS LIMITED
長遠電信網絡集團有限公司*

(Incorporated in Bermuda with limited liability)

Executive Directors:–

LAU Siu Ying, Steve (*Chairman*)
LUO Xi Zhi
TIN Ding Hong, William

Non-executive Directors:–

FUNG Oi Ip, Alfonso
LO Wing Yat, Kelvin

Independent non-executive Directors:–

CHANG Wing Seng, Victor
LIU Kwok Fai, Alvan

Registered office:–

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place
of business in Hong Kong:–*

Room 1505-7
15th Floor, Tower A
Regent Centre
63 Wo Yi Hop Road
Kwai Chung
New Territories
Hong Kong

22 December 2003

To the Shareholders

Dear Sir or Madam,

**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 EXISTING 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 EXISTING BYE-LAWS**

INTRODUCTION

On 9 December 2002, the Directors announced that the Company had submitted an application to the Stock Exchange for the Proposed Listing and informed the Stock Exchange of its intention to implement the Proposed Withdrawal that would be conditional upon, among other things, the approval by the Shareholders and the approval by the Stock Exchange of the application for the Proposed Listing.

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LETTER FROM THE BOARD

The purpose of this circular is to give you further information on the Proposed Withdrawal and the Proposed Listing. As part of the Proposed Listing, the Directors propose to the Shareholders to adopt the Proposed Share Option Scheme (which will replace the Existing Share Option Scheme) and the New Bye-Laws, both of which will comply with the requirements under the Listing Rules. The Shareholders are invited to consider and vote on all these at the SGM, a notice of which is set forth on pages 35 to 37 of this circular.

THE PROPOSED WITHDRAWAL AND THE PROPOSED LISTING

On 9 December 2002 and 16 June 2003, the Sponsors had submitted an application to the Stock Exchange on behalf of the Company 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. The Stock Exchange has informed the Sponsors that the Listing Committee has granted an approval in principle of the listing of, and permission to deal in, the Shares on the Main Board. Immediately following the Proposed Withdrawal, the Shares will be listed on the Main Board by way of introduction, and the listing of the Shares on GEM will be withdrawn.

WAIVER FROM STRICT COMPLIANCE WITH MINIMUM NOTICE PERIOD IN RESPECT OF THE PROPOSED WITHDRAWAL

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

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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.

CONDITIONS OF THE PROPOSED WITHDRAWAL AND THE PROPOSED LISTING

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.

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

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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, the availability of the required mobile phone models and the 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 records 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.

FINANCIAL INFORMATION ON 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, 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.

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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.

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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 adjusted as follows:

	<i>HK\$'000</i>
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.

LETTER FROM THE BOARD

PROPOSED SHARE OPTION SCHEME

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. A summary of the principal terms of the Proposed Share Option Scheme is set forth in Appendix I to this circular.

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 for 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. A summary of the principal terms of the New Bye-Laws is set out in

LETTER FROM THE BOARD

Appendix II to this circular. 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

A notice for the SGM is set out on pages 35 to 37 of this circular, at which ordinary resolutions will be proposed to consider and, if thought fit, approve, among other matters, the following:–

- (a) the Proposed Withdrawal;
- (b) the proposed reduction in the notice period for the Proposed Withdrawal; and
- (c) the proposed termination of the Existing Share Option Scheme and the proposed adoption of the Proposed Share Option Scheme.

Further, a special resolution will be proposed to consider and, if thought fit, to approve the substitution of the Existing Bye-Laws with the New Bye-Laws.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend the SGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM, or any adjourned meeting, should you so wish.

RECOMMENDATION

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.

LETTER FROM THE BOARD

DOCUMENTS AVAILABLE FOR INSPECTION

The Listing Document is enclosed with this circular, for information purpose only, and will be available for inspection at the SGM.

Copies of the Proposed Share Option Scheme and New Bye-Laws will be available for inspection at the office of Koo and Partners in Association with Paul, Hastings, Janofsky & Walker LLP at 21st Floor, Bank of China Tower, One Garden Road, Central, Hong Kong during normal business hours up to and including the date of the SGM and will also be available for public inspection at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the appendices to this circular.

By order of the Board
Fortune Telecom Holdings Limited
LAU Siu Ying, Steve
Chairman

The following is a summary of the principal terms of the Proposed Share Option Scheme proposed to be adopted at the SGM to replace the Existing Share Option Scheme.

