

If you are in any doubt about this circular, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

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

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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

Registered Office:

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Grand Cayman
Cayman Islands
British West Indies

Independent Non-Executive Directors:

Fung Lewis Hung
Chu Chor Lup
Chiu Ngar Wing

*Principal place of business
in Hong Kong:*

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

14 August 2002

To the shareholders

Dear Sir or Madam,

SCRIP DIVIDEND SCHEME

INTRODUCTION

On 19 July 2002, the directors of the Company (the “Directors”) announced the audited consolidated results of the Company for the year ended 31 March 2002. The Directors will propose at the annual general meeting (the “Annual General Meeting”) to be held in the Basement Function Room I, Luk Kwok

* *For identification only*

Hotel, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 6 September 2002 at 3:00 p.m. to pay a final dividend of HK2 cents per ordinary share of HK\$0.01 each in the capital of the Company (the “Share”) to shareholders (the “Shareholders”) whose names appear on the register of members of the Company at the close of business on Tuesday, 13 August 2002 (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 Shares credited as fully paid in lieu of cash dividend in respect of their registered shareholdings (the “Scheme”).

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 shareholders in relation thereto.

DETAILS OF THE SCHEME

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

- (i) a cash dividend of HK2 cents per Share; or
- (ii) an allotment and issue of new ordinary shares of HK\$0.01 each credited as fully paid (“New Shares”) having a market value (as set out 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, 21 August 2002 on which such price is available (the “Average Closing Price”) or the par value of the Shares whichever is higher. Consequently, it will not be possible to determine until after the close of business on 21 August 2002, the exact number of New Shares to which those shareholders electing to receive New Shares will be entitled. Accordingly, the number of New Shares which 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, 29 August 2002**, will be calculated as follows:

$$\begin{array}{l} \text{Number of} \\ \text{New Shares} \\ \text{to be received} \end{array} = \begin{array}{l} \text{Number of existing Shares held on} \\ \text{the Record Date for which share election} \\ \text{is made} \end{array} \times \frac{\text{HK2 cents}}{\text{Average Closing Price}}$$

A press announcement setting out the basis of allotment and issue of the New Shares will be published on Thursday, 22 August 2002. **The last day on which the Shareholders will be entitled to select their desired form of dividends is Thursday, 29 August 2002.** The number of New Shares to be received will be rounded down to the nearest whole number of New Shares. Fractional entitlements to 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 2002.

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 to the advantage of 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\$8,660,000 (on the basis of 433,000,000 Shares in issue as at the Record Date, being the date immediately prior to the printing of this circular x the proposed final dividend of HK2 cents 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 (Disclosure of Interests) Ordinance for those Shareholders who may have notifiable interests in the Company. 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 2002 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, Standard Registrars Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, not later than 4:00 p.m. on Thursday, 29 August 2002. 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.

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 9 September 2002. On this basis, dealings of the New Shares are expected to commence on 10 September 2002. Dealings in the Shares may be settled through the Central Clearing and Settlement System and 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