

VALUATION OF SHARE OPTIONS

The options granted are not recognized in the financial statements until they are exercised. The Directors consider that it is not appropriate to state the value of the share options granted during the period on the ground that a number of variables which are crucial for the valuation of the option value cannot be reasonably determined. Accordingly, the Directors believe that any valuation of the share options based on a great number of speculative assumptions would not be meaningful and may be misleading to the shareholders.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 30 June 2004, the persons or corporations (not being a Director or chief executive of the Company) who have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or have otherwise notified to the Company were as follows:

Name	Capacity	No. of shares of the Company held	Approximate percentage of shareholding
Li Ka-shing	Founder of discretionary trusts & interest of controlled corporations	1,429,024,545 (L) <i>(Notes 1 & 2)</i>	36.74%
Li Ka-Shing Unity Trustee Corporation Limited <i>(as trustee of The Li Ka-Shing Unity Discretionary Trust)</i>	Trustee & beneficiary of a trust	1,429,024,545 (L) <i>(Notes 1 & 2)</i>	36.74%
Li Ka-Shing Unity Trustcorp Limited <i>(as trustee of another discretionary trust)</i>	Trustee & beneficiary of a trust	1,429,024,545 (L) <i>(Notes 1 & 2)</i>	36.74%
Li Ka-Shing Unity Trustee Company Limited <i>(as trustee of The Li Ka-Shing Unity Trust)</i>	Trustee	1,429,024,545 (L) <i>(Notes 1 & 2)</i>	36.74%

Name	Capacity	No. of shares of the Company held	Approximate percentage of shareholding
Cheung Kong (Holdings) Limited	Interest of controlled corporations	1,429,024,545 (L) <i>(Notes 1 & 2)</i>	36.74%
Cheung Kong Investment Company Limited	Interest of controlled corporations	476,341,182 (L) <i>(Note 1)</i>	12.25%
Cheung Kong Holdings (China) Limited	Interest of controlled corporations	476,341,182 (L) <i>(Note 1)</i>	12.25%
Sunnylink Enterprises Limited	Interest of a controlled corporation	476,341,182 (L) <i>(Note 1)</i>	12.25%
Romefield Limited	Beneficial owner	476,341,182 (L) <i>(Note 1)</i>	12.25%
Hutchison Whampoa Limited	Interest of a controlled corporation	952,683,363 (L) <i>(Note 2)</i>	24.49%
Hutchison International Limited	Interest of a controlled corporation	952,683,363 (L) <i>(Note 2)</i>	24.49%
Easterhouse Limited	Beneficial owner	952,683,363 (L) <i>(Note 2)</i>	24.49%
Chau Hoi Shuen	Interest of controlled corporations	952,683,363 (L) <i>(Note 3)</i>	24.49%

Name	Capacity	No. of shares of the Company held	Approximate percentage of shareholding
Cranwood Company Limited	Beneficial owner & interest of controlled corporations	952,683,363 (L) <i>(Note 3)</i>	24.49%
Schumann International Limited	Beneficial owner	580,000,000 (L) <i>(Note 3)</i>	14.91%
Handel International Limited	Beneficial owner	348,000,000 (L) <i>(Notes 3 & 4)</i>	8.95%

(L) denotes a long position

Notes:

- (1) Romefield Limited is a wholly-owned subsidiary of Sunnylink Enterprises Limited, which in turn is a wholly-owned subsidiary of Cheung Kong Holdings (China) Limited. Cheung Kong Holdings (China) Limited is a wholly-owned subsidiary of Cheung Kong Investment Company Limited, which in turn is a wholly-owned subsidiary of Cheung Kong (Holdings) Limited.

By virtue of the SFO, Cheung Kong Investment Company Limited, Cheung Kong Holdings (China) Limited and Sunnylink Enterprises Limited are all deemed to be interested in the 476,341,182 shares of the Company held by Romefield Limited.

Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital, owns the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited. Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust, together with certain companies which Li Ka-Shing Unity Trustee Company Limited as trustee of The Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited.

In addition, Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 hold units in The Li Ka-Shing Unity Trust.

- (2) Easterhouse Limited is a wholly-owned subsidiary of Hutchison International Limited, which in turn is a wholly-owned subsidiary of Hutchison Whampoa Limited. By virtue of the SFO, Hutchison Whampoa Limited and Hutchison International Limited are deemed to be interested in the 952,683,363 shares of the Company held by Easterhouse Limited.

In addition, subsidiaries of Cheung Kong (Holdings) Limited are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of Hutchison Whampoa Limited. By virtue of the SFO, Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, Li Ka-Shing Unity Trustee Corporation Limited, Li Ka-Shing Unity Trustcorp Limited, Li Ka-Shing Unity Trustee Company Limited and Cheung Kong (Holdings) Limited are all deemed to be interested in the 476,341,182 shares of the Company and 952,683,363 shares of the Company held by Romefield Limited and Easterhouse Limited respectively.

