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EZCOM
BRING TECHNOLOGY TO LIFE
EZCOM HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
FURTHER EQUITY INTERESTS IN
FUTURE CIRCLE HOLDINGS LIMITED**

Joint Financial Advisers



**WALLBANCK BROTHERS
Securities (Hong Kong) Limited**



Partners Capital International Limited

SUMMARY

Execution of Supplemental Agreement and Exercise of the Future Circle Option

The Board announced that on 21 May 2003 the Company entered into the Supplemental Agreement with Mr. Li to amend and supplement the Future Circle Option Agreement such that the entering into of the Supplemental Agreement and the subsequent exercise of the Future Circle Option by the Company on the date of the Supplemental Agreement are conditional upon approval by the Independent Shareholders of the Company in general meeting, and that instead of payment by way of the Convertible Note, the Future Circle Option Price shall be satisfied upon Completion by way of the Company's delivery of a non-interest bearing promissory note in the form set out in the Supplemental Agreement in favour of Mr. Li in the sum of HK\$40,695,297, same amount of the denomination of the Convertible Note.

Reference is made to the announcement of the Company published on 5 February 2002 followed by the circular dated 26 February 2002 despatched to the Shareholders for the purposes of providing information to the Shareholders in relation to, among others, the Future Circle Option Agreement. The relevant ordinary resolution for the approval of the terms and conditions of the Future Circle Option Agreement, save and except the amendments contained in the Supplemental Agreement, was passed at the special general meeting held on 13 March 2002.

Effect of the exercise of the Future Circle Option

Upon Completion of the exercise of the Future Circle Option, the Company will beneficially own the entire equity interests in Future Circle which together with Select Right (also the Company's wholly-owned subsidiary) will hold the entire share capital of Ezcom Tech.

Listing Rules Requirements

The execution of the Supplemental Agreement and the subsequent exercise of the Future Circle Option by the Company on the date of the Supplemental Agreement constitute discloseable and connected transactions of the Company under the Listing Rules by virtue of the fact that Mr. Li (the grantor in the Future Circle Option Agreement), being a director and a substantial shareholder of a subsidiary of the Company, is regarded as a connected person of the Company under the Listing Rules, and the total consideration, that is the Future Circle Option Price, represents approximately 16.0% of the Group's net tangible assets value after the completion of the Open Offer.

The Independent Board has been formed to advise the Independent Shareholders in respect of the terms of the Supplemental Agreement and the exercise of the Future Circle Option. JS Cresvale Securities International Limited has been appointed as the independent financial adviser to advise the Independent Board in this regard.

A circular containing the details of the Supplemental Agreement and the exercise of the Future Circle Option, the recommendation of the Independent Board and an opinion letter from the independent financial adviser to the Independent Board will be despatched to the Shareholders as soon as practicable. A notice of the SGM will also be despatched together with the circular.

SUPPLEMENTAL AGREEMENT

Agreement Date : 21 May 2003

Grantee : the Company

Grantor : Mr. Li, a director and a substantial shareholder of a subsidiary of the Company who does not own any Shares at the date of the Supplemental Agreement

Reasons for entering into the Supplemental Agreement

Because of the fluctuation of the share price of the Company after the Share Capital Restructuring, the closing price of the Shares on 21 May 2003 was HK\$0.182 per Share, which is far lower than the conversion price set out in the Convertible Note, HK\$5 per share (adjusted according to the terms of the Convertible Note after the Share Capital Restructuring as 50 of the previous ordinary shares of the Company were converted into 1 Share). Even though the conversion period under the Convertible Note is 2 years, but as the conversion price, HK\$5, is now more than 27 times of the existing share price, HK\$0.182, of the Company, both the Directors and Mr. Li considered that the conversion right had become meaningless. If the Directors decided to issue the Convertible Note anyway without entering into the Supplemental Agreement, the Company would be issuing a convertible note with a conversion price which is out of money for more than 27 times, which would appear to be unreasonable and abnormal to public investors since normally the conversion price would only be slightly higher than the current share price. This might create confusion and uncertainty to the Shareholders and the public investors as to the capital structure of the Company.

