

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about what action you should take, you are recommended to immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.**

If you have sold or otherwise transferred all your Shares or Depositary Interests in Empire Online Limited, please send this document, together with the accompanying Form of Proxy/Form of Direction, to the purchaser or transferee or to the bank, stockbroker or other agent through whom you made the sale or transfer for onward transmission to the purchaser or transferee.

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## **Empire Online Limited**

*(incorporated and registered in the British Virgin Islands with registered number 475668)*

### **Proposed Settlement of Litigation with PartyGaming Plc and Assignment of Assets by Empire Online Limited**

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Notice of an Extraordinary General Meeting of Empire Online Limited to be held at the offices of Travers Smith, 10 Snow Hill, London EC1A 2AL on Monday 6 March 2006 at 9.00 a.m. is set out at the end of this document. You will also find enclosed with this document a Form of Proxy (unless you are a holder of depositary interests in the Company, in which case you will receive a Form of Direction instead of a Form of Proxy) for use at the EGM.

If you are a Shareholder, please complete, sign and return the accompanying Form of Proxy in accordance with the instructions printed thereon, as soon as possible but in any event so as to be received by the Company's Transfer Agents, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time fixed for the meeting or any adjourned meeting.

If you are a holder of depositary interests representing Ordinary Shares in the Company, please complete and return the Form of Direction (in accordance with the instructions set out in that document) to the Company's Transfer Agent, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and in any event so as to be received by the Company's Transfer Agent by no later than 72 hours before the time fixed for the meeting or any adjourned meeting.

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### EXPECTED TIMETABLE

Latest time and date for receipt of Forms of Direction for the Extraordinary General Meeting	9.00 a.m. on Friday 3 March 2006
Latest time and date for receipt of Forms of Proxy for the Extraordinary General Meeting	9.00 a.m. on Saturday 4 March 2006
Extraordinary General Meeting	9.00 a.m. on Monday 6 March 2006
Completion of the Proposals	Monday 6 March 2006

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## PART I

### LETTER FROM THE CHAIRMAN OF EMPIRE ONLINE LIMITED

*(incorporated and registered in the British Virgin Islands with registered number 475668)*

*Directors:*

Lord Leonard Steinberg *(Non-Executive Chairman)*  
Noam Lanir *(Chief Executive Officer)*  
Andrew Burns *(Chief Financial Officer)*  
Richard Rosenberg *(Non-Executive Director)*

*Registered and Head Office:*

Trident Chambers  
PO Box 146  
Road Town  
Tortola  
British Virgin Islands

14 February 2006

*To Shareholders and, for information only, to holders of options under the Share Scheme*

Dear Shareholder

#### **Proposed settlement of litigation with PartyGaming and assignment of related “skin” activities**

#### **INTRODUCTION**

The Company has today announced that it has entered into an agreement with PartyGaming to settle all outstanding litigation between them and effectively to sell the business and assets of its PartyGaming “skin” activities (i.e. operations designed to direct players to one of PartyGaming’s gaming platforms) to PartyGaming in return for a cash payment of US\$250 million, payable on completion.

Under the terms of this agreement the existing contractual arrangements with PartyGaming will be terminated and Empire Online will assign to PartyGaming its interests in certain domain names related to the PartyGaming “skin” activities including “empirepoker.com” and “aceclub.com”.

The agreement is conditional upon the approval of Empire Online Shareholders by way of an ordinary resolution.

There is no requirement either under BVI law or under the AIM Rules to obtain shareholder approval for a disposal of this size, but the Directors consider that, given the significance of the transaction and settlement and for the sake of good governance and practice, Shareholders should be appraised of the Proposals and be given the opportunity to vote on the Proposals.

#### **BACKGROUND TO THE PROPOSALS**

Empire Online had a close working relationship with PartyGaming from 2002, when it commenced marketing PartyGaming’s online casino brands. In 2003, Empire Poker was launched under a white label or “skin” agreement with PartyGaming and over time became PartyGaming Poker’s most important poker skin, providing approximately 70 per cent. of all players provided under its skin agreements.

Following the acquisition of ClubDice and Noble Poker in August 2005, an increasing proportion of new player sign ups and revenue has been derived from activities not related to PartyGaming and the Directors confirm that in the year ended 31 December 2006 such activities should contribute approximately \$37 million of net profit.

Activities related to PartyGaming have remained a source of revenue for Empire Online although revenues have declined materially following the launch by PartyGaming of a new operating

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platform on 8 October 2005 which moved PartyGaming poker players to a different platform from that of PartyGaming's skins.

