

GENERAL INFORMATION

DIRECTORS' INTERESTS IN SECURITIES

As at June 30, 2001, the interests of the directors of the Company in the equity or debt securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Section 28 of the SDI Ordinance and the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

1. Interests in the Company

(A) Ordinary Shares

Name of director	Number of ordinary shares				Number of share options
	Personal interests	Family interests	Corporate interests	Other interests	
Li Tzar Kai, Richard (Notes 1(a) and 1(b))	–	–	8,485,343,074	183,634,285	–
Yuen Tin Fan (Note 5(a))	13,735,000	–	–	2,575,000	42,670,000
Cheung Wing Lam, Linus	30,409	–	–	–	16,000,000
Peter To	5,500,000	–	–	–	21,800,000
Peter Anthony Allen	300,000	–	–	–	3,146,000
Alexander Anthony Arena (Note 6)	101,000	–	–	–	32,000,000
John Todd Bonner	–	–	–	–	9,800,000
Jeffrey Amsden Bowden	–	–	–	–	12,000,000
Cheung Kam Hung (Note 7)	13,178	2,277	–	–	4,800,000
Chung Cho Yee, Mico (Note 8(a))	5,881,300	92,276	–	–	28,476,000
Ma Si Hang, Frederick (Note 9)	–	–	7,749,000	–	12,000,000
David Norman Prince	24,443	–	–	–	8,000,000
Avram Miller (Note 10)	–	–	–	–	63,201,097
Prof. Chang Hsin-kang	70,000	–	–	–	–
Dr. The Hon Li Kwok Po, David	3,000,000	–	–	–	–

(B) Warrants

Subscription value of warrants (HK\$)

Name of director	Personal interests	Family interests	Corporate interests	Other interests
Li Tzar Kai, Richard (Note 1(a))	–	–	5,672,279,055	–
Yuen Tin Fan (Note 5(a))	6,075,000	–	–	1,125,000
Cheung Wing Lam, Linus	13,275	–	–	–
Peter To	4,500,000	–	–	–
Peter Anthony Allen	150,000	–	–	–
Chung Cho Yee, Mico (Note 8(a))	2,569,500	40,305	–	–
David Norman Prince	10,665	–	–	–

(C) Convertible Bonds

Name of director	Aggregate principal amount of convertible bonds outstanding (US\$)
Li Tzar Kai, Richard (Note 11)	20,000,000

2. Interests in Associated Corporations

- I. Pacific Century Regional Developments Limited (“PCRD”)
 - (A) Ordinary Shares

Number of ordinary shares

Name of director	Personal interests	Family interests	Corporate interests	Other interests	Number of share options
Li Tzar Kai, Richard (Note 2)	–	–	2,330,058,230	–	–
Yuen Tin Fan (Note 5(b))	4,370,000	–	–	23,550,000	–
Peter To	10,000,000	–	–	–	–
Peter Anthony Allen	5,010,000	–	–	–	–
Alexander Anthony Arena	–	–	–	–	15,300,000
John Todd Bonner	–	–	–	–	5,000,000
Chung Cho Yee, Mico	8,000,000	–	–	–	–

(B) Redeemable Cumulative Preference Shares (“RCPS”)

Number of RCPS

Name of director	Personal interests	Family interests	Corporate interests	Other interests
Li Tzar Kai, Richard (Note 3)	–	–	87,948,362	–

II. Pacific Century Insurance Holdings Limited (“PCIHL”)
Ordinary Shares

Number of ordinary shares

Name of director	Personal interests	Family interests	Corporate interests	Other interests	Number of share options
Li Tzar Kai, Richard (Note 4)	–	–	370,352,700	–	–
Yuen Tin Fan	–	–	2,704,800	–	19,440,000
Peter Anthony Allen	216,000	–	–	–	600,000
John Todd Bonner	–	–	–	–	16,560,000
Chung Cho Yee, Mico	–	–	–	–	2,280,000

III. Pacific Century CyberWorks Japan K.K. (“PCCW Japan”)
(A) Ordinary Shares

Number of ordinary shares

Name of director	Personal interests	Family interests	Corporate interests	Other interests
John Todd Bonner	480,000	–	–	–

(B) Exchangeable Notes

Name of director	Aggregate principal amount of Exchangeable Notes outstanding (Japanese Yen)
Li Tzar Kai, Richard (Note 12)	199,752,000