In the Company's circular dated 25 March 2003 in relation to the Open Offer, it was stated on p.17 thereof that "the Directors consider that it is prudent to finance the Company's growth with longer term funding, preferably in the form of equity rather than debt". Now, if the entering into of the Supplemental Agreement and the exercise of the Future Circle Option are approved in the SGM, the Company will incur a debt of HK\$40,695,297, with no equity element. But as explained above, the original equity element in the Future Circle Option, the conversion right with the conversion price at HK\$5, has virtually gone due to the drop of share price of the Company after the Share Capital Restructuring and it is out of the control of the Company to retain such equity element since it is entirely Mr. Li's discretion to decide whether to exercise the conversion right. If the circumstances allow, the directors would prefer equity financing rather than debt financing.

Terms of the Supplemental Agreement

The Company and Mr. Li therefore entered into the Supplemental Agreement to amend and supplement the Future Circle Option Agreement such that instead of payment by way of the Convertible Note, the Future Circle Option Price shall be satisfied upon Completion by way of the Company's delivery of a promissory note in the form set out in the Supplemental Agreement in favour of Mr. Li in the sum of HK\$40,695,297 (same amount of the denomination of the Convertible Note) which will be due and payable with no interest thereon on the day falling 2 years from the date of issue of the promissory note. This announcement has set out all factors considered by the Directors before entering into the Supplemental Agreement and after carefully considering all these factors, the Directors consider the terms of the Supplemental Agreement to be fair and reasonable and it is in the best interest of the Company to enter into the Supplemental Agreement.

Condition

The execution of the Supplemental Agreement and the exercise of the Future Circle Option by the Company pursuant to the terms and conditions thereof are conditional upon approval by the Independent Shareholders in the SGM.

THE EXERCISE OF THE FUTURE CIRCLE OPTION PURSUANT TO THE FUTURE CIRCLE OPTION AGREEMENT, AS SUPPLEMENTED BY THE SUPPLEMENTAL AGREEMENT

Date of the Future Circle Option Agreement	:	4 February 2002 as supplemented by the Supplemental Agreement
Exercise Date	:	21 May 2003
Grantee	:	the Company
Grantor	:	Mr. Li, a director and a substantial shareholder of a subsidiary of the Company who does not own any Shares at the date of the Supplemental Agreement

The Future Circle Option and Future Circle Option Price

Pursuant to the Future Circle Option Agreement, as supplemented by the Supplemental Agreement, for a consideration of HK\$1.00, Mr. Li has granted the Future Circle Option to the Company to purchase Mr. Li's remaining one share in Future Circle. The exercise price for the Future Circle Option is HK\$40,695,297. The Company exercised the Future Circle Option on the date of the Supplemental Agreement. Pursuant to the Supplemental Agreement, instead of payment by way of the Convertible Note, the Future Circle Option Price shall be satisfied upon Completion by way of the Company's delivery of a promissory note in the form set out in the Supplemental Agreement in favour of Mr. Li in the sum of HK\$40,695,297 (same amount of the denomination of the Convertible Note) which will be due and payable with no interest thereon on the day falling 2 years from the date of issue of the promissory note. The Future Circle Option Price of HK\$40,695,297 was determined on an arm's length basis and on normal commercial terms between the parties thereto at the time of signing the Future Circle Option Agreement on 4 February 2002 with reference to the unaudited net profit after taxation for the nine months ended 31 December 2001 with an implied annualized price-earning ratio of approximately 3.8 times and the future earning potential of Ezcom Tech. No Adjustment has been made to the Future Circle Option Price in signing the Supplemental Agreement as this consideration was negotiated and agreed on 4 February 2002 and not subject to re-negotiation.

