

# General Information

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at June 30, 2002, the interests of the directors and chief executive 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 under Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to 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/chief executive	Personal interests	Number of ordinary shares		Other interests
		Family interests	Corporate interests	
Li Tzar Kai, Richard	–	–	8,488,690,074 (Note 1(a))	183,634,285 (Note 1(b))
Cheung Wing Lam, Linus	30,409	–	–	–
Peter Anthony Allen	300,000	–	–	–
Alexander Anthony Arena	201,000 (Note 4)	–	–	–
Chung Cho Yee, Mico	5,881,300	92,276 (Note 5(a))	–	–
Prof. Chang Hsin-kang	70,000	–	–	–
Dr. The Hon Li Kwok Po, David	3,000,000	–	–	–
Peter To (Note 6)	5,500,000	–	–	–

On May 22, 2002, Michael John Butcher and Li Tzar Kai, Richard entered into an agreement pursuant to which, Li Tzar Kai Richard agreed, subject to further terms and conditions, to transfer legal and beneficial ownership of an aggregate of 5,814,000 shares of the Company in three equal annual installments on April 3, 2003, April 3, 2004 and April 3, 2005 to Michael John Butcher.

#### B. Share Options

Avram Miller, a non-executive director of the Company, was granted on January 10, 2001 options to subscribe for 63,201,097 shares at an exercise price of HK\$2.356 per share pursuant to the terms and conditions of a consulting agreement dated August 17, 1999. These options become exercisable at a rate of 10 percent per annum from January 2001 to January 2011 and will expire on January 9, 2011. During the period, he did not exercise any of the options to acquire shares in the Company. Mr. Miller resigned as a director of the Company on September 5, 2002.

Other than Avram Miller, certain directors of the Company have been granted options to subscribe for shares in the Company pursuant to the Company's share option scheme. Details of such directors' interests under the share option scheme are set out in the section headed "SHARE OPTION SCHEME".

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## 2. Interests in Associated Corporations

## I. Pacific Century Regional Developments Limited ("PCRD")

## A. Ordinary Shares

Name of director/chief executive	Personal interests	Number of ordinary shares Family interests	Corporate interests	Other interests
Li Tzar Kai, Richard	–	–	2,330,058,230 (Note 2)	–
Peter Anthony Allen	5,010,000	–	–	–
Chung Cho Yee, Mico	8,000,000	–	–	–
Peter To (Note 6)	8,858,000	–	–	–

## B. Share Options

Name of director	Date of grant (Note)	Exercisable period (Note)	Exercise price S\$	Number of share options
Alexander Anthony Arena	11.24.1999	10.25.2001 to 10.24.2009	0.7584	15,300,000
John Todd Bonner	11.24.1999	10.25.2001 to 10.24.2009	0.7584	5,000,000

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

## II. Pacific Century Insurance Holdings Limited ("PCIHL")

## A. Ordinary Shares

Name of director/chief executive	Personal interests	Number of ordinary shares Family interests	Corporate interests	Other interests
Li Tzar Kai, Richard	–	–	370,352,700 (Note 3)	–
Peter Anthony Allen	360,000	–	–	–

## B. Share Options

Name of director	Date of grant (Note)	Exercisable period (Note)	Exercise price HK\$	Number of share options
Yuen Tin Fan, Francis	07.07.1999	07.07.2000 to 07.06.2009	5.233	19,440,000
Peter Anthony Allen	07.07.1999	07.07.2000 to 07.06.2009	5.233	600,000
John Todd Bonner	07.07.1999	07.07.2000 to 07.06.2009	5.233	16,560,000
Chung Cho Yee, Mico	07.07.1999	07.07.2000 to 07.06.2009	5.233	2,280,000

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

### III. Pacific Century CyberWorks Japan Co., Ltd. (“PCCW Japan”)

#### A. Ordinary Shares

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

#### B. Exchangeable Notes

Name of director/chief executive	Aggregate principal amount of exchangeable notes outstanding (Japanese Yen)
Li Tzar Kai, Richard	199,752,000 (Note 7)

