You should carefully consider the risks described below before making a decision to buy the Offer Shares. If any of the following risks actually materialises, our business could be harmed, the trading price of the Offer Shares could decline and you may lose all or part of your investment. You should also refer to the other information contained in this prospectus, including the financial statements and related notes.

RISKS RELATING TO US AND OUR INDUSTRY

We operate in a highly competitive environment

The Hong Kong mobile communications market is highly competitive. Currently, we compete directly with CSL, Hutchison, Hutchison 3G, New World, SmarTone and Sunday to attract and retain customers for business. Some of our competitors have longer operating histories and larger customer bases than we do. As at 31 December 2003, we had three competitors that each had a larger customer base than us. Whilst we were the first operator in Hong Kong to launch the PCS1800 service based on the GSM1800 standard in January 1997, CSL, Hutchison and SmarTone launched their network based on the GSM900 standard in 1993, 1995 and 1993, respectively, and have since obtained PRS licenses to become dual band GSM900/1800 operators. In addition, some of our competitors may have greater financial, marketing or other resources than us.

Our competitors' pricing policies have in the past and will continue in the future to significantly affect the prices we charge for our services. From time to time, there have been periods of price competition or "price wars" amongst Hong Kong mobile communications operators. There is no guarantee that our competitors will not adopt further tariff lowering strategies, which may result in an increase in the rebates and the incentives we must offer in order to retain and attract customers. There is also no assurance that any new service packages we launch in response to market developments will successfully help us to attract new customers or retain existing customers. Competition could also lead to a decrease in the rate at which we attract new customers or a decrease in the size of our customer base as existing or potential customers choose to subscribe for mobile services from other providers. We may experience increases in our churn rate and/or customer acquisition costs, particularly as competition intensifies. An increase in our churn rate and/or an increase in customer retention and acquisition costs could adversely affect our profitability.

In addition to our competitors named above, OFTA may grant licences to additional cellular mobile communications operators that may compete with us or require us to make available part of our network capacity to MVNOs. We may also be subject to competition from providers of new telecommunications services as a result of technological development and the convergence of various telecommunications services. The introduction of new operators and/or increased competition from any new competitors could also adversely affect our financial results by causing our subscriber base to decline or by forcing us to lower tariffs or increase the costs of customer retention and acquisition.

Our competitors and other new entrants may be able to provide a broader range of services by bundling mobile communications with fixed line, internet and/or broadband services etc. We are primarily a provider of mobile communications services and do not have the infrastructure required to provide fixed line services. We may be unable to offer such bundled services thus making our products less attractive. Our competitors may also enter into global or regional alliances which may give them a competitive advantage through greater access to a broader range of product offerings, increased leverage with suppliers and more competitive roaming agreements. Our business may be adversely affected if we face competition from players offering a broader range of services.

In addition to our core mobile communications services, our IDD service faces competition from certain other ETS licensees. OFTA reported that there were 223 ETS licensees in Hong Kong as at 2 February 2004.

Any increased competition in these areas or otherwise could have a material adverse effect on our profitability and prospects.

Our PRS licence may not be automatically renewed or renewed on comparable terms and conditions

Our PRS licence will expire in 2006 and there is no guarantee that this will be renewed on comparable terms and conditions, or at all. If we are unable to renew our PRS licence, it will have a material adverse effect on us. OFTA issued a consultation paper in August 2003 regarding the "Licencing of Mobile Services on Expiry of Existing Licences for Second Generation Mobile Services" and is currently considering the terms of and procedure for licence renewal. Whilst we believe the likelihood of our licence being renewed is high, the renewed licence may contain different licence terms or conditions regarding spectrum allocation or spectrum utilisation fees and may include obligations to provide coverage to less populated parts of Hong Kong and open network access for MVNOs. For more information, please refer to the section headed "Regulation" of this prospectus.

If we are ultimately granted a new licence on different terms or conditions from our current licence, this may have a material adverse effect on our business.