IV. iLink Holdings Limited (“iLink”)
Ordinary Shares

Number of ordinary shares

Name of director	Personal interests	Family interests	Corporate interests	Other interests
Chung Cho Yee, Mico (Note 8(b))	–	–	–	80,100,000

V. Hikari Tsushin International Limited (“Hikari”)
Ordinary Shares

Number of ordinary shares

Name of director	Personal interests	Family interests	Corporate interests	Other interests	Number of share options
Yuen Tin Fan	–	–	–	–	10,000,000
Chung Cho Yee, Mico	–	–	–	–	26,000,000

Other than as disclosed above, none of the directors, the chief executive or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance as at June 30, 2001.

Notes:

1. (a) Li Tzar Kai, Richard holds the entire issued share capital of Pacific Century Group Holdings Limited ("PCG"). PCG holds the entire issued share capital of Pacific Century International Limited ("PCIL"). PCIL holds the entire issued share capital of Pacific Century Group (Cayman Islands) Limited ("PCG(CI)"). PCG(CI) holds the entire issued share capital of Anglang Investments Limited ("Anglang"). Anglang and PCG(CI) hold 1,169,067,180 shares and 1,160,991,050 shares of PCRD respectively (an aggregate of 2,330,058,230 shares of PCRD), which constitute approximately 37.8% and approximately 37.5% of the entire issued share capital of PCRD respectively.

PCRD holds 7,558,272,517 shares, including 455,000 shares held in the form of 45,500 American depository receipts ("ADRs"), each ADR representing 10 ordinary shares, which constitute approximately 33.6% of the entire issued share capital of the Company and warrants with a total subscription value of HK\$5,047,907,940 of the Company. PCG holds 139,709,434 shares, which constitute approximately 0.6% of the entire issued share capital of the Company and warrants with a total subscription value of HK\$98,488,290 of the Company. Li Tzar Kai, Richard also holds the entire issued share capital of Chiltonlink Limited which holds the entire issued share capital of Pacific Century Diversified Limited ("PCD"). PCD holds 787,361,123 shares, which constitute approximately 3.5% of the entire issued share capital of the Company and warrants with a total subscription value of HK\$525,882,825 of the Company. Accordingly, Li Tzar Kai, Richard is interested in an aggregate of 8,485,343,074 shares and warrants with a total subscription value of HK\$5,672,279,055 (held by PCG, PCRD and PCD) of the Company.

- (b) Yue Shun Limited, a subsidiary of Hutchison Whampoa Limited ("HWL"), holds 183,634,285 shares of the Company.

Cheung Kong (Holdings) Limited ("Cheung Kong") through certain subsidiaries holds more than one-third of the issued share capital of HWL. Li Ka-Shing Unity Trustee Company Limited ("TUT") as trustee of The Li Ka-Shing Unity Trust ("LKS Unity Trust") and companies controlled by TUT as trustee of the LKS Unity Trust hold more than one-third of the issued share capital of Cheung Kong. All the issued and outstanding units in the LKS Unity Trust are held by certain discretionary trusts under which Li Tzar Kai, Richard is one of the several discretionary beneficiaries.

By virtue of being a director of the Company and his deemed interest in the shares of HWL as a discretionary beneficiary under such discretionary trusts as described above, Li Tzar Kai, Richard is taken to have an interest in 183,634,285 shares of the Company held by the subsidiary of HWL.