### IV. iLink Holdings Limited (“iLink”)

#### Ordinary Shares

Name of director	Personal interests	Number of ordinary shares			Other interests
		Family interests	Corporate interests		
Chung Cho Yee, Mico	–	–	–	400,500,000 (Note 5(b))	

### V. PCCW Capital Limited

#### Convertible Bonds

Name of director/chief executive	Aggregate principal amount of convertible bonds outstanding (US\$)
Li Tzar Kai, Richard	14,000,000 (Note 8)

#### Notes:

- 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 ordinary shares and 1,160,991,050 ordinary shares of PCRD respectively (an aggregate of 2,330,058,230 ordinary shares of PCRD), which constitute approximately 37.8 percent and approximately 37.5 percent of the entire issued share capital of PCRD respectively.

PCRD holds 7,597,619,517 shares of the Company, including 3,395,000 shares held in the form of 339,500 American depository receipts (“ADRs”), each ADR representing 10 shares, which constitute approximately 32.9 percent of the entire issued share capital of the Company. PCG holds 103,709,434 shares, which constitute approximately 0.5 percent 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 Pacific Century Diversified Limited (“PCD”). PCD holds 787,361,123 shares, which constitute approximately 3.4 percent of the entire issued share capital of the Company. Accordingly, Li Tzar Kai, Richard is interested in an aggregate of 8,488,690,074 shares (held by PCRD, PCG and PCD) of the Company.

- 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.

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2. Li Tzar Kai, Richard is deemed to be interested in these shares by virtue of his deemed interests in Anglang and PCG(Cl) as described in Note 1(a) above.
3. 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.
4. Alexander Anthony Arena holds 1,000 shares in the form of 100 ADRs, each ADR representing 10 shares of the Company.
5. (a) Chung Cho Yee, Mico is deemed to be interested in 92,276 shares of the Company held by his spouse.  
(b) Chung Cho Yee, Mico is deemed to be interested in 400,500,000 ordinary shares of iLink, an associated corporation in which the Company holds a 47.9 percent interest, by virtue of being a beneficiary under a trust.
6. Peter To resigned as a director of the Company on June 30, 2002.
7. Li Tzar Kai, Richard is deemed to be interested in the exchangeable notes of PCCW Japan (convertible into an aggregate of 609,000 ordinary shares of Yen 50 each of PCCW Japan) issued to Internet Ventures Technologies Limited, a company wholly-owned by Li Tzar Kai, Richard.
8. Li Tzar Kai, Richard is deemed to be interested in the convertible bonds issued by PCCW Capital Limited, a wholly-owned subsidiary of the Company, with an aggregate principal amount of US\$14,000,000 convertible into shares of the Company at a conversion price of US\$1.0083 per share held by PCIHL.

Save as disclosed above, none of the directors or chief executive of the Company or their associates had any personal, family, corporate or other interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance as at June 30, 2002.

## SHARE OPTION SCHEME

On September 20, 1994, the Company approved a share option scheme under which the directors may, at their discretion, offer any employee (including directors) of the Group options to subscribe for shares in the Company subject to the terms and conditions stipulated in the share option scheme.

Pursuant to the share option scheme, the Company has granted options to certain directors and employees of the Group, details of which are as follows:

## 1. Outstanding options at January 1, 2002 and at June 30, 2002

Name or category of participant	Date of grant (Notes 1 & 2)	Vesting period (Note 1)	Exercisable period (Note 1)	Exercise price HK\$	Number of options	
					Outstanding at 01.01.2002	Outstanding at 06.30.2002
<b>Directors</b>						
Yuen Tin Fan, Francis	08.28.1999	08.17.2000 to 08.17.2004	08.17.2003 to 08.17.2009	2.356	10,670,000	10,670,000
	08.26.2000	08.26.2001 to 08.26.2005	08.26.2001 to 08.26.2010	12.024	16,000,000	16,000,000
	02.20.2001	08.26.2001 to 08.26.2005	08.26.2001 to 01.22.2011	3.368	16,000,000	16,000,000
Cheung Wing Lam, Linus	02.20.2001	08.26.2001 to 08.26.2005	08.26.2001 to 01.22.2011	3.368	16,000,000	16,000,000
Peter Anthony Allen	08.28.1999	08.17.2000 to 08.17.2002	08.17.2000 to 08.17.2009	2.356	1,360,000	1,360,000
	08.26.2000	08.26.2001 to 08.26.2005	08.26.2001 to 08.26.2010	12.024	893,000	893,000
	02.20.2001	08.26.2001 to 08.26.2005	08.26.2001 to 01.22.2011	3.368	893,000	893,000

Name or category of participant	Date of grant (Notes 1 & 2)	Vesting period (Note 1)	Exercisable period (Note 1)	Exercise price HK\$	Number of options	
					Outstanding at 01.01.2002	Outstanding at 06.30.2002
Alexander Anthony Arena	08.28.1999	08.17.2000 to 08.17.2004	08.17.2000 to 08.17.2009	2.356	16,000,000	16,000,000
	08.26.2000	08.26.2001 to 08.26.2005	08.26.2001 to 08.26.2010	12.024	8,000,000	8,000,000
	02.20.2001	08.26.2001 to 08.26.2005	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 10.25.2004	08.17.2000 to 10.25.2009	4.552	5,000,000	5,000,000
	08.26.2000	08.26.2001 to 08.26.2005	08.26.2001 to 08.26.2010	12.024	2,400,000	2,400,000
	02.20.2001	08.26.2001 to 08.26.2005	08.26.2001 to 01.22.2011	3.368	2,400,000	2,400,000
Michael John Butcher	05.28.2002	04.29.2003 to 04.29.2007	04.29.2003 to 04.29.2012	1.990	–	28,000,000
Cheung Kam Hung, William (Note 9)	02.20.2001	08.26.2001 to 08.26.2005	08.26.2001 to 01.22.2011	3.368	4,800,000	–
Chung Cho Yee, Mico	08.28.1999	08.17.2000 to 08.17.2004	08.17.2001 to 08.17.2009	2.356	17,876,000	17,876,000
	08.26.2000	08.26.2001 to 08.26.2005	08.26.2001 to 08.26.2010	12.024	5,300,000	5,300,000
	02.20.2001	08.26.2001 to 08.26.2005	08.26.2001 to 01.22.2011	3.368	5,300,000	5,300,000
Ma Si Hang, Frederick (Note 10)	05.18.2001	05.07.2002 to 05.07.2006	05.07.2002 to 05.07.2011	2.232	12,000,000	–
David Norman Prince (Note 11)	02.20.2001	08.26.2001 to 08.26.2005	08.26.2001 to 01.22.2011	3.368	8,000,000	–
Peter To (Note 12)	08.28.1999	08.17.2000 to 08.17.2004	08.17.2001 to 08.17.2009	2.356	21,800,000	21,800,000
Jeffrey Amsden Bowden (Note 13)	02.20.2001	Fully vested on 01.22.2002	01.22.2002 to 01.31.2004	3.368	12,000,000	2,400,000

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Name or category of participant	Date of grant (Notes 1 & 2)	Vesting period (Note 1)	Exercisable period (Note 1)	Exercise price HK\$	Number of options	
					Outstanding at 01.01.2002	Outstanding at 06.30.2002
<b>Other Employees</b> In aggregate						
	08.17.1999 to 09.15.1999	(Note 3)	08.17.2000 to 08.17.2009	2.356	59,827,354	57,132,686
	10.25.1999 to 11.23.1999	(Note 3)	10.25.2000 to 10.25.2009	4.552	31,803,000	30,012,000
	12.20.1999 to 01.18.2000	(Note 3)	12.20.2000 to 12.20.2009	6.712	1,080,000	1,080,000
	02.08.2000 to 03.08.2000	02.08.2001 to 02.08.2003	02.08.2001 to 02.08.2010	15.048	433,500	433,500
	08.26.2000 to 09.24.2000	(Note 4)	(Note 4)	12.024	26,505,000	26,505,000
	10.27.2000 to 11.25.2000	(Note 5)	(Note 5)	4.872	106,863,160	94,808,810
	01.22.2001 to 02.20.2001	(Note 6)	(Note 6)	3.368	129,982,702	120,602,102
	02.20.2001	02.08.2002 to 02.08.2004	02.08.2002 to 02.08.2011	3.752	433,500	433,500
	04.17.2001 to 05.16.2001	(Note 7)	(Note 7)	2.060	20,928,200	19,404,800
	07.16.2001 to 09.15.2001	07.16.2002 to 07.16.2004	07.16.2002 to 07.16.2011	1.832	4,206,000	3,968,800
	08.03.2001	Fully vested on 03.31.2002	03.31.2002 to 08.01.2011	3.368	4,000,000	4,000,000
	09.27.2001	09.27.2001 to 09.07.2003	09.27.2001 to 09.07.2011	1.363	18,000,000	18,000,000
	10.15.2001 to 11.13.2001	10.15.2002 to 10.15.2004	10.15.2002 to 10.15.2011	1.728	1,460,000	1,460,000
	05.10.2002	(Note 3)	04.11.2003 to 04.11.2012	1.583	–	1,158,500
	06.19.2002	(Note 8)	(Note 8)	2.018	–	2,895,000

## 2. Options granted during the period ended June 30, 2002

Name or category of participant	Date of grant (Note 1)	Vesting period (Note 1)	Exercisable period (Note 1)	Exercise price HK\$	Number of options granted	Market value per share at date of grant HK\$
<b>Director</b>						
Michael John Butcher	05.28.2002	04.29.2003 to 04.29.2007	04.29.2003 to 04.29.2012	1.990	28,000,000	1.970
<b>Other Employees</b>						
In aggregate	05.10.2002	(Note 3)	04.11.2003 to 04.11.2012	1.583	1,158,500	2.050
	06.19.2002	(Note 8)	(Note 8)	2.018	2,895,000	1.900

The share options granted are not recognized in the financial statements until they are exercised. The weighted average values per option granted in the six months ended June 30, 2002 and in the year ended December 31, 2001 estimated at the date of grant using the binomial option pricing model were HK\$1.07 and HK\$3.59 respectively. The weighted average assumptions used are as follows:

	At June 30, 2002	At December 31, 2001
Risk-free interest rate	<b>6.0 percent</b>	6.2 percent
Expected life (in years)	<b>10</b>	10
Volatility	<b>0.27</b>	0.46
Expected dividend per share	-	-

The binomial option pricing model was developed for use in estimating the fair value of traded options that are fully transferrable. Such an option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. Because the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the binomial option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

## 3. Options exercised during the period ended June 30, 2002

During the period under review, no share options were exercised by the directors or employees of the Group.

## 4. Options cancelled or lapsed during the period ended June 30, 2002

Name or category of participant	Exercise price HK\$	Number of options cancelled	Number of options lapsed
<b>Directors</b>			
Cheung Kam Hung, William (Note 9)	3.368	-	4,800,000
Ma Si Hang, Frederick (Note 10)	2.232	-	12,000,000
David Norman Prince (Note 11)	3.368	-	8,000,000
Jeffrey Amsden Bowden (Note 13)	3.368	-	9,600,000
<b>Other Employees</b>			
In aggregate	2.356	-	2,694,668
	4.552	-	1,791,000
	4.872	43,000	12,011,350
	3.368	480,000	8,900,600
	2.060	-	1,523,400
	1.832	-	237,200

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**Notes:**

1. All dates are shown month/day/year.
2. Due to the large number of employees participating in the share option scheme, certain information such as the date of grant can only be shown within a reasonable range in this report. For options granted to employees, the options were granted during the underlying periods for acceptance of the offer of such options by the employees concerned.
3. These options vest in installments during a period starting from the first anniversary of the offer date of such options ("Offer Date") and ending on either the third or fifth anniversary of the Offer Date inclusive.
4. These options vest in installments during a period starting from: (i) May 26, 2001 and ending on May 26, 2003 inclusive; (ii) the first anniversary of the Offer Date and ending on the third anniversary of the Offer Date inclusive; or (iii) the first anniversary of the Offer Date and ending on the fifth anniversary of the Offer Date inclusive. All these options are exercisable in installments from the commencement of the relevant vesting period until the tenth anniversary of the Offer Date.
5. These options vest in installments during a period starting from: (i) March 15, 2001 and ending on March 15, 2005 inclusive; or (ii) the first anniversary of the Offer Date and ending on the third anniversary of the Offer Date inclusive. All these options are exercisable in installments from the commencement of the relevant vesting period until the tenth anniversary of the Offer Date.
6. These options vest in installments during a period starting from dates ranging between February 8, 2001 to December 20, 2001 and ending on either the third or fifth anniversary of the relevant starting date inclusive. All these options are exercisable in installments from the commencement of the relevant vesting period until the tenth anniversary of the Offer Date.
7. These options vest in installments during a period starting from: (i) May 26, 2001 and ending on May 26, 2005 inclusive; (ii) the first anniversary of the Offer Date and ending on the third anniversary of the Offer Date inclusive; or (iii) the first anniversary of the Offer Date and ending on the fifth anniversary of the Offer Date inclusive. All these options are exercisable in installments from the commencement of the relevant vesting period until the tenth anniversary of the Offer Date.
8. These options vest in installments during a period starting from: (i) the date of grant and ending on either May 26, 2003 or October 27, 2003 inclusive; or (ii) May 21, 2003 and ending on May 21, 2005 inclusive. All these options are exercisable in installments from the commencement of the relevant vesting period until the tenth anniversary of the Offer Date.
9. Cheung Kam Hung, William resigned as a director of the Company on May 22, 2002. His outstanding 4,800,000 options at an exercise price of HK\$3.368 per share lapsed following his resignation.
10. Ma Si Hang, Frederick resigned as a director of the Company on June 24, 2002. His outstanding 12,000,000 options at an exercise price of HK\$2.232 per share lapsed following his resignation.
11. David Norman Prince resigned as a director of the Company on May 31, 2002. His outstanding 8,000,000 options at an exercise price of HK\$3.368 per share lapsed following his resignation.
12. Peter To resigned as a director of the Company on June 30, 2002.
13. Jeffrey Amsden Bowden resigned as a director of the Company on September 5, 2002.

Save as disclosed above, as at June 30, 2002, none of the directors or chief executive of the Company or their spouses or children under 18 years of age, had any right to subscribe for equity or debt securities of the Company, or had exercised any such right during the period.

## SUBSTANTIAL SHAREHOLDERS

As at June 30, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10 percent or more in the issued share capital of the Company:

Name of shareholder	Note	Number of shares	Percentage of total issued shares
UBS AG ("UBS")	1	3,285,099,270	14.2
Cable and Wireless plc ("C&W plc")	1	3,259,384,610	14.1
Cable and Wireless (Investments) Limited ("CWIL")	1	3,259,384,610	14.1
Cable and Wireless (Far East) Limited ("CWFE")	1	3,259,384,610	14.1
PCRD	2	7,597,619,517	32.9
Anglang	2	7,597,619,517	32.9
PCG(CI)	2	7,597,619,517	32.9
PCIL	2	7,597,619,517	32.9
PCG	3	7,701,328,951	33.4
Li Tzar Kai, Richard	4	8,488,690,074	36.8

### Notes:

- On April 2, 2001, UBS Warburg, a business group of UBS acquired a notifiable interest in the 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 shares of the Company. Such interests arose in connection with the following:
  - In connection with the C&W plc US\$1,504,331,000 Zero Coupon Exchangeable Bonds due 2003 ("C&W Exchangeable Bonds") exchangeable into shares of the Company, on April 2, 2001 UBS entered into certain call option arrangements with CWFE, under which CWFE granted to UBS call options over 3,259,384,610 shares of the Company then directly or indirectly beneficially owned by CWFE; and UBS granted to CWFE call options over 3,259,384,610 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 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 (a) above such that at no time will UBS be interested in more than 3,259,384,610 shares of the Company in aggregate under the above arrangements.
  - On April 2, 2001, UBS exercised call options over 1,600,000,000 shares of the Company pursuant to the call options described in sub-paragraph (a) above. As a result, UBS retains the right to call for the delivery of 1,659,384,610 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 shares of the Company as described in sub-paragraph (c) above, UBS holds 1,625,714,660 shares of the Company (including 25,714,660 shares it held prior to April 2, 2001).
  - CWIL had purchased certain of the C&W Exchangeable Bonds exchangeable into an aggregate of 1,083,330,000 shares of the Company from UBS up to June 30, 2002.

As a result of the above transactions, C&W plc, CWIL and CWFE are each deemed to be interested in 3,259,384,610 shares of the Company under the SDI Ordinance, including 1,659,384,610 shares of the Company held by C&W plc through CWIL and CWFE.
- PCRD holds 7,597,619,517 shares of the Company, including 3,395,000 shares held in the form of 339,500 ADRs, each ADR representing 10 shares of the Company. Approximately 37.8 percent and approximately 37.5 percent 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.
- The shares referred to herein include 103,709,434 shares held by PCG and 7,597,619,517 shares held by PCRD.
- 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 ordinary shares and 1,160,991,050 ordinary shares of PCRD respectively (an aggregate of 2,330,058,230 ordinary shares of PCRD), which constitute approximately 37.8 percent and approximately 37.5 percent of the entire issued share capital of PCRD respectively. PCRD holds 7,597,619,517 shares of the Company, including 3,395,000 shares held in the form of 339,500 ADRs, each ADR representing 10 shares, which constitute approximately 32.9 percent of the entire issued share capital of the Company. PCG holds 103,709,434 shares, which constitute approximately 0.5 percent 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 3.4 percent of the entire issued share capital of the Company. Accordingly, Li Tzar Kai, Richard is deemed to be interested in an aggregate of 8,488,690,074 shares (held by PCRD, PCG and PCD) of the Company.

Save as disclosed above, the Company has not been notified of any other interests representing 10 percent or more of the issued share capital of the Company as at June 30, 2002.

### **APPLICATION OF CHAPTER 14 OF THE LISTING RULES TO THE COMPANY**

Chapter 14 of the Listing Rules requires listed companies to disclose details of transactions falling into certain categories, to send a circular to shareholders and to publish an announcement in the newspapers giving information about transactions falling into certain categories 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.

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 Cable & Wireless HKT Limited (now known as PCCW-HKT Limited) 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.

During 2001, the Stock Exchange granted to the Company various approvals ("2001 Approvals") to apply the De-minimis Concession and the Modified Calculation Concession for the purposes of, amongst others, determining the "assets test" and the "consideration test" under Rules 14.06, 14.09, 14.12 and 14.20 and the net assets under Rules 14.24(5), 14.25(1) and 14.25(2)(b)(i) of the Listing Rules. Details of the 2001 Approvals were set out in the Company's announcements dated June 1, 2001, August 31, 2001, September 25, 2001 and December 18, 2001 and in the Company's annual report for the year ended December 31, 2001 ("2001 Annual Report"). The 2001 Approvals were granted by the Stock Exchange on condition that they ceased to apply when the Company published its 2001 Annual Report. Accordingly, the Company made an application for the right to continue to apply the De-minimis Concession and the Modified Calculation Concession as described above which was approved by the Stock Exchange on April 18, 2002 ("2002 Approvals") and details of the 2002 Approvals were set out in the Company's announcement dated April 19, 2002. Following the publication of the Company's unaudited condensed consolidated balance sheet as at June 30, 2002 in this interim report, the applicable thresholds for the purposes of the "assets test" and the "consideration test" 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 a fixed amount (normally expected to be HK\$1 million) would be considered as de-minimis. The "assets test" and the "consideration test" will not apply.

## Modified Calculation Concession

### 1. Modified Assets Test to classify Notifiable Transactions (other than Connected Transactions)

Based on the Company's unaudited condensed consolidated balance sheet as at June 30, 2002, the percentage ratios and monetary thresholds against which the "gross assets less intangibles and current liabilities of the asset to be acquired or realized" for the "assets test" and the "consideration for the asset to be acquired or realized" for the "consideration test" are to be determined to ascertain the disclosure and/or shareholder approval requirements for notifiable transactions (other than connected transactions) under Rules 14.06, 14.09, 14.12 and 14.20 of the Listing Rules are as follows:

- (A) ratio of 5 percent or above but below 15 percent (approximately HK\$1,905 million or above but below approximately HK\$5,714 million) – the requirements for discloseable transactions will apply;
- (B) ratio of 15 percent or above but below 25 percent (approximately HK\$5,714 million or above but below approximately HK\$9,523 million) – the requirements for major transactions will apply;
- (C) ratio of 25 percent or above (approximately HK\$9,523 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 percent (approximately HK\$1,905 million).

### 2. Modified Assets Test Only while Maintaining the Percentage Ratios Prescribed under the Relevant Listing Rules

In relation to references to net tangible assets or net assets in the provisions of the Listing Rules set out below, the basis set out in the modified assets test under the Modified Calculation Concession has been 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.

### 3. Modified Assets Test and Different Percentage Ratios

In relation to references to net tangible assets or net assets in the provisions of the Listing Rules set out below, the basis set out in the modified assets test under the Modified Calculation Concession has been adopted as the basis for comparison to determine the relevant disclosure and/or shareholder approval requirements. In addition, percentage ratio thresholds prescribed under those rules have been amended as a result of the change in basis:

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

#### 4. Modified Assets Test to Connected Transactions

In relation to references to net tangible assets or the net assets set out in Rules 14.24(5), 14.25(1) and 14.25(2)(b)(i) of the Listing Rules for connected transactions, the basis set out in the modified assets test under the Modified Calculation Concession has been adopted. In addition, the percentage ratio thresholds to determine the relevant disclosure and/or shareholder approval requirements have been 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, 2002, the relevant threshold in sub-item (ii) above is equal to approximately HK\$3.81 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, 2002, the relevant threshold in sub-item (ii) above is equal to approximately HK\$381 million.

- in Rule 14.25(2)(b)(i) the applicable threshold will be 5 percent of the modified assets basis.

Based on the Company's unaudited condensed consolidated balance sheet as at June 30, 2002, the relevant threshold is equal to approximately HK\$1,905 million.

#### **Period for which the De-minimis Concession and the Modified Calculation Concession will apply**

The Stock Exchange's approval for the use of the De-minimis Concession and the Modified Calculation Concession described above remains in effect until the publication or the due date of publication of the Company's next annual report, whichever is earlier.

#### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Details of the purchase, sale or redemption of the Company's listed securities during the six months ended June 30, 2002 are set out in Note 12 to the unaudited condensed consolidated financial statements.

#### **AUDIT COMMITTEE**

The Company's Audit Committee has reviewed with the Company's management the accounting principles and practices adopted by the Group and financial reporting matters including a review of the unaudited interim financial statements for the six months ended June 30, 2002.

**COMPLIANCE WITH CODE OF BEST PRACTICE**

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered in this interim report, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules save that the non-executive directors of the Company are not appointed for a specific term of office.