Following the launch of this new platform, Empire Online was approached by PartyGaming in relation to an offer by PartyGaming for the entire issued and to be issued share capital of Empire Online. Following a breakdown of these talks, Empire Online announced that the Directors intended to institute and vigorously pursue legal proceedings against PartyGaming in relation to the launch of PartyGaming's new platform.

During this process, the directors of PartyGaming and the Directors entered into mediation, from which the Proposals described below have resulted.

### **THE PROPOSALS**

The principal terms of the Proposals are as follows:

- Both sides to terminate the various "skin" agreements between them.
- Empire Online to assign to PartyGaming all rights, title and interest in certain domain names and trade marks associated with those "skin" agreements (e.g. empirepoker.com and aceclub.com).
- All litigation and other related proceedings brought by the Company against PartyGaming are to be stayed and all claims waived.
- PartyGaming to pay to Empire Online \$250 million in cash on completion in consideration for the settlement of the litigation and the transfer of these assets.
- PartyGaming also to pay outstanding commissions owing to the Group under the relevant "skin" agreements.

This agreement is subject to approval of Empire Online Shareholders at the EGM. It is not subject to any other conditions. From execution of the Sale Agreement, it has been agreed that PartyGaming shall effectively operate these skin agreements on behalf of the Group pending completion of the transaction. Any commissions earned during the period shall be for PartyGaming's account when completion occurs.

Assets included in the Disposal are the domain names empirepoker.com and aceclub.com and the brand names "Empire Poker" and "Ace Club". These brand names and domain names are used by Empire Online to direct online poker and casino players to PartyGaming's websites, creating net gaming revenue for the Company.

In the year ended 31 December 2005, the gross profit before administrative expenses attributable to the assets being sold was approximately \$38.7 million. In the quarter ended 31 December 2005 the assets contributed gross profit before administrative expenses of \$5.0 million. The balance sheet value of the net assets pursuant to the Proposals was less than \$0.1 million as at 31 December 2005.

### **RATIONALE FOR THE PROPOSALS**

The Directors believe that approval of the Proposals will crystallise the value of the assets being assigned for Shareholders whilst also removing the uncertainty of litigation between Empire Online and PartyGaming. The Empire Online Board considers that, whilst it has always been confident of a successful outcome, the litigation process was likely to have been protracted. The Proposals will, in the view of the Directors, put the Company on a stronger footing and also enable management to focus on growing the continuing business, and to make suitable acquisitions should such opportunities occur.

Principal brand/domain names continuing with the Group include Noble Poker, ClubDice Casino, Monaco Gold Casino, Carnival Casino, YouBingo, 888casino.com and 65.com.

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## **USE OF PROCEEDS**

The Directors will consider the most appropriate ways in which to use the net proceeds of the US\$250 million generated through the Proposals to maximise value for Shareholders. Options available to the Directors include distributions to Shareholders as well as potential complementary acquisitions. Assuming completion of the Disposal, the Directors will inform Shareholders of any decision or proposal in relation to use of these proceeds as and when appropriate.

## **EXTRAORDINARY GENERAL MEETING**

An EGM to approve the Proposals is proposed to be held at 10 Snow Hill, London EC1A 2AL, at 9.00 a.m. on 6 March 2006 and notice of this meeting is set out at the end of this document.

The Resolution to approve the Proposals will be an ordinary resolution, which means that it will require a simple majority of those persons who, being eligible to do so, vote (in person or by proxy) at the EGM in favour of the resolution.

## **AUTHORITIES TO VOTE IN FAVOUR OF THE PROPOSALS**

Shareholders (including Directors) have given authorities to PartyGaming to vote in favour of the Proposals in respect of, in aggregate, 163,999,358 Ordinary Shares (representing approximately 56.0 per cent. of the issued share capital of the Company).

## **ACTION TO BE TAKEN**

Enclosed with this document is a Form of Proxy for use in relation to the EGM. Whether or not you propose to attend the EGM in person you are requested to complete the Form of Proxy and return it to the Company's Transfer Agents, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive no later than 9 a.m. on 4 March 2006. Completion and return of the Form of Proxy will not affect your right to attend and vote in person at the EGM, should you so wish. Forms of Proxy received late will not be valid.

Also enclosed with this document is a Form of Direction for use in relation to the EGM by holders of depositary interests. Whether or not you propose to attend the EGM in person you are requested to complete the Form of Direction and return it to the Company's Transfer Agents, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive no later than 9.00 a.m. on 3 March 2006. Forms of Direction received late will not be valid.

