



hendersoncyber

HENDERSON CYBER LIMITED

(Incorporated in the Cayman Islands with limited liability)

恒基數碼科技有限公司*

(在開曼群島註冊成立的有限公司)



ANNUAL REPORT 2000 年報

CONTENTS

Page No.

1	Corporate Information
2	Chairman's Statement
6	Commentary on Annual Results
8	Report of the Directors
22	Auditors' Report
23	Consolidated Profit and Loss Account
24	Consolidated Statement of Recognised Gains and Losses
25	Balance Sheets
26	Notes on the Accounts
40	Subsidiaries
42	Additional Financial Information
44	Group Financial Summary
45	Notice of Annual General Meeting
91	Proxy Form

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

BOARD OF DIRECTORS

- * Dr. Lee Shau Kee, *D.B.A. (Hon.), D.S.Sc. (Hon.), LL.D. (Hon.)*
Chairman
- * Chan Wing Kin, Alfred, *B. Sc. (Eng), M.Sc. (Eng), F.H.K.I.E.*
- * Colin Lam Ko Yin, *B.Sc., A.C.I.B., M.B.I.M., F.C.I.T.*
- * Lee Ka Kit
- * Lee Ka Shing
- * John Yip Ying Chee, *LL.B., F.C.I.S.*
- # Dr. Li Kwok Po, David,
O.B.E., M.A., Hon. LL.D. (Cantab), Hon. D.Soc.Sc., F.C.A., F.H.K.S.A., F.C.I.B., F.H.K.I.B., F.B.C.S., F.C.I.Arb., J.P.
- # Professor Ko Ping Keung,
Ph.D., F.I.E.E.E., F.H.K.I.E., J.P.

* *Executive Director*

Independent Non-Executive Director

COMPANY SECRETARY

John Yip Ying Chee, *LL.B., F.C.I.S.*

COMPLIANCE OFFICER

John Yip Ying Chee, *LL.B., F.C.I.S.*

QUALIFIED ACCOUNTANT

Wong Sau Yan, *M.B.A., F.C.C.A., F.H.K.S.A.*

AUDIT COMMITTEE

Dr. Li Kwok Po, David
Professor Ko Ping Keung

REGISTERED OFFICE

Huntlaw Building,
P.O. Box 2804,
George Town,
Grand Cayman,
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

6th Floor, World-Wide House,
19 Des Voeux Road Central,
Hong Kong

Telephone : (852) 2908 8888
Facsimile : (852) 2908 8838
E-Mail : henderson@hld.com
Web-site : www.hendersoncyber.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
Butterfield House, Fort Street,
P.O. Box 705,
George Town, Grand Cayman,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Central Registration Hong Kong Limited
Shops 1712-1716,
17th Floor, Hopewell Centre,
183 Queen's Road East,
Hong Kong

AUTHORISED REPRESENTATIVES

Colin Lam Ko Yin
John Yip Ying Chee

SPONSOR

HSBC Investment Bank Asia Limited

AUDITORS

KPMG

SOLICITORS***Cayman Islands Law:***

Conyers Dill & Pearman, Cayman

Hong Kong Law:

Woo, Kwan, Lee & Lo

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
The Bank of East Asia, Limited



I am pleased to present to the Shareholders my report on the operations of the Group.

PROFIT & TURNOVER

The Group recorded turnover of HK\$124,000 for the period from 10th January, 2000 (date of incorporation) to 30th June, 2000. The Group's net loss from operations attributable to shareholders for the period was HK\$12,028,000.

DIVIDENDS

Your Board does not recommend the payment of a final dividend.

BUSINESS REVIEW

The strategy of the Group during the financial year ended 30th June, 2000 was to establish, develop and prepare for the launch of its Internet service, data centre and local wireless FTNS business. In addition, the Group aimed to develop its high technology and network infrastructure business.

iCare

iCare's major achievements during the financial year ended 30th June, 2000 included:

- Conducting market research about Internet usage and initiating iCare on the basis of such research
- Incorporating iCare in November 1999
- Acquiring the hardware for the network infrastructure and establishing the iCare data centre
- Completing the software system design and portal design of the ISP and portal elements of the iCare service
- Signing website collaboration agreements with a range of suppliers of products and content providers for the iCare portal and signing licensing agreements with Microsoft for MCIS and with Microsoft Licencing, Inc. for Microsoft TV
- Completing the design of the Set-top Box in association with Legend and Microsoft and ordering the first 10,000 Set-top Boxes in preparation for the launch of the service
- Completing the retrofitting of the warehouse and the inventory, dispatch, payment and delivery systems for iCare; 24 hour customer service support hotline service using the Hong Kong and China Gas call centre; and Set-top Box installation infrastructure
- Launching the PC version of the iCare portal with Hong Kong and China Gas employees in May 2000
- Since the launch of the iCare website in June of this year, visits to the website have been sharply increasing. iCare is already one of the most frequently visited websites in Hong Kong with around one million pageviews and eight million hits per day.

