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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** about this circular or as to the actions to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in HKC International Holdings Limited (the “Company”) you should at once hand this circular together with the accompanying election form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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**HKC INTERNATIONAL HOLDINGS LIMITED**  
**香港通訊國際控股有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

*Directors:*

Chan Chung Yee, Hubert (*Chairman*)  
Kwok Cheuk Tim, Rockie  
Wu Kwok Lam  
Chan Chung Yin, Roy  
Chan Man Min  
Chan Ming Him, Denny  
Tsui Hon Wing  
Yeh Yui Fong

*Independent Non-Executive Directors:*

Chu Chor Lup  
Chiu Ngar Wing

*Registered Office:*

Century Yard, Cricket Square  
Hutchins Drive  
P.O. Box 2681 GT  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

*Principal place of business  
in Hong Kong:*

2nd Floor  
Nos. 55 and 57 Hennessy Road  
Wanchai  
Hong Kong

13 August 2003

*To the shareholders*

Dear Sir or Madam,

**SCRIP DIVIDEND SCHEME**  
**FOR THE YEAR ENDED 31 MARCH 2003 WITH AN OPTION**  
**TO RECEIVE SHARES IN LIEU OF CASH DIVIDEND**

**INTRODUCTION**

On 18 July 2003, the directors of the Company (the “Directors”) announced the audited consolidated results of the Company for the year ended 31 March 2003. The Directors will propose at the annual

\* *For identification only*

general meeting (the “Annual General Meeting”) to be held in the Basement Function Room I, Luk Kwok Hotel, 72 Gloucester Road, Wanchai, Hong Kong on Wednesday, 10 September 2003 at 4:00 p.m. to pay a final dividend of HK1 cent per ordinary share of the Company to shareholders (the “Shareholders”) whose names appear on the register of members of the Company at the close of business on Tuesday, 12 August 2003 (the “Record Date”) by way of cash with an option for each of such Shareholders to elect to receive wholly or partly an allotment of ordinary shares (the “Shares”) of HK\$0.01 each in the capital of the Company credited as fully paid in lieu of cash dividend in respect of their registered shareholdings (the “Scheme”). The latest time for lodging the transfer of shares accompanied with the relevant share certificate and transfer forms in order to qualify for the proposed final dividend for the year ended 31 March 2003 was 4:00 p.m. on 8 August 2003.

The Scheme is subject to the approval of the Shareholders on the payment of final dividend at the Annual General Meeting and the granting by the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued pursuant thereto. The purpose of this circular is to give you further information on the Scheme and to set out the procedures which apply in relation to the Scheme and the action which should be taken by the Shareholders in relation thereto.

**DETAILS OF THE SCHEME**

Shareholders have the following choices in respect of the final dividend:

- (i) a cash dividend of HK1 cent per Share; or
- (ii) an allotment and issue of new Shares (“New Shares”), credited as fully paid, save for adjustment for fractional entitlement, having a market value (as calculated below) equal to the total amount of dividend which Shareholders could elect to receive in cash; or
- (iii) partly cash and partly New Shares.

For the purpose of calculating the number of New Shares to be allotted and issued, the market value of a New Share will be calculated as an amount equal to the average closing price of one Share on the Stock Exchange for the five consecutive trading days immediately preceding and including Wednesday, 20 August 2003 (the “Average Closing Price”) or the par value of the Shares whichever is higher.

It will not be possible to determine, until after the close of business on 20 August 2003, the exact number of New Shares to which the Shareholders electing to receive New Shares will be entitled. Accordingly, the number of New Shares which the Shareholders will receive, in respect of the existing Shares registered in their names as at the Record Date and for which elections to receive New Shares are lodged with the Company’s Hong Kong branch registrar **not later than 4:00 p.m. on Thursday, 28 August 2003**, will be calculated as follows:

$$\begin{array}{l}
 \text{Maximum} \\
 \text{number of} \\
 \text{New Shares} \\
 \text{to be received} \\
 \text{under the} \\
 \text{Scheme}
 \end{array}
 =
 \begin{array}{l}
 \text{Number of existing Shares held on} \\
 \text{the Record Date for which share election} \\
 \text{is made}
 \end{array}
 \times
 \frac{\text{HK1 cent}}{\text{Average Closing Price}}$$

A press announcement setting out the basis of allotment and issue of the New Shares will be published on Thursday, 21 August 2003. **The last day on which the Shareholders will be entitled to select their desired form of dividends is Thursday, 28 August 2003.** The number of New Shares to be received will be rounded down to the nearest whole number of New Shares. Fractional entitlements to the New Shares in respect of alternatives (ii) and (iii) above will not be issued to the Shareholders but will be aggregated and sold for the benefit of the Company. The New Shares to be issued pursuant to the Scheme will rank pari passu in all respects with the existing Shares with effect from the date of allotment and issue except that they shall not rank for the final dividend for the year ended 31 March 2003.

The issue of shares pursuant to the scheme will not result in any adjustment to the subscription price payable on the exercise of the share options granted by the Company.