(a) Who may join

The Board may at its discretion grant options to (i) any part-time or full time employee or officer of any member of the Group or of any Associated Company (collectively, the “Employee”); (ii) the chief executive or director (executive or non-executive or independent non-executive) of any member of the Group or of any Associated Company; or (iii) any supplier, agent, customer, distributor, business associate or partner, professional or other adviser of, or consultant or contractor to, any member of the Group or any Associated Company; (iv) any shareholder of any member of the Group or of any Associated Company who, in the opinion of the Board, has made or will make contributions which are or may be beneficial to the Group as a whole (collectively, “Qualified Persons”).

(b) The purpose of the Proposed Share Option Scheme

The Proposed Share Option Scheme seeks to recognize and acknowledge the contributions or potential contributions made or to be made by the Qualified Persons to the Group, to motivate the Qualified Persons to optimise their performance and efficiency for the benefit of the Group, and to maintain or attract business relationship with the Qualified Persons whose contributions are or may be beneficial to the growth of the Group.

(c) Subscription price

The subscription price (the “Subscription Price”) in relation to each option under the Proposed Share Option Scheme shall be a price notified by the Board to the respective Qualified Person. Such price shall be at least the higher of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets on the date on which the option is offered to Qualified Person (the “Offer Date”) (which is deemed to be the date of grant of the offer for the grant of an option is accepted by the Qualified Person), which must be a business day; (ii) the average of the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five (5) business days immediately preceding the Offer Date (which is deemed to be the date of grant of the offer for the grant of an option is accepted by the Qualified Person), which must be a business day; and (iii) the nominal value for each Share.

(d) Grant of Option

An offer of the grant of an option shall be made to a Qualified Person by letter (“Offer Letter”) in such form as the Board may from time to time determine specifying the terms and subject to the conditions on which the option is to be granted. Subject to the terms of the Offer Letter, there shall be no general performance target to or minimum holding period for the vesting or exercise of options.

An option shall be deemed to have been granted and accepted and to have taken effect when the duplicate Offer Letter comprising acceptance of the option duly signed by the option-holder together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the

grant thereof shall have been received by the Board on or before the last day for acceptance as set out in the Offer Letter. Such remittance shall in no circumstance be refundable.

(e) *Maximum number of Shares*

(i) Scheme Mandate

The maximum number of Shares in respect of which options may be granted under the Proposed share option scheme and any other share option schemes of the Company shall not in aggregate exceed such number of Ordinary Shares as shall represent ten percent (10%) (the “Scheme Mandate”) of the total number of Shares in issue as at the date when the Proposed Share Option Scheme is approved by the shareholders of the Company. For the purpose of calculating the Scheme Mandate, options which have been lapsed in accordance with the terms of the Proposed Share Option Scheme shall not be counted.

(ii) Refreshment of the Scheme Mandate

The Company may seek approval by its shareholders in general meeting for refreshing the Scheme Mandate provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Proposed Share Option Scheme and any other share option schemes of the Company under the Scheme Mandate as being refreshed must not in aggregate exceed 10% of the total number of Shares in issue as at the date when such refreshment of the Scheme Mandate is approved by shareholders of the Company. For the foregoing purpose, options previously granted under the Proposed Share Option Scheme and any other share option schemes of the Company, whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted.

(iii) Grant of options to specifically identified Qualified Persons

The Company may seek separate approval by its shareholders in general meeting for granting options beyond the Scheme Mandate provided the options in excess of the Scheme Mandate are granted only to Qualified Persons specifically identified before such approval is sought. A circular will be sent by the Company to its shareholders in accordance with the Listing Rules in such circumstance.

(iv) Overriding Limit

Notwithstanding any provisions to the contrary, the limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Proposed Share Option Scheme and any other share option schemes of the Company must not exceed such number of Shares as shall represent 30% of the Shares in issue from time to time.

(v) Maximum entitlement of each Qualified Person

Unless separately approved by shareholders in general meeting in the manner as prescribed in the Listing Rules, the total number of Shares issued and to be issued upon exercise of options granted to each Qualified Person (including both exercised, cancelled and outstanding options) under the Proposed Share Option Scheme and any other share option schemes of the Company in any 12-month period must not exceed 1% of the Shares then in issue.

