

SHARE CAPITAL

The following is a description of the authorised and issued share capital of the Company in issue and to be issued as fully paid or credited as fully paid immediately before and after the completion of the Global Offering, the Capitalisation Issue and the Conversion:

Immediately before the Global Offering, Capitalisation Issue and the Conversion

HK\$

Authorised share capital

2,500,000,000	Shares	1,200,000,000
154,125,000	Preference Shares	73,980,000
		1,273,980,000

Issued share capital

433,000,000	Shares	207,840,000
154,125,000	Preference Shares	73,980,000
		281,820,000

Immediately following completion of the Global Offering (but without taking into account the exercise of the Over-allotment Option), the Capitalisation Issue and the Conversion

HK\$

Authorised share capital

2,500,000,000	Shares	1,200,000,000
154,125,000	Preference Shares	73,980,000
		1,273,980,000

Issued share capital

582,450,000	Shares	279,576,000
6,299,857	Shares to be issued pursuant to the Capitalisation Issue ⁽¹⁾	3,023,931
154,125,000	Shares to be issued pursuant to the Conversion	73,980,000

Total

742,874,857	Shares ⁽²⁾	356,579,931
-------------	-----------------------	-------------

(1) The number of shares issued under the Capitalisation Issue is determined by reference to the total cumulative preferential dividend payable as at 31 March 2004 divided by HK\$5.10 per Share (being the mid-point of the price range stated in this prospectus). The exact number of Shares to be issued pursuant to the Capitalisation Issue is subject to the final Offer Price.

(2) This represents the total shares outstanding after the Global Offering, Capitalisation Issue and the Conversion, assuming 6,299,857 Shares are issued pursuant to the Capitalisation Issue. The exact number of Shares to be issued pursuant to the Capitalisation Issue is subject to the final Offer Price.

SHARE CAPITAL

ASSUMPTIONS

The table above assumes that the Global Offering, the Capitalisation Issue and the Conversion become unconditional and are completed in accordance with the relevant terms and conditions. It takes no account of (a) any new Shares which may be issued upon the exercise of the Over-allotment Option or (b) any Shares which may be issued pursuant to the exercise of the options which have been conditionally granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme (please see Appendix III to this prospectus) or (c) any Shares which may be issued under the general mandate given to the Directors for issue and allotment of Shares (please see Appendix V to this prospectus) or (d) any Shares which may be repurchased by the Company pursuant to the general mandate given to the Directors for the repurchase of Shares (please see Appendix V to this prospectus).

CAPITAL REDUCTION

The Company's total accumulated losses as at 31 December 2003 (as shown in the Accountants' Report as set out in Appendix I to this prospectus) stood at approximately HK\$368.4 million. For the purposes of determining the profits available for distribution in accordance with Section 79B of the Companies Ordinance, the accumulated losses of the Company amounted to approximately HK\$308.0 million at that date. Although the Company has started recording net profits since 2002, the Company would have remained unable to pay dividends while substantial accumulated losses of the Company continued to exist. Accordingly, on 3 February 2004, by written resolutions of all the shareholders of the Company and written resolutions of all the Preference Shareholders, it was resolved, among other things:

1. that, subject to confirmation by the High Court of Hong Kong pursuant to section 60 of the Companies Ordinance and any conditions as may be imposed by the High Court of Hong Kong, the authorised share capital of the Company be reduced from HK\$633,000,000 divided into 433,000,000 Shares of HK\$1.00 each and 200,000,000 Preference Shares of HK\$1.00 each to HK\$281,820,000 divided into 433,000,000 Shares of HK\$0.48 each and 154,125,000 Preference Shares of HK\$0.48 each and that such reduction be effected by:
 - (a) cancelling paid-up capital to the extent of HK\$0.52 upon each of the Shares and Preference Shares in issue on the date on which the petition for the confirmation of the reduction is heard by the High Court of Hong Kong and by reducing the nominal value of all the issued Shares and Preference Shares from HK\$1.00 to HK\$0.48 per share; and
 - (b) cancelling all of the 45,875,000 unissued Preference Shares,

PROVIDED THAT:

nothing in the resolution set out in this paragraph 1 would affect the rights of the holders of Preference Shares of the Company immediately prior to the passing of the resolution set out in this paragraph 1 in relation to Preferential Dividend (as defined in the Articles), and Article 4(A)(i)(a) would be amended by deleting and substituting the words "the amount paid up or credited as paid up thereon (including any premium paid up or credited as paid up thereon)" by the words "HK\$1.00 per CRCP Share";

2. that, the credit arising as a result of the capital reduction described in the resolution set out in paragraph 1 above be applied, to the extent permitted by the High Court of Hong Kong, towards the elimination of HK\$305,305,000 of the accumulated losses of the Company.