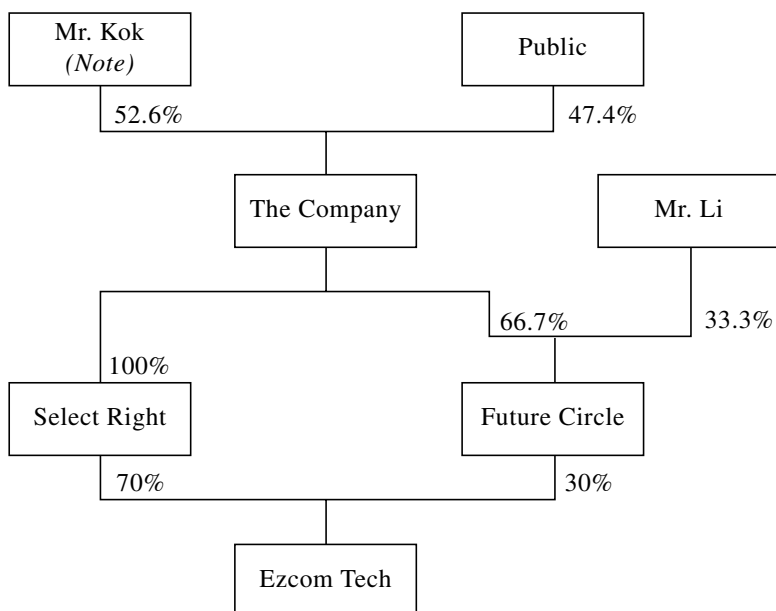
The terms and conditions of the Future Circle Option Agreement, save and except the amendments contained in the Supplemental Agreement, were disclosed in the Company's circular dated 26 February 2002 and approved at the special general meeting held on 13 March 2002.

Effect of the exercise of the Future Circle Option pursuant to the Future Circle Option Agreement, as supplemented by the Supplemental Agreement

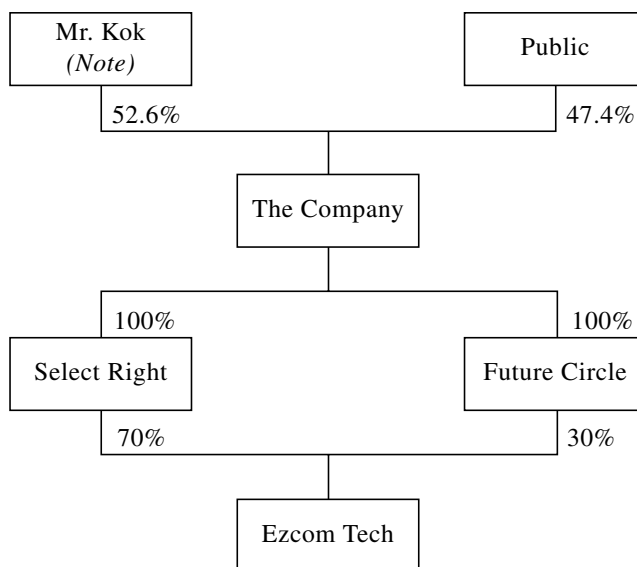
The Company is currently holding 66.70% equity interest in Future Circle. The Company exercised the Future Circle Option on the date of the Supplemental Agreement. Upon Completion of the exercise of the Future Circle Option, the Company will indirectly own a 30% interest in the share capital of Ezcom Tech through its wholly-owned subsidiary, namely Future Circle. Separately, the Company owns the entire beneficial interest in Select Right as at the date hereof and the assets of Select Right comprise solely of 70% equity interest in Ezcom Tech. Therefore, upon Completion of the exercise of the Future Circle Option, the Company will beneficially own the entire equity interests in Ezcom Tech through the wholly-owned subsidiaries of Future Circle and Select Right.

The following charts show the shareholding structure of the Company before and immediately upon completion of the exercise of the Future Circle Option (assuming the Convertible Note is not exercised):

Before exercising the Future Circle Option



Immediately after Completion of the exercise of the Future Circle Option



Note: Mr. Kok has an aggregate 52.6% indirect interest in the Company through the shareholding of Anglo Express Group Limited and All About Investments Limited which are the Substantial Shareholders and are beneficially wholly-owned by Mr. Kok.

Condition

The exercise of the Future Circle Option is conditional upon the passing of ordinary resolution by the Independent Shareholders in the SGM to approve the entering into of the Supplemental Agreement and the exercise of the Future Circle Option by the Company pursuant to the terms and conditions thereof.