(f) *Timing for exercise options*

The period during which an option may be exercised in accordance with the terms of the Proposed Share Option Scheme (“Option Period”) shall be the period set out in the Offer Letter provided that such period shall commence on the date upon which such option is deemed to be accepted in accordance with the terms of the Proposed Share Option Scheme and must expire no later than the tenth anniversary of the Offer Date.

(g) *Rights personal to option-holder*

An option shall not be sold, transferred, charged, mortgaged, encumbered or created with any interest (legal or beneficial) in favour of any third party or assigned and shall be personal to the option-holder (save that the option-holder may nominate a nominee to hold the Shares to be issued pursuant to the exercise of options granted under the Proposed Share Option Scheme on trust for the sole benefit of such option-holder provided that evidence of such trust arrangement between the option-holder and the nominee shall be provided to the satisfaction of the Company).

(h) *Rights on ceasing employment*

If the option-holder being an Employee ceases to be a Qualified Person for any reason other than his or her death or termination of his or her employment on one or more of the grounds specified in sub-paragraph (v) of paragraph (p) below or retirement in accordance with the terms of his or her contract of employment or appointment or by virtue of any statutory requirement, such option-holder may exercise the option up to his or her entitlement at the date of cessation (to the extent not already exercised) within the period of 1 month following the date of such cessation, which date shall be the last actual working day with the Company or its relevant subsidiary or its relevant Associated Company (as the case may be) whether salary is paid in lieu of notice or not.

(i) *Rights on death*

If the option-holder (being an individual) ceases to be a Qualified Person by reason of his or her death (and, in the case of such option-holder is an Employee, none of the events which would be a ground for termination of his or her employment or appointment as specified in sub-paragraph (v) of paragraph (p) below has arisen), the legal personal representative(s) of the option-holder shall be entitled within a period of 12 months from the date of death (or such other period as the Board may determine) to exercise the option in full (to the extent not already exercised).

(j) *Rights on retirement*

If the option-holder being an Employee ceases to be a Qualified Person by reason of retirement in accordance with the terms of his or her contract of employment or appointment by virtue of any statutory requirement and none of the events which would be a ground for termination of his or her employment or appointment as specified in sub-paragraph (v) of paragraph (p) below has arisen, the option-holder shall be entitled within a period of 12 months from the date of retirement (or such other period as the Board may determine) to exercise the option up to his or her entitlement (to the extent not already exercised).

(k) *Rights on termination of business relation*

If the option-holder being a non-Employee in the absolute opinion of the Board ceases to be qualified as a Qualified Person by reason of termination of its business relation with the relevant member of the Group or the Associated Company (as the case may be) or otherwise, any outstanding options then held by such option-holder shall lapse with effect from the date on which the Board notifies such option-holder in writing of the relevant termination.

(l) *Rights on a compromise or arrangement*

In the event of a compromise or arrangement between the Company and its shareholders or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to the option-holder (or his or her legal representative(s)) on the same day as it gives notice of the meeting to its shareholders or creditors to consider such compromise or arrangement and thereupon the option-holder may, during the period commencing on the date of the aforesaid notice and ending on the earlier of the date two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by court, exercise any of the option whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Proposed Share Option Scheme. The Company may require the option-holder (or his or her personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the option-holder in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(m) *Effect of capital alteration*

In the event of alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalization issue, rights issue, consolidation, share sub-division or reduction of the share capital of the Company (other than an issue of Shares as consideration in

respect of a transaction to which the Company is a party), the Board shall make (and shall notify to the option-holder) such corresponding alterations (if any) in:–

- (i) the number or nominal amount of Shares subject to any option so far as such option remains unexercised; and/or
- (ii) the Subscription Price,

as the auditors shall certify in writing to the Board to be in their opinion fair and reasonable, provided that any alteration shall be made on the basis that the proportion of the issued share capital of the Company to which a option-holder is entitled after such alteration shall remain the same as that to which he was entitled before such alteration, but so that no such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value.

(n) Rights on voluntary winding up

In the event a notice is given by the Company to its shareholders to convene a shareholder's meeting for the purpose of considering and, if thought fit, approving a resolution to wind up the Company voluntarily, the Company shall on the same date as or promptly after it dispatches such notice to each shareholder of the Company gives notice thereof to the option-holder, and thereupon the option-holder (or his or her personal representative(s)) shall be entitled to exercise all or any of the option at any time no later than four business days prior to the proposed shareholders' meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as practicable as the circumstances allow but in any event no later than the business day immediately before the proposed shareholders' meeting, allot the relevant Shares to the option-holder credited as fully paid.