High penetration rates for mobile communications subscribers in Hong Kong may limit our ability to expand our subscriber base

The mobile communications market in Hong Kong has experienced rapid growth in recent years. According to figures published by OFTA, the penetration rate in Hong Kong for mobile communications subscribers as at the end of December 2003 was approximately 105.6 per cent.. The inability of the mobile communications market in Hong Kong to continue to grow in accordance with past or present trends, or at all, or our inability to maintain or increase our share of the mobile communications market in Hong Kong could materially adversely affect us.

Rapid technological changes may increase competition and render our technologies, products or services obsolete

The mobile communications industry is characterised by rapid and significant technological change. We face competition from other communications technologies, including cordless technologies, satellite-based systems, the Internet and private and shared radio networks. In addition, we may face increasing competition from technologies currently being developed or which may be developed in the future by both our existing competitors as well as new market entrants. Our competitors may be more effective than us at developing or marketing new technologies, products and services and new competitors may emerge as a result of new technologies. We cannot accurately predict how emerging and future technological changes will affect our operations or the competitiveness of our services. Similarly, the technologies we employ may become obsolete or be subject to intense competition from new technologies in the future.

We may be facing slower subscriber growth or declining ARPUs

In a mature mobile communications market such as Hong Kong, the number of subscribers is not expected to grow significantly faster than Hong Kong's population. This means that we may become more reliant on increases in our ARPUs for future growth of our revenues and profits. We believe that if there is any growth in ARPUs, such growth will be primarily driven by non-voice services. Any new non-voice services may not be technically or commercially successful or launched according to expected schedules. In addition, there is no guarantee that the usage of our existing non-voice services will increase. If usage of our existing non-voice services fails to increase, this may have a material adverse effect on us.

We currently do not have a 3G licence

In October 2001, the Government awarded a 15 year 3G mobile licence to each of CSL, Hutchison 3G, SmarTone 3G and SUNDAY 3G under a royalty payment scheme. We made a strategic decision not to apply for a 3G licence after a thorough evaluation of our business and service requirements. Consequently, we are not required to pay the 3G licence fees in the amount of a minimum HK$50 million per annum for fifteen years, nor will we have to incur the capital expenditures required for the development and implementation of 3G technology. Furthermore, we believe that EDGE technology will enable us to offer services that are sufficiently sophisticated for our customers' needs in the near to medium term. However, 3G systems will have a greater capacity to deliver more data applications in the medium to long-term and there is no assurance that the 3G services to be offered by our competitors will not be more appealing in general to mobile communications users in Hong Kong than the services we propose to provide through our EDGE network. For more information on 3G and EDGE technology, please refer to the section headed "Technology" of this prospectus. Such a shift in market sentiment and market demand may have a material adverse effect on our business operations and financial condition, as there can be no assurance that we will have access to any 3G network capacity at economically viable terms or at all.

Even if our EDGE network is successfully implemented, we cannot be assured that our customers will not prefer 3G over EDGE. In particular, the ability to conduct video conferencing, which is fully supported by 3G technology, may not be supportable by an EDGE network. Furthermore, although we believe that our EDGE network is capable of providing all other currently known services provided over a 3G network, EDGE provides such services at relatively slower speeds than 3G and therefore the quality of certain services offered on an EDGE network, such as video streaming, may be less appealing than those offered on 3G.

Hutchison 3G launched its 3G services on 27 January 2004 and has since employed aggressive marketing techniques to promote such services. Should the delivery speed and type of services offered by Hutchison 3G or any other 3G operator appeal to our subscribers, and if we are unable to launch our EDGE services in a timely manner and continue to meet the demands and expectations of our subscribers, we may face an increase in our subscriber disconnections. Consequently, we may experience an increase in our churn rate and a declining subscriber base, which may have a material adverse affect on our business.