Reasons for the exercise of the Future Circle Option

After entering into the Future Circle Option Agreement, the Directors have continued to monitor the performance of Ezcom Tech closely to assess whether it would in the interest of Company to exercise Future Circle Option so as to acquire the remaining interest in Future Circle, hence Ezcom Tech. Given that Ezcom Tech is already majorly owned and managed by the Company, the Directors consider that there is no need to do any further due diligence exercise on Ezcom Tech before exercising the Future Circle Option and the Directors therefore have concentrated on assessing the financial performance of Ezcom Tech in deciding whether to exercise the Future Circle Option.

The audited profit before taxation of Ezcom Tech for the two financial years end 31 March 2002 were approximately HK\$50,756,000 and HK\$107,630,000, respectively. The profit after taxation of Ezcom Tech for the two financial years ended 31 March 2002 were approximately HK\$42,556,000 and HK\$89,996,000, respectively. The audited net tangible assets of Ezcom Tech as at 31 March 2001 and 2002 were approximately HK\$55,991,000 and HK\$145,987,000, respectively. These figures show that the business of Ezcom Tech has been steadily growing (the turnover of Ezcom Tech has increased from approximately HK\$996 million for the year ended 31 March 2001 to approximately HK\$1,478 million for the year ended 31 March 2002). The Directors therefore consider that it is now a good time and in the best interest of the Company to exercise the Future Circle Option in the manner stipulated in the Supplemental Agreement as it will benefit the Shareholders as a whole given the earnings potential, strong growth and proven track record of Ezcom Tech. The Directors do not consider the entering into of the Supplemental Agreement and the exercise of the Future Circle Option would have any substantial impact on the Company since the Future Circle Option Price of HK\$40,695,297 will be due only 2 years from the date of issue of the promissory note and such consideration was already approved by the Independent Shareholders' on 13 March 2002.

Listing Rules Requirement

The entering into of the Supplemental Agreement and the subsequent exercise of the Future Circle Option by the Company on the date of the Supplemental Agreement constitute discloseable and connected transactions of the Company under the Listing Rules by virtue of the fact that Mr. Li (the grantor in the Future Circle Option Agreement) being a director and a substantial shareholder of a subsidiary of the Company, is regarded as a connected person of the Company pursuant to the Listing Rules, and the total consideration, that is the Future Circle Option Price, represents approximately 16.0% of the Group's net tangible assets value after the completion of the Open Offer.

Accordingly, the Company shall seek Independent Shareholders' approval for the entering into of the Supplemental Agreement and the exercise of the Future Circle Option in the SGM.

Information on the Group

The principal business of the Company is investment holding. Its subsidiaries are principally engaged in the trading of mobile phones, parts and components in Asia. The annual results of the Company for the two financial years ended 30 April 2002 recorded losses after taxation of approximately HK\$22,605,000 and HK\$254,633,000 respectively.

Information on Future Circle

Future Circle is a company incorporated in the British Virgin Islands with limited liability on 12 June 2001 and is owned as to 66.70% by the Company and as to 33.30% by Mr. Li. The sole asset of Future Circle is a 30% interest in Ezcom Tech.

Information on Ezcom Tech

Ezcom Tech is a company incorporated in Hong Kong under the Companies Ordinance with limited liability on 3 August 1995 and is owned as to 70% by Select Right, a wholly-owned subsidiary of the Company and as to 30% by Future Circle. Ezcom Tech is principally engaged in the trading of mobile phones and mobile phone related electronic components in Asia. The audited profit before taxation of Ezcom Tech for the two financial years end 31 March 2002 were approximately HK\$50,756,000 and HK\$107,630,000, respectively. The profit after taxation of Ezcom Tech for the two financial years ended 31 March 2002 were approximately HK\$42,556,000 and HK\$89,996,000, respectively. The audited net tangible assets of Ezcom Tech as at 31 March 2001 and 2002 were approximately HK\$55,991,000 and HK\$145,987,000, respectively.