(o) Rights on general offer

If a general offer is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional, the option-holder (or his or her legal personal representative(s)) shall be entitled to exercise the option then outstanding in full at any time within fourteen (14) days after the date on which the offer becomes or is declared unconditional notwithstanding that the Option Period of the relevant option may not have commenced.

(p) Lapse of options

An option shall lapse automatically (to the extent not already exercised) on the earliest of:–

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in paragraphs (h), (i), (j) or (o);

- (iii) the date of the commencement of the winding-up of the Company in respect of the situation contemplated in paragraph (n);
- (iv) subject to the scheme of arrangement or compromise becoming effective, the expiry of the period referred to in paragraph (l);
- (v) the date on which the option-holder being an Employee ceases to be a Qualified Person by reason of the termination of his or her employment or appointment on any one or more of the grounds that he or she has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the option-holder's service contract with the Company or its relevant subsidiary or its relevant Associated Company (as the case may be);
- (vi) the date on which the option-holder commits a breach of paragraph (g);
- (vii) if an option was granted subject to certain conditions, restrictions or limitations, the date on which the Board resolves that the option-holder has failed to satisfy or comply with such conditions, restrictions or limitations;
- (viii) in respect of the option-holder being a consultant or adviser (whether individual or corporation), the date on which the Board resolves that the consultant or adviser fails to comply with any provisions of the relevant contract, or breaches its fiduciary duty under the common law; or
- (ix) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Letter, if any.

(q) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will be subject to all provisions of the Bye-Laws of the Company for the time being in force and will rank *pari passu* with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividends or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment.

(r) *Life of the Proposed Share Option Scheme*

The Proposed Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from the date on which the Proposed Share Option Scheme is deemed to take effect in accordance with its terms, after which period no further options will be granted but the provisions of the Proposed Share Option Scheme shall remain in full force and effect in all other respects.

(s) *Alterations of the Proposed Share Option Scheme*

The Proposed Share Option Scheme may be altered in any respect by resolution of the Board except that any material alteration to its terms and conditions or any change to the terms of options granted (except where such alterations take effect automatically under the existing terms of the Proposed Share Option Scheme) shall first be approved by the shareholders of the Company in general meeting and the provisions of the Proposed Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of the option-holders except with the prior sanction of a resolution of the Company in general meeting. Any amended terms of the Proposed Share Option Scheme shall comply with Chapter 17 of the Listing Rules.

(t) *Administration*

The Proposed Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters relating to the Proposed Share Option Scheme or its interpretation or effect (save as otherwise provided) shall be final and binding on all parties affected thereby.

Without prejudice to any of the provisions of the Proposed Share Option Scheme, the Board may from time to time adopt such operational rules as it may deem fit for the purpose of giving effect to or implementing the Proposed Share Option Scheme including without limitation rules which may restrict the exercise of the options granted or to be granted in any way or otherwise impose restrictions whatsoever on the part of the option-holder provided always that such operational rules shall not contravene the applicable provisions of the Listing Rules.

Any change to the authority of the Board or the administrators of the Proposed Share Option Scheme in relation to any alteration of the terms of the Proposed Share Option Scheme shall be approved by the shareholders of the Company in general meeting.

(u) *Options to related persons*

- (i) Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates (“Related Person”) must be approved by the independent non-executive directors of the Company (excluding independent non-executive director who is the option-holder of such options).
- (ii) Any grant of options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates shall comply with paragraph (iii) below if such proposed grant of options, when aggregated with all options (whether exercised, cancelled or outstanding) already granted to that Related Person under the Proposed Share Option Scheme and any other share option schemes of the Company during the 12-month period up to and including the date of such grant of options, and upon exercise of all such options so granted to the relevant Related Person would (a) entitle him or her to receive more than 0.1% of the total issued Shares for the time being; and (b) represent an aggregate value in excess of

HK\$5,000,000 (or such higher amount as shall be permissible under the Listing Rules from time to time) based on the closing price of the Shares on the Stock Exchange at the date of each grant.