We cannot be certain with respect to the successful development and implementation of our EDGE network and services

We have successfully completed field trials for EDGE in live network settings using commercially available software and hardware. We are satisfied with the results of these field trials and we have established plans to upgrade our network to become EDGE ready, initially in known areas of high current data usage, and subsequently in areas where demand for EDGE services arises. Although we have made substantial progress in accordance with our plan to implement EDGE, the roll-out of EDGE and launch of EDGE services may still encounter a number of difficulties. For example, not all of our roaming partners currently support, nor can we be certain that all of them will in the future support, EDGE. Additionally, while a few EDGE-ready handset models have been launched and several handset vendors have informed us that they may roll out a number of EDGE-ready handset models in the third quarter of 2004, we cannot assure you that these models will be provided on a timely basis and in sufficient quantities for the launch of our EDGE services, or when provided, the performance of these models will prove to be satisfactory. Moreover, we cannot guarantee that:

- we will be able to implement our EDGE network and services without causing disruption to our existing services;

- upgrading our network to become EDGE-ready according to our current plan will not be more costly or time consuming than expected due to factors including, without limitation, our inability to procure sufficient EDGE-enabled TRUs for implementation, additional TRU implementation arising from increased capacity requirements, or our inability to install additional TRUs on certain sites where permission cannot be obtained;

- we have not misjudged the high data usage areas or underestimated the customer demand for data in our EDGE roll-out plans;

- when completed, our EDGE network and services will deliver the performance currently indicated by our field trials or deliver the quality and levels of services as currently planned;

- EDGE will be able to provide sufficient capacity or data speeds to meet our customers' needs for certain services or applications from time to time;

- we will be able to provide all planned EDGE services, or that we will be able to provide such services on schedule, or developing and providing such services will not be more costly then expected;

- content providers will create and offer attractive contents for our EDGE services in sufficient quantities or on a timely basis;

- there will be sufficient demand for EDGE services to offer these services profitably; or

- our competitors will not be able to offer similar services at lower prices.

If we experience substantial problems with the roll-out of our EDGE network or our EDGE services in the future, we may be adversely affected with respect to the range of our mobile voice and data services offered to our subscribers and our business may be adversely affected.

Substantially all of our subscribers do not have fixed term contracts

The majority of our customers are not required to sign fixed term contracts with us. Whilst we believe our current subscriber base illustrates our ability to retain customers, should market sentiment and market demand shift away from our product offerings and services, and we are unable to match the shift in market demand for such offerings and services, our customers may opt to disconnect our services and our business may be materially adversely affected.

As the mobile communications business is characterised by high fixed costs, any subscriber disconnections will directly and adversely affect operating income. Our results of operations are significantly affected by subscriber disconnections. In order to maintain a stable base of subscribers, disconnected customers must be replaced and additional customers must be added. However, the sales and marketing costs associated with attracting new subscribers are substantial relative to the costs of providing services to existing customers. Our average monthly churn rates for 2001, 2002 and 2003 were 5.0 per cent., 3.7 per cent. and 3.8 per cent., respectively. An increase in our churn rate would adversely affect our results of operations. For more information, please refer to the section headed "Financial Information — Overview — Components of Turnover — Composition and Quality of Our Subscriber Base" of this prospectus.

We rely on our vendors

We rely on third party vendors with respect to many aspects of the construction and operation of our core switching and radio networks. We have been particularly dependent on Ericsson in the development and implementation of our network. Ericsson is the principal supplier of our radio and switching infrastructure and equipment. Ericsson also provides us with training and maintenance support. Our annual purchases from Ericsson constituted 19.8 per cent., 11.7 per cent. and 15.1 per cent. of our aggregate purchases in 2001, 2002 and 2003, respectively. Ericsson and other vendors may experience financial difficulties due to the current global environment for telecommunications companies. Should Ericsson or our other vendors terminate or fail to perform their contractual arrangements with us, we would be compelled to seek other alternative suppliers which could have a material adverse effect on our business.