#### **ADVANTAGES OF THE SCHEME**

The Scheme will give the Shareholders an opportunity to increase their investment in the Company at market value without incurring brokerage fees, stamp duty and related dealing costs. The Scheme will also be advantageous to the Company because, to the extent that the Shareholders elect to receive New Shares, in whole or in part, such cash as would otherwise have been paid to such Shareholders will be retained for use as working capital by the Company.

#### **CONDITIONS OF THE SCHEME**

The Scheme is subject to the approval of the final dividend by the Shareholders at the Annual General Meeting and the Stock Exchange granting its approval to the listing of and permission to deal in the New Shares.

#### **EFFECT OF THE SCHEME**

If no election for the New Shares were received, the total cash dividend payable by the Company would be approximately HK\$4,348,000 (on the basis of 434,825,306 Shares in issue as at the Record Date, being the date immediately prior to the printing of this circular, times the proposed final dividend of HK1 cent per Share).

#### **DISCLOSURE OF INTERESTS**

Shareholders should note that the New Shares to be issued pursuant to the Scheme may give rise to notification requirements under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) for those Shareholders who may have notifiable interests in the Company thereunder. Shareholders who are in any doubt as to how these provisions may affect them are recommended to seek their own professional advice.

#### **FORM OF ELECTION**

**If you elect to receive your final dividend for the year ended 31 March 2003 wholly in cash, you do not need to take any action.**

**If you elect to receive an allotment of New Shares, or partly cash and partly New Shares, you should use the enclosed form of election (the "Form of Election").** If you have signed the Form of Election but do not specify the number of Shares in respect of which you are entitled to receive New Shares under the Scheme, or if you elect to receive New Shares in respect of a greater number of Shares than your registered holding on the Record Date, you will be deemed to have chosen to receive New Shares in respect of all the Shares of which you were then registered as the holder on the Record Date.

**Forms of Election should be completed in accordance with the instructions printed thereon and returned so that they are received by the Company's Hong Kong branch registrar, Pilare Limited, 10th Floor, Sun Hung Kai Centre, 30 Harbour Road, Hong Kong, not later than 4:00 p.m. on Thursday, 28 August 2003. No elections may, after the relevant Forms of Election are signed and**

**lodged with the Company's Hong Kong branch registrar, be in any way withdrawn, revoked, superseded or altered. No acknowledgement of receipt of the Form of Election will be issued.** If you do not complete and return the Form of Election before the time stated above, you will receive the whole of your final dividend in cash.

#### **EXPECTED TIMETABLE**

Record Date ..... 4:00 p.m. on Tuesday, 12 August 2003

Announcement of the Average Closing Price ..... Thursday, 21 August 2003

Latest time to lodge the Form of Election ..... 4:00 p.m. on Thursday, 28 August 2003

Annual General Meeting ..... Wednesday, 10 September 2003

Despatch of share certificates in respect of  
the New Shares on or before ..... Wednesday, 17 September 2003

Dealing in the New Shares on the Stock Exchange to commence on Thursday, 18 September 2003

#### **SHAREHOLDERS RESIDENT OUTSIDE HONG KONG**

The Shares have not been registered under any securities legislation of any jurisdiction outside Hong Kong. Therefore, no Shareholder whose registered address is outside Hong Kong on the Record Date will be permitted to participate in the Scheme and they will receive the final dividend wholly in cash. No Forms of Election are being sent to such shareholders.

#### **LISTING AND DEALINGS**

Application has been made to the Listing Committee of the Stock Exchange for the granting of listing and permission to deal in the New Shares to be issued pursuant to the Scheme. It is expected that share certificates and cheques for cash entitlement will be posted at the risk of those entitled on or before 17 September 2003. On this basis, dealings of the New Shares are expected to commence on 18 September 2003. Subject to the conditions of the Scheme as referred to in the paragraph headed "Conditions of the Scheme" above being fulfilled, the New Shares allotted and issue pursuant to the Scheme will be accepted as eligible securities by Hong Kong Securities Clearing Company Limited for deposit, clearance and settlement in the Central Clearing and Settlement System with effect from 18 September 2003. You should seek the advice of your stockbroker or other professional adviser for details of these settlement arrangements and how such settlement arrangements will affect your rights and interests.

The primary listing of the existing shares of the Company is on the Stock Exchange, and there is no official secondary listing of the existing shares of the Company on any other stock exchange. No listing of, or permission to deal in, any of the existing shares of the Company and/or New Shares on any stock exchange other than the Stock Exchange is being or is proposed to be sought.

Whether or not it is to your advantage to receive New Shares or cash, in whole or in part, depends upon your own individual circumstances, and the decision in this regard and all effects resulting therefrom are your own responsibility. If you are in any doubt as to what you should do, you should consult your own professional adviser. Shareholders who are trustees are recommended to take professional advice as to whether the choice of New Shares is within their powers and as to its effect having regard to the terms of the relevant trust instrument.

Yours faithfully,  
By Order of the Board  
**Chan Chung Yee, Hubert**  
*Chairman*