
THIS CIRCULAR IS IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Fortune Telecom Holdings Limited, you should at once hand this circular 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 transferee.

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FORTUNE TELECOM HOLDINGS LIMITED

長遠電信網絡集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 110)

**DISCLOSEABLE TRANSACTION IN RESPECT OF
ESTABLISHMENT OF A JOINT VENTURE COMPANY**

22 June 2007

* For identification purposes only

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DEFINITIONS

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

“JV Agreement”	the agreement dated 5 June 2007 entered into amongst the Company, TeleChoice, JV Company in respect of the establishment of a joint venture to engage in the logistics and fulfillment business for Nokia-branded mobile handsets and accessories in the PRC
“Assets”	business assets of the Company to be transferred into the JV Company or its subsidiary under the Nokia Fulfillment Agreement, comprising of fulfillment business pursuant to and the associated assets comprising inventory and goodwill other than cash
“Board”	board of Directors
“Company”	Fortune Telecom Holdings Limited, a company incorporated in Bermuda with limited liability, whose securities are listed on the Stock Exchange
“Completion”	completion of the JV Agreement
“Completion Date”	date of Completion
“Directors”	directors of the Company (including independent non-executive directors)
“Fortune (Shanghai)”	Fortune (Shanghai) International Trading Company Limited, a company incorporated with limited liability under the PRC laws in Shanghai and a wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“JV Company”	TeleFortune (China) Investments Limited, a company incorporated with limited liability under the laws of Hong Kong
“Latest Practicable Date”	21 June 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nokia Fulfillment Agreement”	an agreement dated 28 August 2006 entered into between Nokia (China) Investment Company Limited and Fortune (Shanghai)
“Option”	the option to be granted by the Company to TeleChoice to subscribe Shares up to 10% of the enlarged share capital of the Company
“PDA”	Personal Data Assistant
“PRC”	The People’s Republic of China
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	shareholders of the Company
“Shares”	shares at par value of HK\$0.1 each in the issued share capital of the Company
“Singapore Exchange”	Singapore Exchange Securities Trading Limited upon which the securities listed in Singapore are traded
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TeleChoice”	TeleChoice International Limited, incorporated in Singapore on 28 April 1998, listed on Singapore Exchange



FORTUNE TELECOM HOLDINGS LIMITED

長遠電信網絡集團有限公司*

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Executive Directors:

Lau Siu Ying (*Chairman and C.E.O.*)

Luo Xi Zhi

Non-Executive Directors:

Fung Oi Ip, Alfonso

Lo Wing Yat

Independent Non-executive Directors:

Chang Wing Seng, Victor

Wong Lit Chor, Alexis

Chen Yi Gang

Registered Office:

Clarendon House,
2 Church Street,
Hamilton HM 11,
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Principal Office in Hong Kong:

Room 1505-7, Tower A,
Regent Centre,
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Kwai Chung,
New Territories,
Hong Kong.

22 June 2007

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION IN RESPECT OF
ESTABLISHMENT OF A JOINT VENTURE COMPANY**

1. INTRODUCTION

It was announced on 23 April 2007 that the Company and TeleChoice, a company listed on the main board of the Singapore Exchange, entered into a non-legally binding memorandum to establish the JV Company, which will be principally engaged in the logistics and fulfillment business for Nokia-branded mobile handsets and accessories in the PRC.

It was further announced on 5 June 2007 that the Company and TeleChoice executed the JV Agreement, upon completion of which the JV Company is held by the Company as to 60% and by TeleChoice as to 40%. Conditional upon Completion, TeleChoice will be granted by the Company an Option to subscribe new Shares up to 10% of the Company's enlarged total issued share capital as at Completion Date.

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LETTER FROM THE BOARD

The purpose of this circular is to provide you with further information regarding the establishment of the JV Company which constitutes a discloseable transaction for the Company under the Listing Rules.

2. THE AGREEMENT

The JV Agreement

Date: 5 June 2007

Parties : (1) the Company
(2) TeleChoice
(3) JV Company

Major Terms of the JV Agreement

- (A) Upon Completion, the Company shall make capital contribution in the form of the Assets in the aggregate sum of HK\$45,000,000 for 60% equity in the JV Company and shall also grant an interest-free shareholder loan in the amount of HK\$30,000,000 as general working capital to the JV Company upon terms which shall be further agreed by parties.
- (B) Upon Completion, TeleChoice shall make capital contribution in cash in the aggregate sum of HK\$50,000,000 for 40% equity in the JV Company.
- (C) Upon Completion, the Company shall be entitled to appoint or nominate 3 directors into the board of directors of the JV Company, which consists of a total of 5 directors.
- (D) Conditional upon Completion, the Company will grant an Option to TeleChoice to subscribe for new Shares in the Company, comprising up to 10% of the Company's enlarged total issued share capital as at Completion Date within 12 months therefrom.

3. BUSINESS OF THE JV COMPANY

Established on 27 April 2007, the JV Company is incorporated with limited liability under the laws of Hong Kong pending the Completion under the JV Agreement, after which the JV Company will come into actual business operation.