SHARE CAPITAL

The Company has petitioned to the High Court of Hong Kong for confirmation of the Capital Reduction. A hearing on the Summons for Directions in relation to the proposed Capital Reduction was held on 10 February 2004 at which the High Court of Hong Kong ordered, amongst other things, that the petition be heard on 17 February 2004 and that the settlement of a list of creditors of the Company pursuant to section 59(2) of the Companies Ordinance be dispensed with.

The High Court of Hong Kong has subsequently confirmed the Capital Reduction at the hearing of the petition on 17 February 2004 and the Capital Reduction became effective on the same date.

As a result of the Capital Reduction, the Company's accumulated losses of approximately HK\$308.0 million for the purposes of determining the profits available for distribution in accordance with Section 79B of the Companies Ordinance, were reduced by approximately HK\$305.3 million. The difference of approximately HK\$2.7 million as at 31 December 2003 has been eliminated by the profits the Company has made in 2004 to-date. The above reduction of the Company's accumulated losses with the credit arising out of the Capital Reduction has therefore brought forward the time when the Company will be in a position to pay dividends, although this will still be subject to the considerations as further discussed in the section headed "Dividend Policy" of this prospectus. Taking into account the expected performance of the Company to 30 June 2004, the Company expects to have accumulated realised profits as at 30 June 2004 from which it could declare dividends.

CAPITALISATION ISSUE

The Capitalisation Issue will be made in return for, among other things, the Preference Shareholders agreeing to convert their respective Preference Shares immediately after the closing of the Global Offering but before the listing of the Shares on the Stock Exchange, and thereby forfeiting their respective rights to any cumulative preferential dividend that may be paid to them by the Company in the future if and when the Company has accumulated realised profits. Except as otherwise stated, it is assumed in this prospectus that 6,299,857 Shares will be issued pursuant to the Capitalisation Issue.

4,602,676, 1,527,107 and 170,074 Shares will be issued to China Resources, Onwel Capital and Celtel, respectively pursuant to the Capitalisation Issue, which assumes an Offer Price of HK\$5.10 per Share, being the mid-point of the price range stated in this prospectus. The respective number of Shares so issued to the Preference Shareholders will be determined by reference to the amount of cumulative preferential dividend which they would have respectively received, if the Company had accumulated realised profits at the time of the Conversion, divided by the Offer Price (provided that no shareholder will be issued with any fraction of a Share). Please see the paragraph headed "1. Further Information about the Company — C. Resolutions of the shareholders of the Company" in Appendix V to this prospectus for further details of the Capitalisation Issue.

PREFERENCE SHARES

The Preference Shares carry the same voting rights as our Shares. Holders of the Preference Shares are entitled to be paid out of our distributable profits a cumulative preferential dividend of five per cent. per annum on the amount of their respective paid up capital, in priority to payment to the holders of our Shares. No such cumulative preferential dividend has been declared or paid by us in the past. The Preference Shareholders also have priority with respect to the application of the assets of the Company available for distribution among the members of the Company in the event of a liquidation, dissolution, winding up or return or reduction of capital of the Company (other than redemption of the Preference Shares) in accordance with the Articles of Association. For further details of the rights attached to and the terms of the Preference Shares, please refer to Appendix IV to this prospectus.

SHARE CAPITAL

On 3 February 2004, each of the holders of the Preference Shares of the Company gave an irrevocable undertaking to the Company, KPN and Overseas Telecom AB to the effect that:

- (A) conditional upon the closing of the Global Offering (the “Closing”) and the Capitalisation Issue taking effect (which is expected to be immediately after the closing of the Global Offering but before commencement of dealings in the Shares on the Stock Exchange on 31 March 2004):
 - (i) it will immediately thereafter on the date of Closing convert its Preference Shares into fully paid Shares in the capital of the Company at the conversion rate of one Share for every one Preference Share upon the terms of the Articles;
 - (ii) in consideration for such Capitalisation Issue taking effect, it waives any right to receive any payment of cumulative preferential dividend in respect of its Preference Shares to the date of the Conversion referred to in sub-paragraph (i) above, provided that for the avoidance of doubt, in determining the number of shares to be issued under the Capitalisation Issue, the cumulative preferential dividend will be deemed to have continually accrued up to Conversion;
- (B) it will not exercise its rights of conversion under the Articles in respect of the Preference Shares held by it until the time of the Conversion referred to in sub-paragraph (i) above;
- (C) it will not exercise its rights of redemption under the Articles; and
- (D) the undertaking shall terminate if the Global Offering is not completed by 31 December 2004.