General

The Independent Board has been formed to advise the Independent Shareholders in respect of the terms of the Supplemental Agreement and the exercise of the Future Circle Option. JS Cresvale Securities International Limited has been appointed as the independent financial adviser to advise the Independent Board in this regard. A circular containing the details of the Supplemental Agreement and the exercise of the Future Circle Option, the recommendation of the Independent Board and an opinion letter from an independent financial adviser to the Independent Board will be despatched to the Shareholders as soon as practicable. A notice of the SGM will also be despatched together with the circular.

Definitions

In this announcement, the following expressions shall have the following meaning unless the context requires otherwise.

“ associates ”	as defined in the Listing Rules
“ Board ”	The board of Directors
“ Company ”	Ezcom Holdings Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange

“Completion”	Completion of the exercise of the Future Circle Option, i.e., the sale and purchase of the Future Circle Option Share, which shall take place not later than seven days from the date of the SGM (in which approval by the Independent Shareholders of the entering into of the Supplemental Agreement and the exercise of the Future Circle Option will be sought)
“connected person”	has the same meaning ascribed in the Listing Rules
“Convertible Note”	the convertible note to be issued by the Company to Mr. Li pursuant to the Future Circle Option Agreement
“Directors”	the directors of the Company
“Ezcom Tech”	Ezcom Technology Limited, a company incorporated in Hong Kong under the Companies Ordinance with limited liability on 3 August 1995 and an indirect subsidiary of the Company
“Future Circle”	Future Circle Holdings Limited, a company incorporation in the British Virgin Islands with limited liability on 12 June 2001
“Future Circle Option”	the option granted to the Company by Mr. Li under the Future Circle Option Agreement
“Future Circle Option Agreement”	the option agreement dated 4 February 2002 entered into between the Company and Mr. Li in relation to the grant of an option to the Company to purchase Mr. Li’s remaining one share in Future Circle
“Future Circle Option Price”	the exercise price for the Future Circle Option, that is HK\$40,695,297
“Future Circle Option Share”	one share in the share capital of Future Circle owned by Mr. Li, which represents one-third of the issued share capital of Future Circle
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars
“Independent Board”	the Board consisting of Dr. Yang Shiqin, Dr. Li Jianhua and Mr. Wang Shunian, the independent non-executive directors of the Company, formed to advise the Independent Shareholders in respect of the entering of the Supplemental Agreement by the Company and the exercise of the Future Circle Option

“Independent Shareholders”	the Shareholders other than Anglo Express Group Limited, All About Investments Limited, Mr. Kok and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Kok”	Mr. Kok Kin Hok
“Mr. Li”	Mr. Li Tung Wai, a director and a substantial shareholder of Future Circle, a subsidiary of the Company and a director of Ezcom Tech, an indirect subsidiary of the Company
“Open Offer”	Open offer on the basis of assured allotments of five offer shares for every adjusted shares (after the Share Capital Restructuring) as announced by the Company on 29 January 2003
“PRC”	The People’s Republic of China
“Select Right”	Select Right Developments Limited, a company incorporated in the British Virgin Islands with limited liability on 12 June 2001 and a wholly-owned subsidiary of the Company
“SGM”	a special general meeting of the Shareholders to be convened to consider and, if thought fit, approve the entering into of the Supplemental Agreement by the Company and the exercise of the Future Circle Option by the Company pursuant to the thereof terms and conditions.
“Share Capital Restructuring”	the consolidation of the previous ordinary shares of the Company of HK\$0.10 each into ordinary shares of HK\$0.01 each (after capital reduction) on the basis of 50 into 1 as announced by the Company on 29 January 2003 and effected on 22 April 2003
“Shareholders”	the shareholders of the Company
“Shares”	ordinary shares of the Company of HK\$0.01 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	a company which is for the time being and from time to time a subsidiary (within the meaning of section 2 of the Companies Ordinance Chapter 32) of the Company
“Substantial Shareholders”	has the same meaning ascribed in the Listing Rules
“Supplemental Agreement”	the supplemental agreement dated 21 May 2003 entered into between the Company and Mr. Li to amend and supplement the Future Circle Option Agreement

“%”

per cent

By Order of the Board
EZCOM HOLDINGS LIMITED
Kok Kin Hok
Chairman

Hong Kong, 23 May 2003

“Please also refer to the published version of this announcement in China Daily”.