(iii) Any grant of options referred to in paragraph (ii) must, in addition to obtaining the approval of the independent non-executive directors pursuant to paragraph (i), be approved by the shareholders of the Company in general meeting where all connected persons of the Company must abstain from voting save and except any connected person may vote against the proposed grant in the general meeting provided that his intention so to do has been stated in a circular to be despatched to the shareholders of the Company in accordance with the Listing Rules.

(iv) Any vote taken at such general meeting to approve the grant of such options must be taken on a poll.

(v) *Restrictions on grant of options*

No grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. Without prejudice to the foregoing, no option shall be granted during a period during which no option may be granted.

(w) *Cancellation of options*

Subject to the consent from the relevant option-holder, the Board may in its discretion cancel options previously granted to, and yet to be exercised by, such option-holder; provided that if such cancellation of options is made for the purpose of re-issuing new options to such option-holder, there must be sufficient available unissued options (excluding such cancelled options) for such re-issuance under the General Mandate.

(x) *Termination*

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Proposed Share Option Scheme and in such event no further options will be offered but the provisions of the Proposed Share Option Scheme shall remain in force in all other respects.

(y) *Value of the options granted*

Since the Proposed Share Option Scheme is yet to be approved by the shareholders of the Company, the Board has not yet determined the time frame on the granting of option, thereunder and the number of Shares for which any grantee may subscribe upon exercise of an option. Accordingly, the Board consider that it is premature and inappropriate to state the value of the options for the time being in this document.

In connection with the Proposed Listing and to remove reference to GEM and to make other immaterial changes in the Existing Bye-Laws, the Board proposes to seek the approval of the Shareholders for 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.

Set forth below is a summary of the principal provisions of the New Bye-Laws proposed to be adopted by the Company at the SGM in substitution for the Existing Bye-Laws:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorized by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine. Subject to the provisions of the Companies Act, the New Bye-Laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the New Bye-Laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the New Bye-Laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the New Bye-Laws or the Companies Act to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are no provisions in the New Bye-Laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors.

(v) *Financial assistance to purchase shares of the Company*

Neither the Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Company for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards, provided that the New Bye-Laws shall not prohibit transactions permitted under the Companies Act.

(vi) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-Laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the New Bye-Laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the New Bye-Laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director

is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established.

A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board in respect of any contract or arrangement or other proposal in which he is to his knowledge materially interested but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving of any security or indemnity to the Director in respect of money lent or obligations incurred or undertaken by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving by the Company of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director has himself assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director is interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which he is interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director together with any of his associates (as defined by the rules, where applicable, of any Designated Stock Exchange (as defined in the New Bye-Laws)) is beneficially interested in 5 per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest is derived); or

- (ff) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

(vii) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director. The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons. The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before or in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not greater than one third) will retire from office by rotation provided that no Director holding office as chairman and/or managing director shall be subject to retirement by rotation, or be taken into account in determining the number of Directors to retire. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit. The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorization by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. A Director may be removed by a special resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director 14 days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company. The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) Borrowing powers

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the New Bye-Laws in general, can be varied with the sanction of a special resolution of the Company.

The New Bye-Laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The New Bye-Laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the New Bye-Laws or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;
- (v) change the currency denomination of its share capital;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and
- (vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled. The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or any share premium account or other undistributable reserve in any manner permitted by law.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the New Bye-Laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons (or in the case of a member being a corporation, its duly authorised representative) holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person (or in the case of a member being a corporation, its duly authorised representative) or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

(e) Special resolution-majority required

A special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

(f) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the New Bye-Laws, at any general meeting on a show of hands, every member who is present in person (or being a corporation, is present by its duly authorized representative) or by proxy shall have one vote and on a poll every member present in person or by proxy or, being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the New Bye-Laws, where more than one proxy is appointed by a member which is a clearing house (as defined in the New Bye-Laws) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way. At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right. If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including the right to vote individually on a show of hands.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-Laws)) and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions. The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least 21 days before the date of the general meeting and laid before the Company in general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the New Bye-Laws), the Company may send to such persons a summary financial statement derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country

or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least 21 clear days' notice in writing, and any other special general meeting shall be called by at least 14 clear days' notice (in each case exclusive of the day on which the notice is given or deemed to be given and of the day for which it is given or on which it is to take effect). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act. The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-Laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the

instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the New Bye-Laws), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for the Company to purchase its own shares

The New Bye-Laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the New Bye-Laws relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend

be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) Call on shares and forfeiture of shares

Subject to the New Bye-Laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part.