2. Li Tzar Kai, Richard is deemed to be interested in these shares by virtue of his deemed interests in Anglang and PCG(CI) as described in Note 1(a) above.
3. 57,826,950 RCPS and 30,121,412 RCPS of PCRD held by Anglang and PCG(CI) respectively. Li Tzar Kai, Richard is deemed to be interested in 87,948,362 RCPS of PCRD by virtue of his deemed interests in Anglang and PCG(CI) as described in Note 1(a) above.
4. These shares are held by PCRD. Li Tzar Kai, Richard is deemed to be interested in such shares of PCIHL, a subsidiary of PCRD, by virtue of his deemed interest in PCRD as described in Note 1(a) above.
5. (a) Yuen Tin Fan is deemed to be interested in 2,575,000 shares and warrants with a total subscription value of HK\$1,125,000 of the Company by virtue of being a beneficiary under a discretionary trust.
- (b) Yuen Tin Fan is deemed to be interested in 23,550,000 ordinary shares of PCRD by virtue of being a beneficiary under a discretionary trust.
6. Alexander Anthony Arena holds 1,000 shares in the form of 100 ADRs, each ADR representing 10 ordinary shares of the Company.
7. Cheung Kam Hung is deemed to be interested in 2,277 shares of the Company held by his spouse.
8. (a) Chung Cho Yee, Mico is deemed to be interested in 92,276 shares and warrants with a total subscription value of HK\$40,305 of the Company held by his spouse.
- (b) Chung Cho Yee, Mico is deemed to be interested in 80,100,000 ordinary shares of iLink by virtue of being a beneficiary under a trust. Pursuant to an ordinary resolution passed at an extraordinary general meeting held on August 17, 2001, each ordinary share of HK\$0.10 of iLink was subdivided into five shares of HK\$0.02 each with effect from August 20, 2001. Accordingly, Chung Cho Yee, Mico is now interested in 400,500,000 ordinary shares of iLink.
9. Ma Si Hang, Frederick is deemed to be interested in 7,749,000 shares of the Company held by a company which is equally owned by him and his spouse.
10. These options were granted to Avram Miller on January 10, 2001 pursuant to the terms and conditions of a consulting agreement dated August 17, 1999 and approved by the Company's shareholders at an extraordinary general meeting held on December 5, 2000.
11. Li Tzar Kai, Richard is deemed to be interested in the convertible bonds with an aggregate principal amount of US\$20 million convertible into shares of the Company at a conversion price of US\$1.0083 per share held by PCIHL.
12. Li Tzar Kai, Richard is deemed to be interested in the exchangeable notes of PCCW Japan (convertible into an aggregate of 609,000 shares of Japanese Yen 50 each of PCCW Japan) issued to Internet Ventures Technologies Limited, a company wholly-owned by Li Tzar Kai, Richard.

DIRECTORS' RIGHTS TO ACQUIRE SHARES IN THE COMPANY AND ITS ASSOCIATED CORPORATIONS

(a) The Company has a share option scheme, under which it may grant options to employees (including executive directors) of the Company to subscribe for shares in the Company. Other than the share option scheme, a director has also been granted an option to subscribe for shares of the Company during the period under review. Details of the outstanding options granted to directors of the Company are summarized as follows:

Name of director	Date of grant	Exercisable period	Exercise price HK\$	Number of share options				
				Outstanding at 01.01.2001	Granted during the period	Exercised during the period	Cancelled during the period	Outstanding at 06.30.2001
Yuen Tin Fan	(Note 1)	(Note 1)						
	08.28.1999	08.17.2003 to 08.17.2009	2.356	10,670,000	-	-	-	10,670,000
	08.26.2000	08.26.2001 to 08.26.2010	12.024	32,000,000	-	-	16,000,000	16,000,000
Cheung Wing Lam, Linus	02.20.2001	08.26.2001 to 01.22.2011	3.368	-	16,000,000	-	-	16,000,000
	08.26.2000	08.26.2001 to 08.26.2010	12.024	16,000,000	-	-	16,000,000	-
	02.20.2001	08.26.2001 to 01.22.2011	3.368	-	16,000,000	-	-	16,000,000
Peter To	08.28.1999	08.17.2001 to 08.17.2009	2.356	21,800,000	-	-	-	21,800,000
Peter Anthony Allen	08.28.1999	08.17.2000 to 08.17.2009	2.356	1,360,000	-	-	-	1,360,000
	08.26.2000	08.26.2001 to 08.26.2010	12.024	1,786,000	-	-	893,000	893,000
	02.20.2001	08.26.2001 to 01.22.2011	3.368	-	893,000	-	-	893,000
Alexander Anthony Arena	08.28.1999	08.17.2000 to 08.17.2009	2.356	16,000,000	-	-	-	16,000,000
	08.26.2000	08.26.2001 to 08.26.2010	12.024	16,000,000	-	-	8,000,000	8,000,000
	02.20.2001	08.26.2001 to 01.22.2011	3.368	-	8,000,000	-	-	8,000,000
John Todd Bonner	11.13.1999	08.17.2000 to 10.25.2009	4.552	5,000,000	-	-	-	5,000,000
	08.26.2000	08.26.2001 to 08.26.2010	12.024	4,800,000	-	-	2,400,000	2,400,000
	02.20.2001	08.26.2001 to 01.22.2011	3.368	-	2,400,000	-	-	2,400,000
Jeffrey Amsden Bowden	02.20.2001	01.22.2002 to 01.22.2011	3.368	-	12,000,000	-	-	12,000,000
Cheung Kam Hung	08.26.2000	08.26.2001 to 08.26.2010	12.024	-	4,800,000	-	4,800,000	-
	02.20.2001	08.26.2001 to 01.22.2011	3.368	-	4,800,000	-	-	4,800,000
Chung Cho Yee, Mico	08.28.1999	08.17.2001 to 08.17.2009	2.356	17,876,000	-	-	-	17,876,000
	08.26.2000	08.26.2001 to 08.26.2010	12.024	10,600,000	-	-	5,300,000	5,300,000
	02.20.2001	08.26.2001 to 01.22.2011	3.368	-	5,300,000	-	-	5,300,000
Ma Si Hang, Frederick	05.18.2001	05.07.2002 to 05.07.2011	2.232	-	12,000,000	-	-	12,000,000
David Norman Prince	08.26.2000	08.26.2001 to 08.26.2010	12.024	8,000,000	-	-	8,000,000	-
	02.20.2001	08.26.2001 to 01.22.2011	3.368	-	8,000,000	-	-	8,000,000
Avram Miller (Note 2)	01.10.2001	01.10.2001 to 01.09.2011	2.356	-	63,201,097	-	-	63,201,097