The JV Company will be principally providing logistics and fulfillment services for Nokia-branded mobile handsets and accessories to all Nokia-appointed fulfillment, distribution and retail channels such as Nokia Professional Centres, Nokia Specialty Shops, Nokia Priority Dealers throughout the PRC.

LETTER FROM THE BOARD

4. COMPLETION

Completion of the JV Agreement shall take place within 3 months from the date of the JV Agreement after all the conditions as set out in such Agreement have been satisfied and/or waived or such date to be mutually agreed by parties. Material conditions entailed are as follows:–

- (a) approval from the Stock Exchange and other regulatory bodies, if required;
- (b) approval from the Singapore Exchange and other regulatory bodies, if required;
- (c) approval from the Shareholders and the shareholders of TeleChoice in connection with the JV Agreement together with the transactions contemplated therein as may be required under the applicable laws and regulations;
- (d) completion of satisfactory business, finance and legal due diligence on the Assets by TeleChoice; and
- (e) the Nokia Fulfillment Agreement having been novated over a JV Company's wholly-owned subsidiary to be established in the PRC or, failing such novation, arrangement having been achieved in place to transfer the benefit of such Agreement to such subsidiary on terms as satisfied by the Company and TeleChoice.

Upon Completion, the JV Company will become a subsidiary of the Company.

5. INFORMATION ON TELECHOICE

TeleChoice is a company incorporated in Singapore and is listed on the main board of the Singapore Exchange. TeleChoice is an indirect subsidiary of Singapore Technologies Telemedia Pte Ltd, which is a wholly-owned subsidiary of Temasek Holdings (Private) Limited.

TeleChoice is a regional provider of mobile telecommunications equipment and solutions, and has three main business segments, namely:– (a) distributing services, (b) telecommunication services, and (c) network engineering services.

TeleChoice undertakes in-country distribution of mobile handsets and accessories in Singapore, Indonesia and Malaysia through an extensive distribution network of retailers, dealers and sub-distributors. They also provide other fulfillment services, supply chain management as well as sales and marketing support encompassing product training and technical after-sales services.

As one of the leading providers of IDD services in Singapore, TeleChoice provides international voice and fax services to individual mobile and fixed-line users, residential and corporate customers. Their IDD service, known as “SunPage iDD 1521” connects to over 300 destinations and TeleChoice has about 262,000 registered fixed and mobile lines users as at 31 December 2006.

LETTER FROM THE BOARD

TeleChoice is one of the leading providers of public mobile data network services in Singapore. As at 31 December 2006, they had approximately 14,000 subscribers for their services. TeleChoice provides mobile data network services to customers in the transportation and logistics industries including ComfortDelgro Corporation Ltd and SMRT Taxi Pte Ltd.

Through their subsidiary, NexWave Technologies Pte Ltd, TeleChoice provides network engineering services and solutions in Singapore, Indonesia and the region to mobile network equipment vendors, operators and service providers. Their services include planning, design and building of mobile networks enhancing the coverage and performance of existing mobile networks and assisting in the migration to 2.5G/3G networks, next generation voice networks and next generation transmission networks.

6. REASONS FOR ENTERING INTO THE JV AGREEMENT

The Group is a distributor, retailer and value added services provider of mobile phones, PDAs, MP3 and wireless broadband communication solutions in the PRC and Hong Kong. Notwithstanding the Group's diversified business scope within the industry of wireless communications, the Group is always looking for opportunities to work with business partners to explore and strengthen mobile phone and wireless network business in the PRC.

Apart from the financial aspects of the JV Agreement, the Group considers that such joint venture can provide a good opportunity to leverage the expertise and experience of either party in mobile communication and wireless network business.

In the event of the Option so granted and exercised, the Group will have the benefit of widening the shareholders base of the Company and the injection of capital in cash strengthening the working capital of the Group.

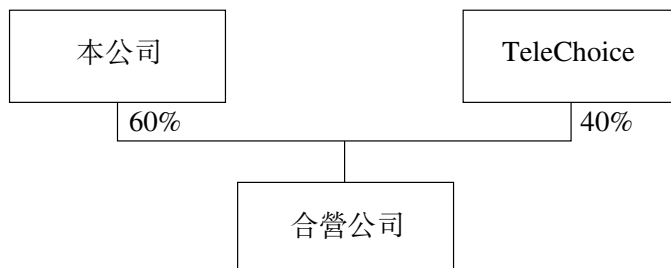
All the Directors consider that the transactions under the JV Agreement are in line with the Group's current business model and strategy. Accordingly, all the Directors, including the independent non-executive Directors, consider that the JV Agreement, which are on normal commercial terms, is in the interest of the Company and its Shareholders as a whole and that the terms and conditions of the JV Agreement are fair and reasonable so far as the Company and its Shareholders as a whole are concerned.

Upon Completion, the consolidated assets of the Company would increase while there is no substantial change on the consolidated liabilities of the Company. The Directors however believe that there is no immediate effect on the earnings of the Company upon Completion.