We rely on technologies that we license from third parties

We currently license software and other technology related to the operations and management of our mobile services from third parties. For example, we currently license the software for our billing and prepaid system from Cap Gemini Sverige AB and IVRS (International) Limited. As we continue to introduce new services that require new technology, we anticipate that we may need to license additional third party technology. Third party technology may not be available to us on commercially reasonable terms, or at all. Inability to obtain or continue the use of third party technology could delay or compromise the introduction of new services and materially and adversely affect our business and results of operations.

There can be no assurance that other third parties would not claim an alleged infringement of their intellectual property rights in the future. Any disputes in the future could result in substantial costs and liabilities to, and a diversion of efforts by, us, which may have a material adverse effect on our business.

We rely on various third party vendors for the supply of handsets and accessories

The principal suppliers of our handsets and accessories are Motorola, Nokia, Samsung, Siemens and SonyEricsson, which collectively accounted for substantially all of the handsets and accessories supplied to us in the year ended 31 December 2003 in terms of volume. Failure by any of our principal suppliers to provide handsets and accessories could have a materially adverse effect on us. In addition, our third party vendors may experience financial difficulties due to the current global environment for telecommunications companies. Such difficulties may impact the supply of critical technology to us or the terms on which such technology is supplied to us in the future. Failure by any of our principal suppliers or any other suppliers to provide handsets and accessories in accordance with specifications and in a timely manner or on terms we have previously enjoyed could materially adversely affect us.

We are in a regulated industry and are subject to changes in the regulatory environment

The global telecommunications industry is subject to significant government regulation specific to each country. In Hong Kong, the Telecommunications Ordinance and its amendments empowers the TA to grant licences for the provision of telecommunications systems and services as well as to regulate merger and acquisition activities in the telecommunications market in Hong Kong. We are subject to regulation through the terms of our licences (our PRS licence, PNETS (ETS) licence and PNETS (IVANS) licence), the Telecommunications Ordinance (including the competition rules therein), and standards, code and guidelines issued by the TA. The TA has various enforcement powers at its disposal to ensure compliance. These enforcement powers include issuing directions, financial penalties and licence suspension, cancellation and withdrawal. The TA's enforcement powers rely on the exercise of discretion. If the TA takes an enforcement action against us, this could have a material adverse effect on our business. Further details in this regard are set out in the section headed "Regulation" of this prospectus.

Our licences and the regulatory environment in which we operate are subject to changes in laws, regulations and government policies

Changes in laws, regulations or government policies affecting our business activities or those of our competitors could adversely affect our results of operations and prospects. In particular, decisions by the TA relating to the granting, amending or renewing of our or our competitors' licences could adversely affect the results of our operations. Additionally, there can be no assurance that the TA will not issue telecommunications licences to new cellular mobile operators or other service providers whose services will compete with those offered by us.

We currently hold a PRS licence, PNETS (ETS) and (IVANS) licences. Any revocation or unfavourable modification of any of our licences or spectrum right, or any failure to renew any of our licences on comparable terms, or other changes in our regulatory environment could have a material adverse effect on us.

We are dependent on interconnection with other networks and gateways

PCCW is the dominant fixed-line service provider in Hong Kong. Until 1 January 1999, HKTI was the exclusive provider of IDD services in Hong Kong. Although we have interconnection agreements with most of the major fixed-line networks in Hong Kong, substantially all of our voice and data traffic to fixed-line communications are connected through the networks, gateways and other facilities of PCCW. The TA requires that PCCW and other fixed-line operators make interconnections in Hong Kong generally available to other FTNS, EFTNS and fixed carrier licensees. The terms of interconnection with PCCW (including price) are important to our business. Any changes to the terms of our interconnection could have a material adverse effect on our business.

If for any reason our interconnection arrangements are disrupted, whether because of accidents, technological difficulties, natural events, a failure by our counterparties to perform their contractual obligations or for any other reason, one or more of our services may be delayed, interrupted or stopped, the quality of our services may be lowered, our customer churn rates may increase or interconnection rates may increase, all of which could materially adversely affect us.