Notes:

- (1) All dates are shown month/day/year.
- (2) These options were granted to Avram Miller on January 10, 2001 pursuant to the terms and conditions of a consulting agreement dated August 17, 1999 and approved by the Company's shareholders at an extraordinary general meeting held on December 5, 2000.

(b) Certain of the Company's directors have options to subscribe for shares in PCRD. Details of the outstanding options granted to directors of the Company by PCRD are summarized as follows:

Name of director	Date of grant	Exercisable period	Exercise price S\$	Number of share options		
				Outstanding at 01.01.2001	Exercised during the period	Outstanding at 06.30.2001
Alexander Anthony Arena	(Note) 11.24.1999	(Note) 10.25.2001 to 10.24.2009	0.7584	15,300,000	–	15,300,000
John Todd Bonner	11.24.1999	10.25.2001 to 10.24.2009	0.7584	5,000,000	–	5,000,000
Chung Cho Yee, Mico	04.15.1999	04.15.2001 to 04.14.2004	0.143	8,000,000	8,000,000	–

Note: All dates are shown month/day/year.

(c) Certain of the Company's directors have options to subscribe for shares in PCIHL. Details of the outstanding options granted to directors of the Company by PCIHL are summarized as follows:

Name of director	Date of grant	Exercisable period	Exercise price at date of grant HK\$	Exercise price adjusted for Bonus Issue HK\$	Number of share options		
					Outstanding at 01.01.2001	Adjustment for the Bonus Issue	Outstanding at 06.30.2001
Yuen Tin Fan	(Note 1) 07.07.1999	(Note 1) 07.07.2000 to 07.06.2009	6.28	(Note 2) 5.233	16,200,000	(Note 2) 3,240,000	19,440,000
Peter Anthony Allen	07.07.1999	07.07.2000 to 07.06.2009	6.28	5.233	500,000	100,000	600,000
John Todd Bonner	07.07.1999	07.07.2000 to 07.06.2009	6.28	5.233	13,800,000	2,760,000	16,560,000
Chung Cho Yee, Mico	07.07.1999	07.07.2000 to 07.06.2009	6.28	5.233	1,900,000	380,000	2,280,000

Notes:

(1) All dates are shown month/day/year.

(2) Adjustment as a consequence of the 1-for-5 bonus issue of shares of PCIHL effected on May 17, 2001 ("Bonus Issue").

(d) Certain of the Company's directors have options to subscribe for shares in Hikari. Details of the outstanding options granted to directors of the Company by Hikari are summarized as follows:

Name of director	Number of share options			
	Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 01.01.2001 and 06.30.2001
Yuen Tin Fan	(Note) 04.20.2000	(Note) 11.17.2000 to 05.11.2003	0.7392	10,000,000
Chung Cho Yee, Mico	04.20.2000	11.17.2000 to 05.11.2003	0.7392	26,000,000

Note: All dates are shown month/day/year.