Each of the holders of the Preference Shares further undertook on 3 February 2004 that, if the Capital Reduction shall have been effected:

- (A) subject to the operation of sub-paragraph (B) of the preceding paragraph above, it hereby unconditionally and irrevocably waives any right to receive any payment of cumulative preferential dividend in respect of its Preference Shares until the date when the Company has paid in full all sums of principal and interest outstanding from time to time in respect of the current loans made to it by its shareholders (the “Delayed Preference Payment Date”), provided that nothing herein shall affect the continuing accrual of the cumulative preferential dividend in favour of the holder of the Preference Shares of the Company from the date of this undertaking to the Delayed Preference Payment Date and provided that at the same time as the first cumulative preferential dividend payment, the Company also pays a dividend of not less than HK\$0.05 per Share to the holders of the Shares; and
- (B) it will not redeem from the date of this undertaking any of its Preference Shares upon the terms of the Articles.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

We have conditionally adopted the Pre-IPO Share Option Scheme whereby options to subscribe for an aggregate of 58,400,000 Shares have been conditionally granted to 597 employees, including 10 Directors. This represents approximately 7.9 per cent. of the Company’s total issued share capital immediately after completion of the Global Offering, Capitalisation Issue and Conversion, taking no account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option. No further options will be granted under the Pre-IPO Share Option Scheme after completion of the Global Offering.

SHARE CAPITAL

We have also conditionally adopted the Share Option Scheme whereby selected classes of participants (as more particularly described in Appendix III to this prospectus) may be granted options to subscribe for Shares at the discretion of our Board.

The principal terms of both the Pre-IPO Share Option Scheme and Share Option Scheme are summarised in the section headed “Share Option Schemes” in Appendix III to this prospectus.

General Mandate to Issue Shares

The Directors have been granted a general unconditional mandate to allot, issue and deal with Shares (otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue, the exercise of any subscription rights under the Pre-IPO Share Option Scheme and the Share Option Scheme, any scrip dividend or similar arrangement, any adjustment of rights to subscribe for Shares under options or a specific authority granted by the Company’s shareholders) with an aggregate nominal value of not exceeding the sum of:

- (a) 20.0 per cent. of (i) the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Global Offering and (ii) the aggregate nominal value of the share capital of the Company which may be issued upon the exercise of the Over-allotment Option; and
- (b) the aggregate nominal value of the Company’s share capital repurchased by the Company (if any).

This general mandate to issue Shares will remain in effect until:

- (i) the conclusion of the Company’s next annual general meeting;
- (ii) the expiration of the period within which the Company’s next annual general meeting is required by the Articles of Association, the Companies Ordinance any other applicable laws of Hong Kong or to be held; or
- (iii) it is revoked or varied by an ordinary resolution of the Company’s shareholders in general meeting,

whichever is the earliest.

General Mandate to Repurchase Shares

The Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange and Shares which are recognised by the SFC and the Stock Exchange for this purpose) with a total nominal value of not more than 10.0 per cent. of the total of (i) the aggregate nominal value of the Company’s share capital in issue and issued pursuant to the Global Offering, and (ii) the aggregate nominal value of the share capital of the Company which may be issued pursuant to the exercise of the Over-allotment Option.

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “2. Repurchase by the Company of its own Securities” in Appendix V to this prospectus.

SHARE CAPITAL

The general mandate to repurchase Shares will remain in effect until:

- (i) the conclusion of the Company's next annual general meeting;
- (ii) the expiration of the period within which the Company's next annual general meeting is required by the Articles of Association or the Companies Ordinance or any other applicable laws of Hong Kong to be held; and
- (iii) it is revoked or varied by an ordinary resolution of the Company's shareholders in general meeting,

whichever is the earliest.

RANKING

The Offer Shares will rank *pari passu* in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and in particular, will rank in such for all dividends, and other distributions declared, made or paid on the Shares after the issue of the Offer Shares.

The Shares to be issued pursuant to the Conversion will carry the right to receive all dividends and other distributions declared, made or paid upon the ordinary share capital of the Company by reference to any record date on or after the date on which the name of the Preference Shareholder is entered into the register of members of the Company in respect of the Shares issued on the Conversion and shall rank *pari passu* in all other respects and form one class with the Shares of the Company then in issue and fully paid.