We will not be able to deliver our services if we experience a systems failure or a shutdown in connection with communications networks

Our mobile communications and IDD services are currently carried through the networks of local fixed-line operators including leased circuits that connect our base stations and the networks of international operators and other network-related infrastructure. The provision of our services depends on the stability of these networks. These networks may be vulnerable to damage or interruptions in operation due to earthquake, fire, power loss, telecommunications failures, network software flaws, transmission cable cuts or other events beyond our control. Any failure of this network or any link in the delivery chain that results in an interruption in our business, operations or the provision of our service, whether from an operational disruption, natural disaster or otherwise, could damage our brand equity, reduce our ability to attract and retain customers and materially adversely affect us. Any damage or interruption in operation to these network facilities may have a serious impact on our operations. Furthermore, our customer service call centre operates from a single centre and the loss of operation at this facility may adversely affect us.

Virtually all of our revenue is derived from our activities in Hong Kong

Virtually all of our revenue is derived from our business operations undertaken in Hong Kong, the principal exception to this being our revenue from outbound roaming which constitutes a small proportion of revenue and profits. Furthermore, all of our assets are located, and all of our services are performed, in Hong Kong. A contraction of, or a decline in the growth of, the Hong Kong economy or the population of Hong Kong or a deterioration in other factors affecting Hong Kong, could adversely affect the results of our operations. Factors that may adversely affect the Hong Kong economy include:

- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the region;
- devaluation of regional currencies;
- a prolonged period of deflation or inflation or circumstances leading to high real interest rates;
- changes in taxation;
- political instability in countries in the region;
- war or military conflict;
- severe acute respiratory syndrome ("SARS") and other contagious diseases; and
- other regulatory, political or economic developments in or affecting Hong Kong.

We may not have enough cash or be able to raise adequate financing when required. We will apply a substantial amount of our proceeds from the Global Offering to the repayment of our shareholders' loans and accrued interest thereon and will use any surplus for general working capital

Our business requires significant capital investment. From our date of incorporation to 31 December 2003, we made gross capital expenditures totalling approximately HK$2,068.5 million, of which approximately HK$1,754.7 million represented capital expenditure on our network.

As at 31 December 2003, we had approximately HK$46.1 million in cash and cash equivalents. In each of the first two months of 2004, a positive cash flow has increased our amount of cash and cash equivalents as at the end of such month. Furthermore, a surplus may remain after we apply a substantial amount of the net proceeds accruing to us from the Global Offering to the repayment of part of our shareholders' loans and accrued interest thereon. Such surplus will be used for our general working capital. For further information, please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds".

We believe that cash from operations, together with borrowings under bank facilities, will provide us with sufficient financial resources and liquidity to meet our projected operational, capital and other cash expenditure requirements and to settle or refinance our projected liabilities as they fall due. However, we may underestimate our operational, capital or other cash expenditure requirements or overestimate future cash flows or the amount or terms of additional debt, equity or other forms of financing that may be available to us and consequently, we may not be able to meet our projected operational, capital and other cash expenditure requirements or to settle or refinance our projected liabilities as they fall due. In particular, historically we have depended on shareholders' loans and equity injections to finance much of our capital expenditure and operational requirements.

We may not have enough cash or be able to raise adequate financing to settle or refinance our net current liabilities as they fall due

Our net current liabilities increased from HK$591.8 million as at 31 December 2001 to HK$612.2 million as at 31 December 2002. In anticipation of the repayment of shareholders' loans following the Global Offering and the full drawdown of the HK$300.0 million facility, the outstanding amount of the shareholders' loans was reclassified to the current portion of interest-bearing borrowings as at 31 December 2003. As a result, our net current liabilities increased substantially to HK$1,162.5 million as at 31 December 2003.

