
DIVIDEND POLICY

No dividend has been declared or proposed by the Company since its incorporation in 1994.

As at 31 December 2003, our audited financial statements reflected accumulated losses of approximately HK\$368.4 million in accordance with HK GAAP. 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. The difference of HK\$60.4 million represents the cumulative preference dividend and accrued redemption premium on the Preference Shares, which have been charged to the Company's income statement but are not realised losses for the purposes of determining the profits available for distribution. On 3 February 2004, by written resolutions of all the shareholders of the Company and written resolutions of all the holders of the Preference Shares, it was resolved that the Company will undertake a capital reduction exercise, subject to the confirmation by the High Court of Hong Kong, which will allow the Company to reduce the Company's accumulated losses with credit arising out of the capital reduction exercise. The Capital Reduction subsequently became effective on 17 February 2004. For details of our Capital Reduction, please refer to the section headed "Share Capital — Capital Reduction" of this prospectus. The reduction of the Company's accumulated losses with the credit arising out of the Capital Reduction has brought forward the time when the Company will be in a position to pay dividends, although this will still be subject to the considerations below.

As part of the preparation for the Offering, our Board has considered the general principles that it currently intends to apply when recommending dividends for approval by our shareholders or when declaring any interim dividends. The actual dividend that our Board may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by our Board.

The current dividend policy is as follows:

- in determining our dividend payment ratio in respect of any particular financial year, we will take into account a desire to maintain and potentially increase dividend levels within our overall objective of maximising shareholder's value over the longer term; and
- if we pay an annual dividend in respect of a financial year, the dividend would generally be paid in the form of an interim and a final dividend.

In considering the level of dividend payments, if any, upon recommendation by our Board, we intend to take into account various factors, including:

- the level of our cash and retained earnings;
- our expected financial performance;
- our projected levels of capital expenditure and other investment plans; and
- the dividend yield of similar-sized companies, with similar growth listed in Hong Kong and comparable telecommunications companies globally.

There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. Please refer to the section headed "Risk Factors — We may not be able to pay any dividends on our Shares" of this prospectus.

DIVIDEND POLICY

PROPOSED DIVIDENDS FOR THE SIX MONTHS ENDING 30 JUNE 2004 AND THE TWELVE MONTHS ENDING 31 DECEMBER 2004

As at 31 December 2003, our audited financial statements reflected accumulated losses of approximately HK\$368.4 million in accordance with HK GAAP. 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. The difference of HK\$60.4 million represents the cumulative preference dividend and accrued redemption premium on the Preference Shares, which have been charged to the Company's income statement but are not realised losses for the purposes of determining the profits available for distribution.

Of the amount of HK\$308.0 million, HK\$305.3 million was eliminated as a result of the Capital Reduction. Taking into account the expected performance of the Company to 30 June 2004, the Company expects to have accumulated realised profits at 30 June 2004 from which it could declare interim dividends.

Considering the current financial position of the Company, our Board currently intends, subject to the factors stated above, and in the absence of any circumstances which might reduce the amount of available distributable reserves, whether by losses or otherwise, and subject to the covenants set out in the HK\$300.0 million facility, to distribute to our shareholders a proportion of our net profit for a particular financial year as discussed below. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

Accordingly, our Board currently intends to recommend an interim dividend for the six months ending 30 June 2004 of approximately HK\$90.0 million (approximately HK\$0.12 per Share) and a final dividend for the year ending 31 December 2004 of approximately HK\$125.0 million (approximately HK\$0.17 per Share), based on our issued share capital following completion of the Global Offering (assuming the Over-allotment Option is not exercised), the Capitalisation Issue and the Conversion. Such interim and final dividends are currently expected to be paid in the fourth quarter of 2004 and the second quarter of 2005, respectively.

Subject to our objective of maximising shareholder value over the longer term and taking into account the factors stated within this section of the prospectus, the Directors will consider an interim and final dividend representing at least an equivalent payout ratio for the financial year ending 31 December 2005.

DISTRIBUTABLE RESERVES

As at 31 December 2003, the Company had no reserves available for distribution to its shareholders.