

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance. Throughout the six months ended 30 June 2005, the Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that:

1. there is no separation of the role of chairman and chief executive officer. Mr. Lau Siu Ying currently assumes the role of both the Chairman and the Chief Executive Officer of the Company;
2. all Non-executive Directors of the Company are not appointed for a specific term as they are subject to retirement by rotation in accordance with the Company's Bye-laws; and
3. Mr. Lau Siu Ying, the Chairman of the Board of the Company does not need to retire by rotation.

Mr. Lau Siu Ying has been in charge of the overall management of the Company since 1992. Accordingly, although Mr. Lau Siu Ying does not meet to retire by rotation and assumes the role of both the Chairman and the Chief Executive Officer of the Company, the Company considers that such arrangement at this stage can promote the efficient formulation and implementation of the Company's strategies which will enable the Group to further develop its businesses effectively. In addition, through the supervision of the Board and the independent non-executive directors, the interests of the shareholders are adequately and fairly represented.

The Company is considering the adoption of appropriate measures to ensure that the Company's corporate governance practices are no less stringent than those in the Code.

Audit Committee

The written term of reference which describes the authority and duties of the Audit Committee was prepared and adopted with reference to "A Guide for the Formation of an Audit Committee" and "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants, and was amended in accordance with the Appendix 14 of the Listing Rules. The Audit Committee comprises of independent non-executive directors, Messrs. Chang Wing Seng, Victor, Liu Kwok Fai, Alvan and Fok Wai Ming, Eddie. The Audit Committee has reviewed with management the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters, including the review of these unaudited interim financial statements for the six months ended 30 June 2005.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee was established in accordance with the requirements of the CG Code. The Committee comprises three independent non-executive directors, Messrs. Chang Wing Seng, Victor, Liu Kwok Fai, Alvan and Fok Wai Ming, Eddie. The Committee was set up to consider and approve the remuneration packages of the senior employees of the Group, including the terms of salary and bonus schemes and other long-term incentive schemes. The Committee also reviews the structure, size and composition of the Board from time to time and recommends to the Board on appointments of Directors and the succession planning for Directors.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Model Code throughout the review period.

By Order of the Board
Fortune Telecom Holdings Limited
Lau Siu Ying
Chairman

Hong Kong, 22 September 2005