We believe that cash from operations, together with borrowings under bank facilities, will provide us with sufficient financial resources and liquidity to settle or refinance our net current liabilities as they fall due in addition to meeting our projected operational, capital and other cash expenditure requirements and settling or refinancing our other projected liabilities as they fall due. However, we may underestimate our operational, capital or other cash expenditure requirements or other projected liabilities or overestimate future cash flows or the amount or terms of additional debt, equity or other forms of financing that may be available to us and consequently, we may not be able to settle or refinance our net current liabilities as they fall due.

The repayment of our HK$300.0 million facility may be accelerated

On 10 March 2004 we entered into a HK$300.0 million facility with CITIC Ka Wah Bank. An event of default under the HK$300.0 million facility will be triggered if, among other things, (i) certain levels of net profit and net worth are not maintained, (ii) ratios relating to liabilities to net worth, current assets to current liabilities or interest coverage are breached, (iii) certain limits on capital expenditure are exceeded or (iv) China Resources ceases either (a) to be our single largest shareholder or (b) to hold 30.0 per cent. or more of our issued shares. Upon the occurrence of an event of default, unless waived by CITIC Ka Wah Bank, the repayment of any outstanding amount under the HK$300.0 million facility, together with all accrued interest thereon, may be accelerated. There can be no assurance that an event of default will not occur after any drawdown of such loan facility.

We must attract, train and retain qualified employees to execute our business strategy

As a company focused on the development of telecommunications products and services, our future success depends largely on our ability to attract, train and retain appropriately qualified employees to undertake product development and management, to develop, monitor and maintain our network and pursue our customer service, sales and marketing activities. Skilled personnel in these areas have on occasion been in short supply, and any shortages in the future may increase competition for such personnel which would lead to an increase in staff turnover and/or employment costs incurred by us. If we cannot attract, train and retain a sufficient number of qualified employees, our business and operations could be materially adversely affected.

In addition, we depend on a number of key employees to manage our day-to-day operations and execute our business strategy. We do not currently hold "key man life insurance". Should any unforeseen circumstances cause us to lose any one of these key employees, our business and operations may be adversely affected.

Our billing, credit control and customer management systems are critical to our operations

Sophisticated billing, credit control and customer management systems are critical to our ability to enhance revenue streams, avoid revenue loss, monitor potential credit problems and bill our customers accurately and in a timely manner. We expect new technologies and applications to create increasing demands on our billing, credit control and customer management systems. We will need to expand and adapt our billing and credit control systems to capture new revenue streams as we introduce new services and as our business continues to grow. The development of new businesses may impose a greater burden on our systems and may strain our administrative, operational and financial resources. We will have to cope with managing the simultaneous implementation of our network development and marketing plans, while expanding our internal management, technical, information and accounting systems. If adequate billing, credit control and customer relations systems are unavailable, or if upgrades are delayed or not introduced or integrated in a timely manner, we may be unable to offer certain services to our customers or maintain adequate credit controls, all of which could materially adversely affect us.

We are subject to environmental regulation

We are subject to environmental laws, ordinances and regulations that govern our activities or operations. There can be no assurance that violations of such laws, ordinances or regulations have not occurred or will not occur or be identified or that such laws will not change in the future in a manner that could materially and adversely affect us. Such laws, ordinances and regulations may also impose upon us obligations to investigate and remedy or pay for the investigation and remediation of environmental conditions, and to compensate public and private parties for related damages. Any such liability in connection with the facilities we currently own or operate could materially adversely affect us.

The potential effect on us of any actual or perceived health risks associated with mobile handsets or transmission facilities is unknown

According to certain published reports, the electromagnetic signals from mobile handsets and transmission facilities, which serve as antennae for transmitting radio signals, may pose health risks and interfere with the operation of electronic equipment. Although the findings in such reports are disputed and whilst we believe the evidence they present is inconclusive, we may be adversely affected by actual or perceived risks associated with mobile handsets or transmission masts and related publicity, research, inquiries or litigation.

