

SHARE OPTIONS

At the extraordinary general meeting of the Company held on 28 May 2002, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 11 September 1998 (the "1998 Share Option Scheme") and the adoption of a new share option scheme (the "2002 Share Option Scheme"). The 2002 Share Option Scheme is designed to reward and provide incentives to employees and other stakeholders for their contributions to the Group.

No share options have been granted under the 2002 Share Option Scheme.

Movements of the share options, which were granted under the 1998 Share Option Scheme, during the period were as follows:

Name or category of participant	Number of shares subject to options				Date of grant	Exercise Price HK\$	Exercise period
	At 1 January 2004	Exercised during the period	Lapsed during the period	At 30 June 2004			
<i>Directors:</i>							
Lo Lin Shing, Simon	20,000,000	—	—	20,000,000	8.2.2002	0.150	9.2.2002 to 8.2.2008
Chan Wai Keung, Ringo (Note a)	10,000,000	—	—	10,000,000	8.2.2002	0.150	9.2.2002 to 8.2.2008
Yu Ansheng, Ben (Note a)	10,000,000	—	—	10,000,000	8.2.2002	0.150	9.2.2002 to 8.2.2008
<i>Employees</i>	5,000,000	—	200,000	4,800,000	8.2.2002	0.150	9.2.2002 to 8.2.2008
	45,000,000	—	200,000	44,800,000			

Notes:

- Resigned as directors of the Company on 6 July 2004.
- All the above share options are vested in tranches during the period from 9 February 2002 to 8 August 2003.
- On 28 July 2004, adjustments had been made to the exercise price and the number of share options as a result of the completion of the subscription agreement and share consolidation. Accordingly, the aggregate number of outstanding share options was adjusted from 44,800,000 shares to 448,000 consolidated shares and the exercise price was adjusted from HK\$0.15 per share to HK\$2.44 per consolidated share.

DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 30 June 2004, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(1) Long position in the shares of the Company

Name of director	Number of Shares			Percentage of shareholding
	Corporate interests	Family interests	Total	
Lo Lin Shing, Simon	1,129,758,000 (Note a)	—	1,129,758,000	30.11%
Chan Ki	225,400,000 (Note b)	33,300,000 (Note c)	258,700,000	6.90%

Notes:

- (a) These 1,129,758,000 shares are held by Golden Infinity Co., Ltd., which is wholly owned by Mr. Lo Lin Shing, Simon. Accordingly, Mr. Lo Lin Shing, Simon is deemed to be interested in the said 1,129,758,000 shares held by Golden Infinity Co., Ltd. under the SFO.
- (b) These 225,400,000 shares are held by Silver Valley Limited, which is wholly owned by Mr. Chan Ki. Accordingly, Mr. Chan Ki is deemed to be interested in the said 225,400,000 shares held by Silver Valley Limited under the SFO. Mr. Chan Ki resigned as director of the Company on 6 July 2004.
- (c) These 33,300,000 shares are held by Full Smart Development Limited, which is wholly owned by Ms. Fong Wai Na, the spouse of Mr. Chan Ki. Accordingly, Mr. Chan Ki is deemed to be interested in the said 33,300,000 shares held by Full Smart Development Limited under the SFO.
- (d) The interests disclosed above have not taken into account of the effect of share consolidation which became effective on 7 July 2004.

(2) Long position in underlying shares of the Company

Certain directors were granted share options to subscribe for shares of the Company under the share option scheme adopted by the Company on 11 September 1998, details of which were set out in the section headed "SHARE OPTIONS" above.

DIRECTORS' RIGHTS TO ACQUIRE SHARE

Save as disclosed under the section headed "SHARE OPTIONS" above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

So far as is known to the directors of the Company, as at 30 June 2004, the interests or short positions of the persons (other than the directors or chief executive of the Company) in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

(1) Long position in the shares of the Company

Name	Capacity	Number of shares	Percentage of shareholding
<i>Substantial shareholders:</i>			
Golden Infinity Co., Ltd.	Beneficial owner	1,129,758,000 (Note a)	30.11%
Ms. Ku Ming Mei, Rouisa	Interest of spouse	1,129,758,000 (Note b)	30.11%
Power Palace Group Limited	Beneficial owner	4,166,666,667 (Note c)	111.07%
New World Development Company Limited	Interest of a controlled corporation	4,376,666,667 (Note e)	116.66%
Chow Tai Fook Enterprises Limited	Interest of a controlled corporation	4,376,666,667 (Note f)	116.66%
<i>Other shareholders:</i>			
Silver Valley Limited	Beneficial owner	225,400,000 (Note g)	6.01%
Fong Wai Na	Interest of a controlled corporation and interest of spouse	258,700,000 (Note h)	6.90%
New World CyberBase Nominee Limited	Beneficial owner	210,000,000	5.60%
New World Telephone Holdings Limited	Interest of a controlled corporation	210,000,000 (Note d)	5.60%

OTHER INFORMATION

Notes:

- (a) Golden Infinity Co., Ltd. is wholly owned by Mr. Lo Lin Shing, Simon, a director of the Company.
- (b) These 1,129,758,000 shares represent the interests held by Golden Infinity Co., Ltd.. Ms. Ku Ming Mei, Rouisa is the spouse of Mr. Lo Lin Shing, Simon, a director of the Company and accordingly, she is deemed to be interested in the said 1,129,758,000 shares held by Golden Infinity Co., Ltd. under the SFO.
- (c) These 4,166,666,667 new shares are to be allotted and issued to Power Palace Group Limited pursuant to the subscription agreement dated 29 March 2004. Completion of the said subscription agreement took place on 6 July 2004.
- (d) New World CyberBase Nominee Limited is a wholly-owned subsidiary of New World Telephone Holdings Limited. Accordingly, New World Telephone Holdings Limited is deemed to be interested in the shares held by New World CyberBase Nominee Limited under the SFO.
- (e) Each of Power Palace Group Limited and New World Telephone Holdings Limited is a wholly-owned subsidiary of New World Development Company Limited. Accordingly, New World Development Company Limited is deemed to be interested in the shares held/to be held by Power Palace Group Limited and, for the reason stated in note (d) above, New World CyberBase Nominee Limited under the SFO.
- (f) Chow Tai Fook Enterprises Limited and its subsidiaries own a total of 35.26% equity interests in New World Development Company Limited. Accordingly, Chow Tai Fook Enterprises Limited is deemed to be interested in the shares held/to be held by Power Palace Group Limited and, for the reason stated in note (d) above, New World CyberBase Nominee Limited under the SFO.
- (g) Silver Valley Limited is wholly owned by Mr. Chan Ki, a director of the Company.
- (h) These 258,700,000 shares represent the aggregate of (i) interests in 225,400,000 shares held by Silver Valley Limited, and (ii) 33,300,000 shares held by Full Smart Development Limited. Ms. Fong Wai Na is the spouse of Mr. Chan Ki and the beneficial owner of the entire issued share capital of Full Smart Development Limited. Accordingly, Ms. Fong Wai Na is deemed to be interested in the said 225,400,000 shares held by Silver Valley Limited for the reason stated in note (g) above and the said 33,300,000 shares held by Full Smart Development Limited under the SFO.
- (i) The interests disclosed above have not taken into account the effect of share consolidation which became effective on 7 July 2004.

(2) Long position in the underlying shares of the Company

Name	Capacity	Category of equity derivatives	Number of underlying shares
Ms. Ku Ming Mei, Rouisa	Interest of spouse	Unlisted, physically settled	20,000,000 (Note a)
New World CyberBase Nominee Limited	Beneficial owner	Unlisted, physically settled	282,860,000 (Note b)
New World Telephone Holdings Limited	Interest of a controlled corporation	Unlisted, physically settled	282,860,000 (Note c)
Power Palace Group Limited	Beneficial owner	Unlisted, physically settled	100,000,000,000 (Note d)
New World Development Company Limited	Interest of a controlled corporation	Unlisted, physically settled	100,282,860,000 (Note e)
Chow Tai Fook Enterprises Limited	Interest of a controlled corporation	Unlisted, physically settled	100,282,860,000 (Note f)

Notes:

- (a) These 20,000,000 underlying shares represent the interest of Mr. Lo Lin Shing, Simon, who is the spouse of Ms. Ku Ming Mei, Rouisa and a director of the Company, in the share options granted by the Company under the share option scheme of the Company.
- (b) These 282,860,000 underlying shares represent the shares which may be issued upon the exercise of any of the conversion rights attaching to the outstanding convertible note of principal amount of HK\$28,286,000 issued to New World CyberBase Nominee Limited on 2 November 2001.
- (c) New World CyberBase Nominee Limited is a wholly-owned subsidiary of New World Telephone Holdings Limited. Accordingly, New World Telephone Holdings Limited is deemed to be interested in the underlying shares held by New World CyberBase Nominee Limited under the SFO.
- (d) These 100,000,000,000 underlying shares represent the shares which may be issued upon the exercise of any of the conversion rights attaching to the convertible note in the principal amount of HK\$1,200 million to be issued to Power Palace Group Limited pursuant to the subscription agreement dated 29 March 2004. Completion of the said subscription agreement took place on 6 July 2004.
- (e) Each of Power Palace Group Limited and New World Telephone Holdings Limited is a wholly-owned subsidiary of New World Development Company Limited. Accordingly, New World Development Company Limited is deemed to be interested in the underlying shares held/to be held by Power Palace Group Limited and, for the reason stated in note (c) above, New World CyberBase Nominee Limited under the SFO.
- (f) Chow Tai Fook Enterprises Limited and its subsidiaries own a total of 35.26% equity interests in New World Development Company Limited. Accordingly, Chow Tai Fook Enterprises Limited is deemed to be interested in the underlying shares held/to be held by Power Palace Group Limited and, for the reason stated in note (c) above, New World CyberBase Nominee Limited under the SFO.
- (g) The interests disclosed above have not taken into account the effect of share consolidation which became effective on 7 July 2004.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

COMPLIANCE WITH THE 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 by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange except that the non-executive directors and independent non-executive directors of the Company are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The audit committee, which comprises the three independent non-executive directors of the Company, and the external auditors, Messrs. PricewaterhouseCoopers, have reviewed the unaudited financial statements of the Group for the six months ended 30 June 2004.

BY ORDER OF THE BOARD

Dr. Wai Fung Man, Norman

Executive Director and Chief Executive Officer

Hong Kong, 21 September 2004

As at the date of this report, the Board of the Company comprises:

Executive Directors:

Dr. Cheng Kar Shun, Henry (*Chairman*)

Mr. Doo Wai Hoi, William, JP (*Vice Chairman*)

Dr. Wai Fung Man, Norman (*Chief Executive Officer*)

Mr. To Hin Tsun, Gerald

Mr. Chow Yu Chun, Alexander

Non-executive Directors:

Mr. Lo Lin Shing, Simon

Mr. Ho Hau Chong, Norman

Independent Non-executive Directors:

Mr. Wei Chi Kuan, Kenny

Mr. Kwong Che Keung, Gordon

Mr. Cheng Ming Fun, Paul, JP