The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide. If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than 14 clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still

accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture. A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding 20 per cent. per annum as the board determines.

(p) Inspection of register of members

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members without charge, or by any other person upon a maximum payment of five Bermuda dollars, at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act or, upon a maximum payment of \$10, at the Registration Office (as defined in the Bye-Laws), unless the register is closed in accordance with the Companies Act.

(q) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the New Bye-Laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution. If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or

more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the New Bye-Laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the New Bye-Laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the New Bye-Laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Other provisions

The New Bye-Laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The New Bye-Laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon on every business day.

NOTICE OF THE SGM

Unless the context requires otherwise, the use of capitalised terms here shall have the same meanings as defined in the circular of which this notice forms part:–



FORTUNE TELECOM HOLDINGS LIMITED

長遠電信網絡集團有限公司*

(Incorporated in Bermuda with limited liability)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the SGM will 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 to consider and, if thought fit, pass the following resolutions with or without modifications as ordinary resolutions and/or special resolution (as the case may be):–

ORDINARY RESOLUTIONS

1. **“THAT** conditional upon 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 under the Proposed Share Option Scheme, if the same having been approved, and upon the publication by the Company of a notice in respect of the Proposed Withdrawal which shall be published not less than such period as the Shareholders shall approve under Ordinary Resolution No. 2 set out in this notice prior to the Effective Date or on such other date as the Board may decide, and being acceptable to the Stock Exchange, the Proposed Withdrawal shall cease with effect from such date and time as the Directors may designate and any Director or the company secretary of the Company be and is hereby authorised generally to do all such acts for and on behalf of the Company as he may in his absolute discretion deem necessary, desirable or expedient to effect and implement the foregoing;”
2. **“THAT** conditional upon passing of the first ordinary resolution above-mentioned and the approval of the Stock Exchange, the notice period required under Rule 9.19(3) of the GEM Listing Rules in connection with the Proposed Withdrawal be reduced to a minimum period of five clear Business Days from the date on which the Shareholders shall have approved the Proposed Withdrawal;”
3. **“THAT** conditional upon 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

* For identification purpose only

NOTICE OF THE SGM

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, the rules of which are set out in the document marked “A” produced to this meeting and for the purpose of identification signed by the Chairman of the SGM:

- (A) the Existing Share Option Scheme be terminated immediately upon the Proposed Share Option Scheme becoming unconditional; and
- (B) the Proposed Share Option Scheme be and is hereby approved and adopted and the Board be and is hereby authorised, at its absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights under any option which may be granted under the Proposed Share Option Scheme and to do all such acts as it may in its absolute discretion consider necessary or expedient to give effect to the Proposed Share Option Scheme.”

SPECIAL RESOLUTION

“**THAT** conditional upon 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, the New Bye-Laws set out in the document marked “B” produced to the SGM and for the purpose of identification signed by the Chairman of the SGM be approved and adopted as the New Bye-Laws in substitution for and to the exclusion of the Existing Bye-Laws.”

By order of the Board
Fortune Telecom Holdings Limited
TIN Ding Hong, William
Company Secretary

Hong Kong, 22 December 2003

Principal place of business in Hong Kong:–

Room 1505-7
15th Floor, Tower A
Regent Centre
63 Wo Yi Hop Road
Kwai Chung
New Territories
Hong Kong

NOTICE OF THE SGM

Notes:–

1. A Shareholder entitled to attend and vote at the SGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the Existing Bye-Laws, vote at the SGM. A proxy need not be a Shareholder. A form of proxy for use at the SGM is enclosed.
2. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited, together with a power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority, at the Company's Hong Kong branch share registrar, Abacus Share Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Hong Kong not less than 48 hours before the time appointed for holding the SGM.
3. In the case of joint registered holders of any Shares, any one of them may vote at the SGM, either personally or by proxy, in respect of such Shares as if he/she/it was solely entitled thereto; but if more than one of such joint registered holders be present at the SGM, either personally or by proxy, that one of them so present whose name stands first on the register of members in respect of such Shares shall be accepted to the exclusion of the votes of the other joint registered holders.