Effect of SARS or other contagious diseases on the Hong Kong economy

In March 2003, several countries, including Hong Kong, experienced an outbreak of a new and highly contagious form of atypical pneumonia now known as SARS. While the long-term impact of the SARS outbreak is unclear at this time, the prolonged existence of SARS could have a negative impact on the Hong Kong economy and, in turn, have a material adverse effect on our operating results, financial condition, business and prospects. These adverse effects may result from several factors, including travel restrictions, reduction in economic activity and confidence in the affected regions. Although SARS appears to have abated, we are unable to predict the likelihood of reoccurrence and the long-term effects that these factors may have on our business. Furthermore, there is no assurance that avian-flu or other contagious diseases having a similar or more adverse impact than SARS will not affect the Hong Kong economy.

RISKS RELATING TO OWNERSHIP OF OUR SHARES

Future financing may cause a dilution in your shareholding or place restrictions on our operations

If we are required to raise additional funding to meet capital or operational expenditure requirements, such funding, if raised through the issuance of equity or securities convertible into equity, may cause a reduction in the percentage ownership of our then existing shareholders. Alternatively, if such funding requirements are met by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- limit our ability to pay dividends or require us to seek consents for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to pursue strategies;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate purposes; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

The market price of our Shares may be volatile

The market price of our Shares may be affected by factors such as:

- variations in the results of our operations;
- announcements of new products or services by us or our competitors;
- technological innovations by us or our competitors;
- news regarding the gain or loss of subscribers by us or our competitors;
- news regarding the gain or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisition or strategic alliances by our competitors;
- changes in earnings estimates or buy/sell recommendations by financial analysts;
- the operating and stock price performance of comparable companies; and
- general market conditions or market conditions specific to particular industries.

In particular, the stock prices for many companies in the technology sector have experienced wide fluctuations that have often been related to the operating performance of such companies. Such fluctuations may adversely affect the market price of our Shares.

There has been no prior public market for our Shares

Before the Global Offering, there was no public market for our Shares. While we have applied to have our Shares listed on the Stock Exchange, we cannot assure you that an active public market for our Shares will develop. The Offer Price of our Offer Shares will be determined by agreement between ourselves and the Global Coordinator (on behalf of the Underwriters) and may not be indicative of prices that will prevail in the trading market. You may not be able to resell your Shares at a price that is attractive to you.

The trading prices of our Shares could be subject to fluctuations in response to variations in our results of operations, changes in general economic conditions, changes in accounting principles or other developments affecting us, our customers or our competitors, changes in financial estimates by securities analysts, the operating and stock price performance of other companies and other events or factors many of which are beyond our control. Volatility in the price of our Shares may be caused by factors outside of our control or may be unrelated or disproportionate to our operating results.

We may not be able to pay any dividends on our Shares

For the years ended 31 December 2001 and 31 December 2002 we had a net loss and net profit of approximately HK$98.7 million and HK$344.5 million, respectively. 2002 was the first profitable year since the commencement of our commercial operations in January 1997. We had a net profit of approximately HK$270.1 million for the year ended 31 December 2003. As of 31 December 2003, we had accumulated losses of approximately HK$368.4 million. Under Hong Kong law, we can only pay dividends out of our accumulated realised profits so far as not previously utilised by distribution or capitalisation, less our accumulated realised losses, so far as not previously written off in a reduction or reorganisation of capital duly made. Our ability to pay dividends will therefore depend on our ability to generate sufficient accumulated net realised profits. There can be no assurance of whether or when this may occur or if the Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board of Directors or at all. Furthermore, pursuant to the Companies Ordinance, we may only make a dividend declaration at any time if the amount of our net assets (as defined in the Companies Ordinance) is not less than the aggregate of our called-up share capital and undistributable reserves (as defined in the Companies Ordinance), and if such dividend does not reduce the amount of our net assets to less than such aggregate. If we are unable to satisfy this requirement, we will not be able to declare any dividend after the listing of our Shares on the Stock Exchange.