Other than as disclosed above, at no time during the period was the Company or any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors, their spouses or their children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

As at June 30, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had a beneficial interest of 10 percent or more in the issued share capital of the Company:

Name of shareholder	Notes	Number of shares	%
UBS AG	1	3,285,099,270	14.6
PCRD	2	7,558,272,517	33.6
Anglang	2	7,558,272,517	33.6
PCG(CI)	2	7,558,272,517	33.6
PCIL	2	7,558,272,517	33.6
PCG	3	8,040,483,731	35.8
Yasumitsu Shigeta ("Mr. Shigeta")	4	8,040,483,731	35.8
Li Tzar Kai, Richard	5	8,827,844,854	39.3

Notes:

- On April 2, 2001, UBS Warburg, a business group of UBS AG ("UBS") acquired a notifiable interest in the ordinary shares of the Company which (together with its interest in the shares of the Company acquired prior to April 2, 2001) amounted to 3,285,099,270 ordinary shares of the Company. Such interests arose in connection with the following:-
 - In connection with the Cable and Wireless plc US\$1,504,331,000 Zero Coupon Exchangeable Bonds due 2003 ("C&W Exchangeable Bonds") exchangeable into ordinary shares of the Company, on April 2, 2001 UBS entered into certain call option arrangements with Cable and Wireless (Far East) Limited ("CWFE"), under which CWFE granted to UBS call options over 3,259,384,610 ordinary shares of the Company then directly or indirectly beneficially owned by CWFE; and UBS granted to CWFE call options over 3,259,384,610 ordinary shares of the Company.
 - UBS also has an interest arising under an underwriting commitment in respect of the C&W Exchangeable Bonds that means it has a conditional interest in the ordinary shares of the Company underlying the C&W Exchangeable Bonds. Any exercise of the exchange right in relation to the C&W Exchangeable Bonds will be reflected in the call option arrangements described in sub-paragraph 1(a) above such that at no time will UBS be interested in more than 3,259,384,610 ordinary shares of the Company in aggregate under the above arrangements.
 - On April 2, 2001, UBS exercised call options over 1,600,000,000 ordinary shares of the Company pursuant to the call options described in sub-paragraph 1(a) above. As a result, UBS retains the right to call for the delivery of 1,659,384,610 ordinary shares of the Company from CWFE under such call option arrangements.
 - Following the exercise by UBS on April 2, 2001 of call options over 1,600,000,000 ordinary shares of the Company as described in sub-paragraph 1(c) above, UBS holds 1,625,714,660 ordinary shares of the Company (including 25,714,660 ordinary shares it held prior to April 2, 2001).

2. PCRD holds 7,558,272,517 shares, including 455,000 shares held in the form of 45,500 ADRs, each ADR representing 10 ordinary shares of the Company. Approximately 37.8% and approximately 37.5% of the issued share capital of PCRD are held by Anglang and PCG(CI) respectively. The entire issued share capital of Anglang is held by PCG(CI). In turn, the entire issued share capital of PCG(CI) is held by PCIL and the entire issued share capital of PCIL is held by PCG. All the shares referred to herein relate to the same parcel of shares held by PCRD.
3. The shares referred to herein include the 139,709,434 shares held by PCG, the 7,558,272,517 shares held by PCRD and the 342,501,780 shares held by Mr. Shigeta. As PCG and Mr. Shigeta were parties to an agreement to which Section 9 of the SDI Ordinance applies, PCG is deemed to be interested in the 342,501,780 shares held by Mr. Shigeta.
4. The shares referred to herein include 7,697,981,951 shares in which PCG is deemed to be interested. As Mr. Shigeta and PCG were parties to an agreement to which Section 9 of the SDI Ordinance applies, Mr. Shigeta is deemed to be interested in the 7,697,981,951 shares in which PCG is deemed to be interested.
5. Li Tzar Kai, Richard holds the entire issued share capital of PCG. PCG holds the entire issued share capital of PCIL. PCIL holds the entire issued share capital of PCG(CI). PCG(CI) holds the entire issued share capital of Anglang. Anglang and PCG(CI) hold 1,169,067,180 shares and 1,160,991,050 shares, respectively (an aggregate of 2,330,058,230 shares of PCRD), which constitute approximately 37.8% and approximately 37.5% of the entire issued share capital of PCRD respectively. PCRD holds 7,558,272,517 shares, including 455,000 shares held in the form of 45,500 ADRs, each ADR representing 10 ordinary shares, which constitute approximately 33.6% of the entire issued share capital of the Company. PCG is interested in 482,211,214 shares (through itself and Mr. Shigeta), which constitute approximately 2.1% of the entire issued share capital of the Company. Li Tzar Kai, Richard also holds the entire issued share capital of Chiltonlink Limited which holds the entire issued share capital of PCD. PCD holds 787,361,123 shares, which constitute approximately 3.5% of the entire issued share capital of the Company. Accordingly, Li Tzar Kai, Richard is deemed to be interested in an aggregate of 8,827,844,854 shares (held by PCRD, PCG (through itself and Mr. Shigeta) and PCD) of the Company.

