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If you sell or have sold or otherwise transferred all your Shares or Depository 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.

Empire Online Limited

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

Proposed sale of business and approval of investing strategy

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 17 January 2007 at 10.00 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 depository 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 Agent, 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 Depository Interests, 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	10.00 a.m. on 14 January 2007
Latest time and date for receipt of Forms of Proxy for the Extraordinary General Meeting	10.00 a.m. on 15 January 2007
Extraordinary General Meeting	10.00 a.m. on 17 January 2007
Completion of the Proposals	19 January 2007

PART I

LETTER FROM THE CHAIRMAN OF EMPIRE ONLINE LIMITED

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

Directors:

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

Registered and Head Office:

Trident Chambers
PO Box 146
Road Town
Tortola
British Virgin Islands

29 December 2006

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

Dear Shareholder

Proposed sale of business and assets, approval of investing strategy and change of name

Introduction

The Company has today announced that it has entered into arrangements, subject to the approval of Shareholders, to sell Empire Online's trade and gaming-related assets to PartyGaming for a net consideration receivable by Empire Online of approximately \$37.96 million. The consideration is to be satisfied wholly by the issue of new PartyGaming Shares to Empire Online.

The Proposals are, *inter alia*, conditional upon the approval of Shareholders by way of an ordinary resolution at the EGM.

On Completion, Empire Online would be treated as an investing company under the AIM Rules. Accordingly, as part of the Proposals, the Company is also seeking the approval by Shareholders at the EGM of the Proposed Investing Strategy, as set out below.

Background to the Proposals

At an extraordinary general meeting of the Company, held on 14 February 2006, Shareholders approved the settlement of litigation with PartyGaming and the assignment of related "skin" activities to PartyGaming in return for a cash payment of US\$250 million to the Company.

Following this settlement, the Company continued to progress its business through its principal brands and domain names, including Noble Poker, Club Dice Casino, Monaco Gold Casino, Carnival Casino, YouBingo, 888casino.com and 65.com.

On 29 September 2006, the US Congress passed the Unlawful Internet Gambling Enforcement Act of 2006 (the "Act"). Immediately following enactment of the Act on 13 October 2006, and having taken extensive advice on the matter, the Company announced the termination of its US business with immediate effect. At that time, approximately 65 per cent. of Empire Online's revenues were being generated from customers based in the US.

Since terminating its US business, the Company has focused on growing the remainder of its business in other territories. However, as a result of the Act's effect on the gaming industry as a whole, the Directors have continued to review Empire Online's strategic options, including the potential sale of the Company's remaining operating business.

Rationale for the Disposal

The Directors believe that the Company's remaining operating business is sub-critical in terms of size to thrive as a stand-alone business and would be able to grow better as part of a larger group. In particular, the business faces strong competition from much larger players in its markets. The Directors believe that the Disposal crystallises the value of the Business and allows the Company to focus on the investment of its remaining cash assets in order to maximise shareholder value.

Principal terms of the Disposal

Under the Sale Agreement, the Company has agreed to sell to PartyGaming the entire issued share capital of a newly incorporated wholly-owned subsidiary of the Company to which the Business will be transferred immediately prior to Completion. The Company will remain responsible for settling all liabilities of the Business and will be entitled to all income receivable in respect of the period up to Completion.

As part of the structuring of the transaction, the Company has agreed to terminate its relationship with Uniplay in respect of the operation of certain of the Company's websites, including monacogoldcasino.com, clubdicecasino.com and youbingo.com. As consideration for this termination, the Company will pay to Uniplay up to approximately US\$11 million and the revenue sharing arrangements with Uniplay will terminate. The agreement with Uniplay allows the Company to continue its existing relationship with Uniplay (and not to terminate the existing arrangements) if the Sale Agreement is not completed by 31 January 2007.

The total consideration for the Disposal will be satisfied by the issue to the Company of 83,325,934 new PartyGaming Shares, valued at approximately US\$47.96 million, based on the average middle market closing price of PartyGaming Shares for the 15 dealing days prior to the date of the Sale Agreement, of which 65,951,297 new PartyGaming Shares (valued at approximately US\$37.96 million on the basis outlined above) will be retained by and/or disposed of in an orderly manner by the Company in due course.