## **RECOMMENDATION**

The Directors believe that the Proposals are in the best interests of Shareholders as a whole and unanimously recommend that Shareholders vote in favour of the Proposals at the EGM, as those Directors who hold Ordinary Shares intend to do in respect of their own beneficial holdings which amount, in aggregate, to 62,971,837 Ordinary Shares, representing approximately 21.5 per cent. of the issued share capital of the Company.

Yours sincerely

Lord Steinberg  
*Chairman*

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## DEFINITIONS

In this document (other than the Notice of EGM) expressions have the following meanings unless the context requires otherwise:

“AIM”	the AIM market operated by the London Stock Exchange plc
“AIM Rules”	the rules of AIM companies and their directors, nominated advisers and brokers contained in the document entitled the “AIM Rules” published by the London Stock Exchange plc
“BVI”	the British Virgin Islands
“Company” or “Empire Online”	Empire Online Limited, a company incorporated in the BVI with registered number 475668
“Directors” or the “Board”	the directors of Empire Online
“Disposal”	the proposed assignment of certain assets currently owned by the Group pursuant to the Sale Agreement
“EGM” or “Extraordinary General Meeting”	the Extraordinary General Meeting of the Company to be held on 6 March 2006, convened to approve the Proposals
“Form of Direction”	the form of direction accompanying this document for use by holders of depositary interests at the EGM
“Form of Proxy”	the form of proxy accompanying this document for use at the EGM
“Group”	Empire Online and its subsidiaries and subsidiary undertakings
“Ordinary Shares” or “Shares”	ordinary shares in the share capital of the Company, each having no par value
“PartyGaming”	PartyGaming Plc, a company incorporated in Gibraltar with registered number 91225 including, where appropriate, its subsidiaries
“Proposals”	together the proposed assignment of certain of the Group’s assets to, and the termination of the skin agreements with, PartyGaming pursuant to the Sale Agreement and the settlement of the litigation with PartyGaming
“Resolution”	the resolution set out in the notice of EGM at the end of this document
“Sale Agreement”	the conditional agreement dated 14 February 2006 between (1) WPC Productions Limited (2) PartyGaming (3) Electraworks Limited and (4) the Company
“Shareholders”	holders of Ordinary Shares or (where the context permits) depositary interests representing Ordinary Shares
“Share Scheme”	the Empire Online Discretionary Share Option Plan

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## EMPIRE ONLINE LIMITED

(incorporated and registered in the British Virgin Islands with registered number 475668)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Empire Online Limited (the "Company") will be held at the offices of Travers Smith, 10 Snow Hill, London EC1A 2AL at 9.00 a.m. on Monday 6 March 2006 for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution:

#### ORDINARY RESOLUTION

THAT the sale agreement dated 14 February 2006 between (1) WPC Productions Limited (2) PartyGaming Plc (3) Electraworks Limited and (4) the Company (the "Sale Agreement") and all associated agreements, documents and transactions related thereto (including the settlement agreement dated 14 February 2006 between, *inter alia*, (1) WPC Productions Limited, (2) PartyGaming Plc and (3) the Company) be and are hereby approved and that the directors of the Company (the "Directors"), or a duly authorised committee thereof, be and are hereby authorised to take all such steps as may be necessary or appropriate in relation to the Sale Agreement and any matters in connection therewith (including the aforesaid settlement agreement) and to complete the same, subject, in each case, to any modifications, variations, waivers or amendments thereto which the Directors (or any committee thereof) may consider to be necessary, expedient or appropriate (providing that such modifications, variations, waivers or amendments are not in the opinion of the Directors or of any such committee of a material nature).

BY ORDER OF THE BOARD  
Secretary

Date 14 February 2006

*Registered Office:*  
Trident Chambers  
PO Box 146  
Road Town  
Tortola  
British Virgin Islands

#### Notes:

- (i) A member entitled to attend and vote at the Extraordinary General Meeting convened by the above Notice is entitled to appoint one or more proxies to attend and, on a poll, to vote in his place. A proxy need not be a member of the Company.
- (ii) To appoint a proxy you should complete the Form of Proxy enclosed with this Notice of Extraordinary General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be delivered to the offices of Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 48 hours before the time fixed for the meeting or any adjourned meeting.
- (iii) In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
- (iv) In the case of holders of depositary interests representing ordinary shares in the Company, a form of direction must be completed in order to appoint Capita IRG Trustees Limited, the Depositary, to vote on the holder's behalf at the meeting or, if the meeting is adjourned, at the adjourned meeting. To be effective, a completed and signed form of direction (and any power of attorney or other authority under which it is signed) must be delivered to the Company's Transfer Agent, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 72 hours before the time fixed for the meeting or any adjourned meeting.





**EMPIRE ONLINE LIMITED**

**FORM OF PROXY**

**FOR USE BY MEMBERS OF EMPIRE ONLINE LIMITED AT THE  
EXTRAORDINARY GENERAL MEETING TO BE HELD ON 6 MARCH 2006 AT 9.00 a.m.**

I/We being a member/members of the above-named Company, hereby appoint the following person(s):

.....  
or, failing whom, the Chairman of the Meeting as my/our proxy to attend and, on a poll, to vote on my/our behalf at the Extraordinary General Meeting of the Company to be held at the offices of Travers Smith, 10 Snow Hill, London EC1A 2AL on Monday 6 March 2006 at 9.00 a.m. (or at any adjournment thereof). I/We direct that my/our proxy will vote on a poll on the resolution set out in the notice of the Extraordinary General Meeting as indicated below:

**RESOLUTION**

	<i>For</i>	<i>Against</i>
To approve the proposed termination of certain agreements with, assignments of certain assets to, and settlement of litigation with, PartyGaming Plc (details of which are contained in the Circular to shareholders of the Company dated 14 February 2006).		

**PLEASE SIGN AND DATE WHERE INDICATED AND OTHERWISE COMPLETE THE DETAILS BELOW IN BLOCK CAPITALS**

.....  
.....  
Signature of shareholder or common seal/signature of duly authorised officer of corporate shareholder

.....  
Print Name

.....  
Date

**Please return this Form of Proxy in the reply-paid envelope provided to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive by 9.00 a.m. on 4 March 2006.**

**Notes:**

1. A proxy need not be a member of the Company but must attend the Meeting to represent you. You may appoint as your proxy a person or persons of your own choice by inserting their name(s) in the space provided. If no name is inserted in the space provided the Chairman will be deemed appointed as the proxy.
2. Please indicate with a cross in the appropriate box how you wish your votes to be cast. In the absence of any specific direction, the proxy will vote (or abstain from voting) at his or her discretion. On any other business which properly comes before the Extraordinary General Meeting (including any motion to amend any resolution or to adjourn the Meeting) the proxy will vote or abstain at his or her discretion.
3. To be valid, this Form of Proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be received by Capita Registrars, The Registry, Beckenham Road, Beckenham, Kent BR3 4TU by not later than 9.00 a.m. on 4 March 2006.
4. Completion and return of this Form of Proxy will not prevent you from attending and voting at the Extraordinary General Meeting if you so wish.
5. In the case of a corporate shareholder, this Form of Proxy should either be executed by the Company under seal or signed by either two Directors or a Director and the Secretary/other duly authorised officer.
6. In the case of joint holders, the vote of the first-named in the register of members of the Company will be accepted to the exclusion of that of other joint holders.





**EMPIRE ONLINE LIMITED**

**FORM OF DIRECTION**

**FOR COMPLETION BY HOLDERS OF DEPOSITARY INTERESTS REPRESENTING  
SHARES ON A ONE-FOR-ONE BASIS IN EMPIRE ONLINE LIMITED  
IN RESPECT OF THE EXTRAORDINARY GENERAL MEETING  
TO BE HELD ON 6 MARCH 2006 AT 9.00 a.m.**

I/We.....  
Please insert full name(s) and address(es) in BLOCK CAPITALS

Of.....  
being a holder of Depositary Interests representing shares in Empire Online Limited hereby appoint Capita IRG Trustees Limited as my/our proxy to vote for me/us and on my/our behalf at the Extraordinary General Meeting of Empire Online Limited to be held on the above date (and at any adjournment thereof) as directed by an X in the spaces below:

**ORDINARY RESOLUTION**

	<i>For</i>	<i>Against</i>
To approve the proposed termination of certain agreements with, assignments of certain assets to, and settlement of litigation with, PartyGaming Plc (details of which are contained in the Circular to shareholders of the Company dated 14 February 2006).		

Signature:..... Date: .....



**Notes:**

1. To be effective, this form of direction and the power of attorney or other authority (if any) under which it is signed, or a notarially or otherwise certified copy of such power or authority, must be deposited at the Capita Registrars not later than 72 hours before the time appointed for holding the meeting or any adjourned meeting.
2. Any alterations made to this form of proxy should be initialled.
3. In the case of a corporation this proxy should be given under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
4. Please indicate how you wish your votes to be cast by placing "X" in the box provided. On receipt of this form duly signed, you will be deemed to have authorised Capita IRG Trustees Limited to vote, or to abstain from voting, as they think fit.