APPLICATION OF CHAPTER 14 OF THE LISTING RULES TO THE COMPANY

Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") requires listed companies to disclose details of certain categories of transactions, to send a circular to shareholders and to publish an announcement in the newspapers giving information about certain categories of transactions and, in the case of certain material transactions or certain transactions with connected persons (as defined in the Listing Rules), to obtain shareholders' prior approval. Certain categories of transactions are not subject to any disclosure or approval requirements at all.

The Company has negative net tangible assets as a result of the requirement under the relevant accounting standards to write-off to reserves HK\$172,014 million goodwill arising from the acquisition of subsidiaries, including the acquisition of HKT in August 2000. The negative net tangible asset value of the Company does not arise as a result of operational losses.

As a result of the negative net tangible asset value of the Company as described above, the Company may have difficulties in complying fully with those provisions of the Listing Rules which require comparisons to be made with its net tangible assets or net assets. Accordingly, the Company has applied for and has been granted waivers by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from the application of certain provisions of the Listing Rules as described below.

Limited Waiver

Upon the application of the Company following the acquisition of HKT in August 2000, on October 19, 2000 the Stock Exchange granted a limited waiver (the "Limited Waiver") with respect to the application of the "assets test" (as defined in Rule 14.09(1) of the Listing Rules) and the "consideration test" (as defined in Rule 14.09(3) of the Listing Rules).

Details of the Limited Waiver were set out in the Company's announcements dated March 29, 2001 and March 31, 2001 and in the Company's Annual Report for the year ended December 31, 2000.

The Limited Waiver was granted by the Stock Exchange on condition that it was subject to review by the Stock Exchange at the time the Company announced its audited results for the year ended December 31, 2000. The Limited Waiver ceased to apply from March 28, 2001 when the Company announced its audited results for the year ended December 31, 2000.

De-minimis Concession and Modified Calculation Concession for Purposes of Certain Notifiable Transactions

On June 1, 2001 the Stock Exchange approved the Company's application for the right to apply (A) the De-minimis Concession (as described in the Stock Exchange's announcement dated May 3, 2001 (the "May 3 Announcement")) and (B) the Modified Calculation Concession (as described in the May 3 Announcement) for purposes of determining the "assets test" and the "consideration test" (the "Relevant Tests") under Rules 14.06, 14.09, 14.12 and 14.20 of the Listing Rules.

Details of the application of the De-minimis Concession and Modified Calculation Concession were set out in the Company's announcement dated June 1, 2001. Following publication of the Company's Unaudited Condensed Consolidated Balance Sheet as at June 30, 2001 in this Interim Report, the applicable thresholds for purposes of the Relevant Tests are modified as described below:

De-minimis Concession

The De-minimis Concession is such that each transaction carried out in the ordinary course of business of the Group, which is entered into on normal commercial terms, and where the consideration or value of the transaction does not exceed HK\$1,000,000, would be considered as de-minimis. The Relevant Tests will not apply.

Modified Calculation Concession

Based on the Company's Unaudited Condensed Consolidated Balance Sheet as at June 30, 2001, the monetary thresholds against which the "gross assets less intangibles and current liabilities of the asset to be acquired or realised" for the "assets test" and the "consideration for the asset to be acquired or realised" for the "consideration test" are to be determined for the purposes of the Modified Calculation Concession to ascertain the type of notifiable transaction for the purposes of Chapter 14 of the Listing Rules are now as follows:

- (A) ratio of 5% or above but below 15% (approximately HK\$2,118 million or above but below approximately HK\$6,354 million) - the requirements for discloseable transactions will apply;
- (B) ratio of 15% or above but below 25% (approximately HK\$6,354 million or above but below approximately HK\$10,591 million) - the requirements for major transactions will apply;
- (C) ratio of 25% or above (approximately HK\$10,591 million or above) - the requirements for very substantial acquisitions will apply; and
- (D) for acquisition of assets (including securities but excluding cash) by the Company or any of its subsidiaries for consideration that includes securities for which listing will be sought, the requirements for share transactions will apply if the ratio is less than 5% (HK\$2,118 million).

For the avoidance of doubt, the "profits test" and "equity test" remain applicable to the Company.

Modified Assets Test for Purposes of the Connected Transactions Rules

On August 30, 2001 the Stock Exchange approved the Company's application for the right to apply the "modified assets test" (as described in the Stock Exchange's announcement dated August 24, 2001 (the "August 24 Announcement")) for purposes of Rules 14.24(5) and 14.25(1) and for purposes of certain provisions of Appendices 7A and 16, and Practice Notes 13, 15 and 19, of the Listing Rules.

Details of the application of the "modified assets test" were set out in the Company's announcement dated August 31, 2001. Following publication of the Company's Unaudited Condensed Consolidated Balance Sheet as at June 30, 2001 in this Interim Report, the applicable thresholds for purposes of the "modified assets test" are modified as described below.

Application of the "Modified Assets Test" under the Modified Calculation Concession

The Stock Exchange approved the Company's application for the right to apply the "modified assets test" under the Modified Calculation Concession with respect to the following items set forth in the August 24 Announcement:

1. Modified Assets Test Only while Maintaining the Percentage Ratios Prescribed under the Relevant Rules

In relation to references to net tangible assets, or net assets, as applicable, in the following rules, the basis set out in the modified assets test under the Modified Calculation Concession will be adopted as the basis for comparison to determine the relevant disclosure requirements under those rules:

- Paragraph 17(2) of Appendix 7A;
- Paragraph 5.1 of Practice Note 13;
- Paragraph 3(e)(ii) of Practice Note 15;
- Paragraph 36 of Appendix 16; and
- Paragraph 1.3 of Practice Note 19.

Since the numerator and denominator will be using the same modified basis, there is no need to change the current percentage ratios prescribed under these rules.

2. Modified Assets Test and Different Percentage Ratios

For the following rules, in relation to references to net tangible assets, or net assets, as applicable, the basis set out in the modified assets test under the Modified Calculation Concession will be adopted as the basis for comparison to determine the relevant disclosure or shareholder approval requirements. In addition, percentage ratio thresholds prescribed under those rules will be amended as a result of the change in basis:

- Paragraph 15.2 of Appendix 16 - ratio of 1%;
- Paragraph 23 of Appendix 16 - ratio of 5%;
- Paragraph 3.2.1 of Practice Note 19 - ratio of 8%;
- Paragraph 3.2.2 of Practice Note 19 - ratio of 3%; and
- Paragraph 3.3 of Practice Note 19 - ratio of 8%.

3. Connected Transactions

In relation to references to net tangible assets set out under Rules 14.24 and 14.25 for connected transactions, the basis set out in the modified assets test under the Modified Calculation Concession will be adopted. In addition, the percentage ratio thresholds to determine disclosure and shareholder approval requirements will be amended as follows:

- in Rule 14.24(5) the applicable threshold will be the higher of either:

- (i) HK\$1,000,000, or
- (ii) 0.01 percent of the modified assets basis.

Based on the Company's Unaudited Condensed Consolidated Balance Sheet as at June 30, 2001, the relevant threshold in sub-item (ii) above is equal to HK\$4.24 million.

- in Rule 14.25(1) the applicable threshold will be the higher of either:

- (i) HK\$10,000,000, or
- (ii) 1 percent of the modified assets basis.

Based on the Company's Unaudited Condensed Consolidated Balance Sheet as at June 30, 2001, the relevant threshold in sub-item (ii) above is equal to HK\$424 million.

Period for which the Modified Tests Will Apply

The Stock Exchange's approval for the use of the modified tests described above will remain in effect until the publication or the due date of publication of the Company's next annual report, whichever is earlier.

Details of transactions entered into which fall within the modified tests described above will be disclosed in the Company's next annual report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Details of the purchase, sale or redemption of the Company's listed securities during the six months ended June 30, 2001 are set out in Note 11 to the Unaudited Condensed Financial Statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

Throughout the six months ended June 30, 2001, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules save that the non-executive directors are not appointed for a specific term of office.