LETTER FROM THE BOARD

7. DIAGRAM

Shareholding Structure of JV Company after Completion



8. DISCLOSEABLE TRANSACTION

The Directors, having made all reasonable enquiries, confirm, to the best of their awareness, that the Company does not have any prior transactions or relationship with each of TeleChoice and its ultimate beneficial owners. The Directors confirm, to the best of their awareness, that TeleChoice and its ultimate beneficial owners are third parties, independent of the Group and the connected persons (as defined in the Listing Rules) of the Group.

As at 5 June 2007 and the date of this circular, to the best knowledge of the Board, TeleChoice and its associates do not hold any existing shares of the Company. In case upon Completion leading to the granting of the Option, the Company will make an announcement in respect of such Option accordingly.

As the applicable percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the JV Agreement exceed 5% but less than 25%, this transaction therefore constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

9. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
By Order of the Board of
FORTUNE TELECOM HOLDINGS LIMITED
Lau Siu Ying
Chairman and Chief Executive Officer

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the 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 enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions held by the Directors and chief executive of the Company in Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein (the “Register”); or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange, were as follows:

Interest in the Shares

Name of Director	Nature of Interest	Number of Shares Held	Approximate
			% of total issued Shares of the Company
Mr. Lau Siu Ying	Family Interest (<i>Note 1</i>)	207,000,013	65.69%
Mr. Lau Siu Ying	Beneficial Owner	280,000	0.09%

Remarks: Mr. Lau Siu Ying and his spouse were granted options to subscribe 2,000,000 Shares and 1,000,000 Shares respectively.

Note:

1. 207,000,013 Shares are held by Future 2000 Limited, which is wholly-owned by Mr. Lee Wai, Timothy as trustee of The Lau’s Family Trust (being a discretionary trust) of which Mr. Lau Siu Ying, his spouse and their children are the current eligible beneficiaries but who do not have a fixed interests in the assets of the Lau’s Family Trust. Mr. Lau Siu Ying is interested in through being one of the eligible beneficiaries of The Lau’s Family Trust. Pursuant to the SFO, he is also deemed to be interested in the interest of his wife and children who are also the eligible beneficiaries under The Lau’s Family Trust.

3. SUBSTANTIAL SHAREHOLDERS

- (a) As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the parties (other than Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Interest in the Shares

Name of Substantial Shareholders	Nature of Interest	Number of Shares held	Approximate % of total issued Shares of the Company
Future 2000 Limited (Note 1)	discretionary trust	207,000,013	65.69%
Mr. Lee Wai, Timothy (Note 2)	interest of controlled corporation	207,000,013	65.69%
Galaxy China Opportunities Fund (Note 3)	beneficial owner	40,000,000	11.26%

Notes:

- Future 2000 Limited is wholly-owned by Mr. Lee Wai, Timothy as trustee of The Lau's Family Trust (being a discretionary trust) of which Mr. Lau Siu Ying, his spouse and their children are the current eligible beneficiaries but who do not have a fixed interests in the assets of the Lau's Family Trust.
- Under the SFO, Mr. Lee Wai, Timothy is deemed to have interests in the Shares which Future 2000 Limited has interests as he is entitled to exercise more than one-third of the voting power at general meetings of Future 2000 Limited.
- As announced in the circular dated 1 June 2007, upon completion of subscription of new Shares by Galaxy China Opportunities Fund, such Fund will hold 40,000,000 Shares. Based on the issued share capital as at the Latest Practicable Date, it will represent 11.26% of the enlarged share capital of the Company.

- (b) As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the parties (other than Directors or chief executive of the Company) who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Interest in the shares in members of the Group

Name of members of the Group	Name	Approximately % of shareholding
Synergy Technologies (Asia) Limited ("Synergy Technologies")	Fong Kin Kiu	11%

Note: Fong Kin Kiu was granted an option with entitlement to acquire 11% interest in Synergy Technologies. He does not hold any share in Synergy Technologies up to date.

Save as disclosed above, as at the Latest Practicable Date, the Directors or chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company and the respective companies controlled by them whose interests have been disclosed above) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of the Part XV of the SFO, or who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS’ SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS’ INTERESTS IN ASSETS/CONTRACTS

- (a) None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.
- (b) As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2006, the date to which the latest published audited consolidate financial statements of the Group were made up.

6. LITIGATION

So far as the Directors are aware, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries are engaged in any litigation or claim of material importance and no litigation or claim of material importance was pending or threatened against any member of the Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates were considered to have interest in any business which competes or may compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

8. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006 (being the date to which the latest published audited accounts of the Group were made up).

9. GENERAL

- (a) The secretary and qualified accountant of the Company is Fok Wai Ming, Eddie.
- (b) The auditor of the Company is Messrs. Deloitte Touche Tohmatsu.
- (c) The registered office of the Company is located at Clarendon House 2 Church Street Hamilton HM 11, Bermuda.
- (d) The share registrar of the Company in Hong Kong is Abacus Share Registrars Limited at 26/F Tesbury Centre 28 Queen's Road East Wanchai Hong Kong.
- (e) The English language text of this circular shall prevail over the Chinese language text in case of inconsistency.

10. DOCUMENT AVAILABLE FOR INSPECTION

Copy of the JV Agreement will be available for inspection at the principal office of the Company at Room 1505-7, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong.