

EMPLOYEES AND REMUNERATION POLICIES

At 30 June 2003, the Group employed approximately 44 (31 December 2002: 45) staff in Hong Kong and had approximately 943 (31 December 2002: 654) employees in the Mainland China.

The managements review its remuneration policy regularly and reward staffs through fair remuneration packages and other fringe benefits, which includes a contributory provident fund and medical insurance plans. In addition, the Group may also grant discretionary bonus to eligible staff based on the Group's performance and individual merits.

The Company also grants share options to certain employees of the Group, entitling them to subscribe for shares of the Company.

During the period under review, no options were granted, exercised or cancelled.

DISCLOSURE OF INTERESTS

- (A) Interests and short positions of the directors and the chief executives of the Company in shares, underlying shares and debentures of the Company and its associated corporations

At 30 June 2003, no directors or chief executive of the Company, save as disclosed below, has an interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are 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 interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies which are to be notified to the Company and the Stock Exchange:

DISCLOSURE OF INTERESTS (continued)

Long position in shares:

Name of director	Capacity	Nature of interests	Number of shares	Shareholding percentage
Leung Chung Shan	Interests of a controlled corporation	Corporate	924,000,000 (Note)	47.78%
Leung Chung Shan	Beneficial owner	Personal	58,212,000	3.01%

Note: The 924,000,000 shares of the Company are held by Tees Corporation, a company incorporated in the British Virgin Islands and wholly owned by Mr. Leung Chung Shan.

(B) Share options

There are no changes in any terms of the share options scheme during the six months ended 30 June 2003. The detailed terms of the share options scheme were disclosed in the Company's 2002 annual report.

Details of the share options outstanding at 30 June 2003 which have been granted under the scheme are as follows:

Grantees	Date of grant	Exercise price per share	Options (note)			
			Number of options			
			Outstanding at 1 January 2003	Lapsed during the period	Exercised during the period	Outstanding at 30 June 2003
Directors	-	-	-	-	-	-
Employees	10 July 2000	HK\$0.392	36,180,000	-	-	36,180,000

Note: The options were granted under the share option scheme adopted by the Company on 2 June 1997. The options are exercisable subject to the terms and conditions stipulated each time options are granted. All the options granted will be expired at the end of ten years from the date of grant.

DISCLOSURE OF INTERESTS (continued)

Save as disclosed above, 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.

Apart from the foregoing, at no time during the period was the Company or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors and chief executives of the Company or any of their spouses or children under 18 years of age to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

(C) Interests and short positions of shareholders discloseable under the SFO

So far as is known to any director or chief executive of the Company, at 30 June 2003, shareholders (other than directors or chief executives of the Company) who had interests or short positions in the share or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

(i) Long positions of substantial shareholders in the shares of the Company

Name of shareholder	Capacity	Number of shares	Shareholding percentage
Tees Corporation ("Tees")	Beneficial owner	924,000,000 <i>(Note 1)</i>	47.78%
Leung Chung Shan ("Mr. Leung")	Interest of a controlled corporation/ Beneficial owner	982,212,000 <i>(Note 2)</i>	50.79%

DISCLOSURE OF INTERESTS (continued)

(ii) Long positions of other persons in the shares of the Company

Name of shareholder	Capacity	Number of shares	Shareholding percentage
Winway H.K. Investments Limited ("Winway")	Beneficial owner	153,000,000 (Note 3)	7.91%
Chan How Chung, Victor ("Mr. Chan")	Interests of controlled corporations	192,054,000 (Note 4)	9.93%

Note:

- 1) *Tees is a company incorporated in the British Virgin Islands and wholly owned by Mr. Leung.*
- 2) *In view of note 1 above, by virtue of Tees's interest in 924,000,000 shares of the Company and Mr. Leung's personal interests in 58,212,000 shares of the Company, Mr. Leung is deemed to be interested in an aggregate of 982,212,000 shares of the Company. For the avoidance of doubt, the same interests have been disclosed by Mr. Leung under the heading "Interests and short positions of the directors and the chief executives of the Company in shares, underlying shares and debentures of the Company and its associated corporations" above.*
- 3) *Winway is a wholly owned subsidiary of Culturecom Investments Limited ("CIL"), which in turn is a wholly owned subsidiary of Culturecom Holdings (BVI) Limited ("CHBVIL"), and CHBVIL is a wholly owned subsidiary of Culturecom Holdings Limited ("CHL"). By virtue of the SFO, CIL, CHBVIL and CHL were deemed to be interested in 153,000,000 shares of the Company held by Winway.*
- 4) *2,690,000 and 50,000,000 shares of the Company were held by REXCAPITAL International Limited and TKR Finance Limited respectively, of which Mr. Chan is indirectly interested in 75% and 39% of each of the entire issued share capital of these companies respectively.*

In addition, 77,440,000 and 61,924,000 shares of the Company were held by Eminent Power Limited ("EPL") and Sino Success Development Corp. ("SSDC"), of which Mr. Chan wholly owns EPL and SSDC.

By virtue of the SFO, Mr. Chan was deemed to be interested in an aggregate of 192,054,000 shares of the Company.

DISCLOSURE OF INTERESTS (continued)

Save as disclosed above, at 30 June 2003, the Company has not been notified by any persons (other than directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DISCLOSURE UNDER PRACTICE NOTE 19 OF LISTING RULES ("PN 19")

In accordance with the disclosure requirements of paragraphs 3.2.1 and 3.8 of PN 19, the Company makes the following disclosures in relation to the details of advance to an entity:

As disclosed in the Company's 2002 annual report, included in the Group's non-current deposits amounted to HK\$44,933,000 at 30 June 2003 (31 December 2002: HK\$44,933,000) represents a quality deposit paid to China Infohighway Communications Co., Ltd ("IHW") pursuant to the Cooperation Agreement and Supplemental Agreements (collectively the "Agreements") entered into between the Group and IHW. The amount is unsecured, interests free and repayable in accordance with the terms stipulated in the Agreements.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed the financial reporting matters including the review of the unaudited interim financial report for the six months ended 30 June 2003.