- (3) Schumann International Limited and Handel International Limited are companies controlled by Cranwood Company Limited and Ms. Chau Hoi Shuen is entitled to exercise more than one-third of the voting power at the general meetings of Cranwood Company Limited.

By virtue of the SFO, Cranwood Company Limited is deemed to be interested in the 580,000,000 shares of the Company and 348,000,000 shares of the Company held by Schumann International Limited and Handel International Limited respectively in addition to 24,683,363 shares of the Company held by itself.

By virtue of the SFO, Ms. Chau Hoi Shuen is deemed to be interested in 24,683,363 shares of the Company, 580,000,000 shares of the Company and 348,000,000 shares of the Company held by Cranwood Company Limited, Schumann International Limited and Handel International Limited respectively.

- (4) Pursuant to the stock borrowing agreements each dated 6 November 2003, Handel International Limited has lent an aggregate of 30,588,236 shares of the Company to two financial institutions.

Save as disclosed above, as at 30 June 2004, the Directors are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Frank Sixt and Mrs. Susan Chow, the Chairman of the Company and a non-executive Director respectively, are executive directors of HWL, Cheung Kong Infrastructure Holdings Limited ("CKI") and Hutchison Global Communications Holdings Limited ("HGCH") and directors of certain of their respective Associates (collectively referred to in this paragraph as "HWL Group", "CKI Group" and "HGCH Group" respectively). Mr. Frank Sixt is also a non-executive director of CKH and director of certain of its Associates (collectively referred to as "CKH Group"). Mr. Edmond Ip, a non-executive Director, is an executive director of CKH and a director of certain of its Associates. HWL Group is engaged in e-commerce and general information portals, event production, broadband content, sports-related content, event management and advertising and outdoor media. Both the CKH Group and the CKI Group are engaged in information technology, e-commerce and new technology. HGCH Group is engaged in systems integration and development of software and computer network systems. The Directors believe that there is a risk that such businesses may compete with those of the Group.

Mr. Sing Wang, an executive Director and Chief Executive Officer of the Company, holds 4.55% of the equity interests in 北京雅寶在線拍賣有限公司 (“Yabuy Online”) whose main business consists of the operation of yabuy.com, an online auction website in the PRC. The Directors believe that there is a risk that the business of Yabuy Online may compete with those of the Group.

Ms. Tommei Tong, an executive Director and Chief Financial Officer of the Company, is a beneficial owner of less than 1% of the equity interest in Qin Jia Yuan Media Services Company Limited (“Qin Jia Yuan”) whose principal business engaged in the provision of media services in the PRC. The Directors believe that there is a risk that the business of Qin Jia Yuan may compete with those of the Group.

Ms. Debbie Chang, a non-executive Director, is a director of Beijing ChinaCare e-Med Limited (“ChinaCare”) whose main business consists of healthcare related information technology, information and consulting services. ChinaCare had entered into a content provision agreement with LTWJi. The Directors are of the view that the provisions of IVR-related content by ChinaCare to LTWJi under the agreement is complementary to, and not in competition with, the business of provision of IVR services by LTWJi. The provision of IVR-related content by ChinaCare will only be in competition with LTWJi’s business if ChinaCare provides such content to other IVR services providers in the PRC. In this regard, Cranwood has undertaken, inter alia, to the Company that companies controlled by Cranwood will not in the PRC provide IVR-related content to the competitors of the Group.

Save as disclosed above, during the six months ended 30 June 2004, none of the Directors or the management shareholders of the Company or their respective Associates have any interests in a business which competes or may compete with the business of the Group.

BOARD PRACTICES AND PROCEDURES

During the six months ended 30 June 2004, the Company has complied with the Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee in January 2000 with written terms of reference based on the guidelines recommended by the Hong Kong Society of Accountants.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group. As at the date of this report, the audit committee comprises three independent non-executive Directors, namely, Mr. Henry Cheong, Ms. Anna Wu and Mr. James Sha and a non-executive Director, namely, Mrs. Angelina Lee.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

As at the date of this document, Mr. Frank Sixt (Chairman), Ms. Debbie Chang, Mrs. Susan Chow, Mr. Edmond Ip, Mrs. Angelina Lee, Mr. Holger Kluge and Mr. Wang Lei Lei are non-executive Directors; Mr. Sing Wang and Ms. Tommei Tong are executive Directors; and Mr. Henry Cheong, Ms. Anna Wu and Mr. James Sha are the independent non-executive Directors.