Certain of our existing loan facilities or other financing arrangements contain financial covenants that may restrict our ability to pay dividends, as they require us, among other things, to maintain certain levels of net worth, debt to net worth ratios or current assets to current liabilities ratios.

Future dividends, if any, will be at the discretion of the Board and will depend upon our future operations and earnings, capital requirements, general financial conditions, legal and contractual restrictions and other factors the Board may deem relevant. For details of our dividend policy, please refer to the section headed "Dividend Policy" of this prospectus.

The interest of our substantial shareholders may differ from those of our other shareholders

Upon completion of the Global Offering, the Capitalisation Issue and the Conversion, China Resources will own an aggregate of approximately 47.5 per cent. of our Shares, or approximately 45.1 per cent. if the Over-allotment Option is exercised in full. China Resources, as our controlling shareholder, may cause us to effect corporate transactions which might be in conflict with our other shareholders' interests.

Furthermore, China Resources is in a position to exert considerable influence in relation to the following, subject to applicable Hong Kong laws and regulations:

- our Board composition;
- amendments to our Memorandum and Articles of Association; and
- our corporate actions requiring shareholder approval, including election and removal of directors, merger, consolidation or sale of our assets, or, subject to the requirements of the Listing Rules, cause us to effect corporate transactions without the approval of the holders of the Shares.

There is no assurance that China Resources will always vote in a way that benefits all of our other shareholders. In addition, immediately after the completion of the Global Offering, the Capitalisation Issue and the Conversion, Onwel Capital will own an aggregate of approximately 15.7 per cent. of our Shares, or approximately 14.9 per cent. if the Over-allotment Option is exercised in full. There is no assurance that Onwel Capital will always vote in a way that benefits all of our other shareholders.

Our Share price may be affected if additional Shares are sold by our substantial shareholders or are issued by us

China Resources and Onwel Capital will be our substantial shareholders immediately after the Global Offering, the Capitalisation Issue and the Conversion. Further details are set out in the section headed "Substantial Shareholders and Selling Shareholders" of this prospectus. Furthermore, the Directors have been granted a general unconditional mandate to issue Shares with an aggregate nominal value of not more than 20.0 per cent. of the aggregate nominal value of the share capital of the Company immediately following completion of the Global Offering. Further details are set out in the section headed "Share Capital — General Mandate to Issue Shares". There is no assurance that either of these substantial shareholders will not dispose of the Shares held by them or that we will not issue Shares pursuant to the general mandate in the future. We cannot predict the effect, if any, that any future sales of Shares by these substantial shareholders, or the availability of Shares for sale by these substantial shareholders, the issuance of Shares by us, or the availability of the general mandate to our Directors, may have on the market price of our Shares. Sales or issuance of substantial amounts of Shares by these substantial shareholders or us, or the market perception that such sales or issuance may occur, could adversely affect the prevailing market price of our Shares. In addition, such sales or issuance might make it more difficult for us to issue new equity or equity-related securities in the future at a time and place we deem appropriate.

In connection with the Global Offering, China Resources, Onwel Capital and the Company have agreed with the Underwriters not to, without the prior written consent of the Global Coordinator, on behalf of the Underwriters, offer, transfer, sell, allot, issue, deal with or otherwise dispose of (as applicable) any Shares for a period of six months commencing from the date on which dealings in the Shares commence on the Stock Exchange. China Resources has also agreed with the Underwriters not to, without the prior written consent of the Global Coordinator, on behalf of the Underwriters, to offer, transfer, sell, deal with or otherwise dispose of any Shares that may result in China Resources ceasing to be our controlling shareholder at any time during the six months after the date on which dealings in the Shares commence on the Stock Exchange. Further details are set out in the section headed "Underwriting" of this prospectus. Following the expiration of these lock-up restrictions, all of these Shares held by the substantial shareholders will be eligible for immediate sale in the public market and our Directors will be able to issue additional Shares.