Under the Sale Agreement, the Company will, on Completion, transfer the remaining 17,374,637 new PartyGaming Shares (valued at approximately US\$10 million on the basis outlined above) to Udi Knaani, Adv. to be held by Udi Knaani, Adv. as a trustee on behalf of certain of the employees of the Company, including Avner Yassur, whose employment is transferring to PartyGaming following Completion and otherwise as directed by PartyGaming. Such new PartyGaming Shares will be released to the relevant employees subject to satisfaction of certain conditions as between them and PartyGaming, including their continued engagement with PartyGaming. The Company will have no rights in respect of such Shares in any circumstances following their transfer to Udi Knaani, Adv.

At the same time as completing the Disposal, PartyGaming intends to complete the purchase of certain online gaming business and assets from IOG. Although there is no relationship between the Company and its directors and IOG and its directors, PartyGaming requires that the two transactions occur at the same time. The IOG Agreement is conditional on completion of the Sale Agreement. Accordingly, the Sale Agreement is conditional on, amongst other things, (a) approval of the Proposals by Shareholders at the EGM; (b) the transfer of the Business and assignment of certain contracts to Newco; and (c) completion of the IOG Agreement. Each of the Company and PartyGaming are entitled to terminate the Sale Agreement prior to Completion in certain circumstances, including a change or development in government regulation or legislation which has or might reasonably be expected to have a material adverse effect of the condition or results of PartyGaming or the Business respectively.

As part of the Disposal, the Company has given customary warranties to PartyGaming and has undertaken to PartyGaming not to compete with the Business for a period of 30 months after Completion, provided that this restriction will not apply in respect of passive investments where the Company is not involved in the management of the investee of up to 25 per cent equity interests in private companies and up to 10 per cent. equity interests in listed companies.

In the year ended 31 December 2005, the gross profit before administrative expenses attributable to the Business was approximately US\$16.1 million. The net book value of the Business as at 30 June 2006 was approximately US\$221.9 million.

Proposed Investing Strategy

Subject to approval of the Proposals by Shareholders at the EGM, the Company intends to invest opportunistically in both private and public businesses and across the small, mid and large-cap range of companies. The Company's strategy will not be focused on any particular industry sector but the Company will be careful in managing its exposure to any one sector. Investments will be principally funded out of the Company's cash resources, but the Company may also elect to issue Shares as consideration for any acquisitions. The Company anticipates investing on an international basis with no territories or jurisdictions specifically excluded. The Directors intend to formally review the investment strategy at least once a year. An investment committee will be established to review on a quarterly basis the overall asset allocation in light of the economic environment and approve specific investments.

The initial investment strategy will be broad and it is intended that it will be undertaken within the following parameters;

- Cash deposits – no less than 20 per cent. of total invested capital;
- Fixed Income securities (i.e. bonds) – up to 50 per cent. of total invested capital including floating rate bonds;
- Absolute return funds – up to 20 per cent. of total invested capital;
- Derivatives – up to 10 per cent. of total invested capital;
- Equities – up to 30 per cent. of total invested capital (this will include both minority passive positions and majority active positions); and
- Real Estate – up to 30 per cent. of total invested capital (this will include direct investment and indirect via mutual of collective funds managed through third parties).

The Directors reserve the right to vary these ratios where they consider it in the best interests of the Company.

The Directors intend to adopt diversification rules in line with what they believe to be industry best practice. The investments are expected to include public and private equities and shall not be restricted in terms of jurisdiction. The Company's focus will be on seeking what the Directors believe to be value added opportunities, in particular in emerging markets' economies, with a view to delivering superior financial returns.

The Directors intend that no single investment will represent more than 20 per cent. of the Company's net assets at the time such investment is made.

The Company intends to invest only in opportunities where there is a high quality, well proven management team in place or where a management team has been identified that will drive the investee company going forward and deliver the levels of performance required.

In line with this new strategy for the Company, the Directors expect to recruit new employees with experience in similar businesses to that proposed for the Company.

The Directors intend to ensure that due diligence of potential investments is carried out to ascertain that target businesses and assets are acceptable to the Company. It is the Directors' intention that such due diligence will be carried out by the Company's professional advisers as well as by the Directors and the Company's employees.

The Directors anticipate that the Company will have made substantial investments by 31 December 2007. If the Company has been unable to make substantial investments by this date, the Directors intend to seek Shareholder approval for the Company to continue as an investing company.

Use of Proceeds

The proceeds from the Disposal would be used, together with the Company's existing cash of approximately US\$250 million, to implement the Proposed Investing Strategy outlined above.

