

Disclosure of Interests

Directors' Interests and Short Positions in Shares

At 31 December 2003, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code For Securities Transactions by Directors of Listed Companies (“Model Code”) were as follows:

Name of directors	Nature of interest	Notes	Number of	Issued ordinary	Total	Percentage
			issued ordinary	underlying		of total issued
			shares held	shares held		shares as at 31 December 2003
Mr. Kwong Wui Chun	Personal	(1)	193,593,488	17,839,348	211,432,836	
	Corporate	(2)	876,030,000	32,592,000	908,622,000	
	Family	(3)	–	8,900,000	8,900,000	
					<u>1,128,954,836</u>	41.58%
Mr. Zhong Jianqiu	Personal	(4)	24,268,000	166,800	24,434,800	0.90%

Notes:

- (1) The interest disclosed represents the interest in 193,593,488 shares and 17,839,348 underlying shares in respect of 17,839,348 warrants held by Mr. Kwong Wui Chun (“Mr. Kwong”) personally.
- (2) The interest disclosed represents the corporate interest in 876,030,000 shares and 32,592,000 underlying shares in respect of 32,592,000 warrants held by Viewlink Assets Limited, which is a company incorporated in the British Virgin Islands and wholly-owned by Mr. Kwong by virtue of Section 344(3) of the SFO.
- (3) The interest disclosed represents the family interest in 8,900,000 underlying shares in respect of 8,900,000 share options granted by the Company to Ms. Li Chuk Kuan, spouse of Mr. Kwong by virtue of Section 344(1) of the SFO. These share options were granted on 25 January 2002 and are exercisable during the period from 25 January 2002 to 24 January 2005 at an exercise price of HK\$0.56 per share.

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- (4) The interest disclosed represents the interest in 24,268,000 shares and 166,800 underlying shares in respect of 166,800 warrants held by Mr. Zhong Jianqiu (“Mr. Zhong”) personally.
- (5) All the interests disclosed above represent long position in the shares of the Company.
- (6) The warrants entitled the holders thereof to subscribe in cash for ordinary shares in the Company at an initial subscription price of HK\$0.77 per share (subject to adjustments) from 10 April 2002 to 9 April 2004, both days inclusive.

In addition to the above, certain directors have non-beneficial personal interests in certain subsidiaries incorporated in Hong Kong held for the benefit of the Company solely for the purposes of complying with the minimum shareholder requirement under the Hong Kong Companies Ordinance.

Save as disclosed above and in the Section under the heading “Share option schemes” below, as at 31 December 2003, none of the directors had any interests or short positions in the equity or debt securities of the Company or its associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

(I) Share option schemes

Pursuant to ordinary resolutions passed by the shareholders at the annual general meeting of the Company held on 7 December 2001, the share option scheme adopted by the Company on 19 February 1998 (the “Previous Scheme”) was terminated and a new share option scheme (the “Existing Scheme”) was adopted. Upon termination of the Previous Scheme, no further share options can be granted thereunder, but for the outstanding options granted prior to the termination, they are continued to be valid and exercisable in accordance with the provisions of the Previous Scheme.

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Summary of the movements in the share options granted under the Previous Scheme and the Existing Scheme is as follows:

The Previous Scheme

Type of grantees	At 1 July 2003	Granted during the period	Exercised during the period	Lapsed or cancelled during the period	At end of period
Executive director					
Mr. Zhong	17,200,000	-	(17,200,000) (ii)	-	-
Other employees	17,200,000	-	(17,200,000) (iii)	-	-
	34,400,000 (i)	-	(34,400,000)	-	-

The Existing Scheme

Type of grantees	At 1 July 2003	Granted during the period	Exercised during the period	Lapsed or cancelled during the period	At end of period
Executive directors					
Mr. Kwong	8,900,000 (iv)	-	-	-	8,900,000
Mr. Zhong	5,400,000	-	(5,400,000) (vi)	-	-
Other employees	118,400,000	-	(52,800,000) (vii)	-	65,600,000
	132,700,000 (v)	-	(58,200,000)	-	74,500,000

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Notes:

- (i) These share options were granted on 26 February 2001. The share options are exercisable during the period from 26 February 2001 to 25 February 2004 at an exercise price of HK\$0.4312 per share.
- (ii) The weighted average closing price of the shares of the Company immediately before the dates on which these share options were exercised during the period was 1.56.
- (iii) The weighted average closing price of the shares of the Company immediately before the dates on which these share options were exercised during the period was 1.47.
- (iv) These share options were granted to Ms Li Chuk Kuan, the spouse of Mr. Kwong.
- (v) These share options were granted on 25 January 2002. The share options are exercisable during the period from 25 January 2002 to 24 January 2005 at an exercise price of HK\$0.56 per share (subject to adjustments).
- (vi) The weighted average closing price of the shares of the Company immediately before the dates on which these share options were exercised during the period was 1.56.
- (vii) The weighted average closing price of the shares of the Company immediately before the dates on which these share options were exercised during the period was 1.41.

(II) Share options attaching to convertible bonds

On 2 September 2000, options to acquire an aggregate of 12,500,000 new ordinary shares of HK\$0.10 each in the Company were granted to the holders of the Company's convertible bonds. The options were exercisable during the period from 2 September 2000 up to and including 1 September 2003 at an exercise price of HK\$2.84 per share. The number of options and their exercise price were subsequently adjusted to 25,000,000 options and HK\$1.42 respectively, in consequence of the one-for-one bonus issue of new shares in the Company in May 2001. None of these options were exercised during the period and all these options were lapsed upon the expiry of the exercise period on 1 September 2003.

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Substantial Shareholders

At 31 December 2003, save as disclosed in the section headed "Directors' Interests and Short Positions in Shares" above for interests of Mr. Kwong and his associates including Viewlink Assets Limited, in shares and underlying shares of the Company, the following persons had an interest in the shares and the underlying shares of the Company which (a) would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name of shareholder	Nature of interest	Number of shares and underlying shares held	Percentage of total issued shares as at 31 December 2003
Morgan Stanley	Corporate	164,144,000 (Note 2)	6.05%

Notes:

- (1) The interest disclosed above represents long positions in the shares of the Company.
- (2) These shares are held by corporations controlled by Morgan Stanley.