Dividend Policy

The Directors will consider returning cash to Shareholders on an ongoing basis, taking into account the Company's financial position and the investment opportunities available to it.

Extraordinary General Meeting

An EGM to approve the Proposals is proposed to be held at the offices of Travers Smith, 10 Snow Hill, London EC1A 2AL, at 10.00 a.m. on 17 January 2007 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 approval by a simple majority of those Shareholders who are present and vote (in person or by proxy) at the EGM.

Irrevocable undertakings

Shareholders (including the Directors who hold Ordinary Shares) have undertaken to the Company to vote in favour of the Resolution in respect of, in aggregate, 169,720,837 Ordinary Shares representing in aggregate approximately 57.97 per cent. of the issued share capital of the Company.

Action to be taken

If you are a Shareholder, 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 10.00 a.m. on 15 January 2007. 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.

If you are a holder of Depositary Interests, enclosed with this document is a Form of Direction 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 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 10.00 a.m. on 14 January 2007. 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 have undertaken to the Company and PartyGaming to do in respect of their own beneficial holdings which amount, in aggregate, to 95,651,837 Ordinary Shares, representing approximately 32.67 per cent. of the issued share capital of the Company.

Yours sincerely

Richard Rosenberg
Chairman

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 London Stock Exchange plc
“AIM Rules”	the “AIM Rules” published by London Stock Exchange plc
“Business”	the remote gaming business and remote gaming assets of the Company and Poltroon which are to be transferred to Newco immediately prior to Completion
“BVI”	the British Virgin Islands
“Company” or “Empire Online”	Empire Online Limited, a company incorporated in the BVI with registered number 475668
“Completion”	completion of the Disposal
“Depository Interests”	the depository interests issued by Capita IRG Trustees Limited representing Ordinary Shares which may be held in and transferred through the CREST system
“Directors” or the “Board”	the directors of Empire Online
“Disposal”	the sale by the Company of the entire issued share capital of Newco pursuant to the Sale Agreement
“EGM” or “Extraordinary General Meeting”	the Extraordinary General Meeting of the Company to be held on 17 January 2007, convened to approve the Proposals
“Form of Direction”	the form of direction accompanying this document for use by holders of Depository 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
“IOG”	Intercontinental Online Gaming Ltd., a company incorporated in the State of Antigua and Barbuda with company number 13553
“IOG Agreement”	the agreement dated 29 December 2006 between <i>inter alia</i> IOG and PartyGaming under which IOG has agreed to sell to PartyGaming certain of online gaming business and assets
“Newco”	Winner Summit Limited, a company incorporated in the BVI
“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
“PartyGaming Shares”	ordinary shares of US\$0.0001 each in the capital of PartyGaming
“Poltroon”	Poltroon Limited, a wholly owned subsidiary of the company incorporated in Cyprus with registered number HE154577
“Proposals”	together the Disposal and the adoption of the Proposed Investing Strategy

“Proposed Investing Strategy”	the proposed investing strategy a summary of which is set out in Part I of this document
“Resolution”	the resolution set out in the notice of EGM at the end of this document
“Sale Agreement”	the sale agreement dated 29 December 2006 between the Company and PartyGaming in connection with the Disposal
“Shareholders”	holders of Ordinary Shares or (where the context permits) Depository Interests
“Share Scheme”	the Empire Online Discretionary Share Option Plan
“Uniplay”	Uniplay International Limited, a company incorporated in the BVI
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia

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 10.00 a.m. on 17 January 2007 for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

THAT:

- (a) the proposed sale of the entire issued share capital of Winner Summit Limited as described in the circular to shareholders of the Company dated 29 December 2006, a copy of which has been produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification only (the "Circular"), on the terms and subject to the conditions of the Sale Agreement (as defined in the Circular), be and is hereby approved, and 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, expedient or appropriate in relation thereto and to carry the same into effect with such modifications, variations, revisions, waivers or amendments (providing such modifications, variations, revisions, waivers or amendments are not in the opinion of the Directors, or any such committee, of a material nature) to such agreement or any documents relating thereto as they shall deem necessary, expedient or appropriate; and
- (b) the adoption of a new investing strategy as described in the Circular be and is hereby approved.

BY ORDER OF THE BOARD

Secretary

Date 29 December 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 Depository Interests representing ordinary shares in the Company, a form of direction must be completed in order to appoint Capita IRG Trustees Limited, the depository, 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.