Henderson Data Centre ("HDC")

HDC's major achievements during the financial year ended 30th June, 2000 included:

- Preparing the business plan for HDC
- Designing the Henderson Data Centre at Well Tech Centre having regard to international standards and trends
- Signing the turnkey contract with Roctec and commencing the retrofitting of the Well Tech Centre to meet the schedule of opening the Henderson Data Centre in August 2000
- Reviewing offerings of various international technology providers, equipment vendors and service providers to design the services to be offered by HDC

Eastar

Eastar's major achievements during the financial year ended 30th June, 2000 included:

- Incorporating Eastar and submitting to OFTA an application for a local wireless FTNS licence and being awarded such licence
- Reviewing offerings of various international technology providers, equipment vendors and service providers culminating in signing a Network Provision Agreement with each of Datacraft and Nortel
- Undertaking the preliminary design for the network architecture and planning the products and services to be offered by Eastar

- Obtaining approval from OFTA for PNETS licences for ISP services and External Telecommunications Services

Future Home

Future Home's major achievements during the financial year ended 30th June, 2000 included:

- Commencing the design of high technology features and network infrastructure at King's Park Rise and Tai Po Town Lot No. 118
- Overseeing the installation of the high technology features and network infrastructure for Casa Marina I
- Completing two major upgrades to the Remote Monitoring System increasing the efficiency of such system

IT Investments

IT Investments's major achievements during the financial year ended 30th June, 2000 included:

- Purchasing a 11.54% interest in Adsale
- Purchasing a 4.76% interest in Roctec
- Purchasing a 15.28% interest in Cycom



INITIAL PUBLIC OFFERING

On 14th July, 2000, the Company raised net proceeds of approximately HK\$893 million through the initial public offering of 15% of the Shares of the Company in the Growth Enterprise Market of the Stock Exchange of Hong Kong. Except for a small amount utilised for implementation and support of the Group's business plans and operations, the net proceeds raised have mainly been kept as bank deposits at present.

PROSPECTS

The financial year ended 30th June, 2000 marked the finalisation of initial plans and early implementation of most businesses. This has laid a strong foundation for the Group to actively implement its strategies. However, due to the fact that the Internet, telecommunication and high technology industries are dynamic and fast changing, the Group will be flexible and versatile in order to respond to such changes.

The Group always seeks to integrate its existing businesses to become a total solution provider. Wherever possible, it aspires to offer "one-stop shopping" and move up the value chain by bundling services together to create high value-added tailored products and services for the customers.

The Group is exploring a range of partnerships and alliances with leading technology companies to accelerate access to technologies and further enhance the relationship with the large customer bases of Henderson Group and Hong Kong and China Gas.

The Group, while focused on implementing its strategies in Hong Kong, is also looking to opportunities in other areas of Greater China. The Group will utilize the expertise and connections of Hong Kong and China Gas and Henderson Group to accelerate entry to other markets.

iCare

iCare aims to capitalize on first mover advantage by launching the Set-top Box in August 2000. The large customer base of Hong Kong and China Gas facilitates access to the untapped market of non-PC users in Hong Kong.

Having launched its ISP (Internet Service Provider) on 28th June, 2000, iCare aims to become the portal of choice for PC users.

iCare will continue to expand the breadth of its infotainment and e-commerce offerings on its portal site. The rich content and desirable offerings will make it a popular site for both Set-top Box subscribers and PC users via the ISP.



It is anticipated that iCare is well positioned to succeed in establishing itself as the "ultimate family Internet experience".

HDC

HDC will actively market its first data centre in Well Tech Centre to the customer base of Henderson Group and beyond. It will also build-up its technical team and introduce further value-added services.



HDC will proceed with the design and planning of its second and third data centres in Hong Kong.

Eastar

Eastar will focus on the deployment of its network with a view to commencing operation in the first quarter of 2001. The large building profile and customer base of Henderson Group is a key advantage in Eastar's deployment strategy.

Future Home

Future Home will continue to provide high technology features and network infrastructure systems for new property development projects of the Henderson Group.

Future Home will continue to design and develop new application software such as WAP applications, Smart Card System and

Car Park Systems for residential and commercial developments. The market expects increasingly sophisticated technologies to provide for a better-managed environment and "intelligent communities" for occupants.

Future Home will also focus on the installation of Smart Card and Car Park Systems for Henderson Group.

IT Investments

This Group will continue to look for sound investment opportunities in companies with attractive valuations, good growth potential, sound management and products or services where there is a synergy with the Group's activities.

Lee Shau Kee

Chairman

Hong Kong, 11th September, 2000

The following comments should be read in conjunction with the Audited Accounts and Additional Financial Information of Henderson Cyber Limited, and their accompanying notes.

RESULTS OF OPERATIONS

Financial review of financial year 2000

Based on the consolidated accounts that have been prepared using the acquisition accounting method whereby the results of subsidiaries acquired during the period under review are included in the consolidated profit and loss accounts from the date of their acquisition, total turnover of the Group amounted to approximately HK\$124,000 during the period from 10th January, 2000 (date of incorporation) to 30th June, 2000. As the Group is in its early stage of operation and development, with most of its operating companies commenced business only recently, an operating loss of HK\$12.2 million was recorded for the Group during the period under review.

Besides the consolidated accounts as mentioned above, the Group also presented for comparison purpose a pro

forma combined profit and loss account for the two years ended 30th June, 1999 and 30th June, 2000 in the Additional Financial Information section on pages 42 and 43 in this report. Such set of accounts include the results of the companies comprising the Group as at 30th June, 2000 as if the current group structure had been in existence and remained unchanged throughout the years on the assumption that the Group Reorganisation had been in effect on 1st July, 1998. Based on such pro forma combined profit and loss accounts, the aggregate turnover of the different business units of the Group amounted to HK\$5.5 million for the year ended 30th June, 2000, compared to HK\$1.96 million recorded for the year ended 30th June, 1999, representing an increase of 180%. In the previous financial year ended 30th June, 1999, the corresponding pro forma combined operating loss of the Group amounted to HK\$114,000 at a time when only intelligent building services were offered. Attributed in large to the initial set-up stage of both the Internet services and local wireless fixed telecommunication network services to be provided by the Group, loss from ordinary activities after taxation of the Group amounted to HK\$17.8 million for the year ended 30th June, 2000.

As at 30th June, 2000, fixed assets of the Group amounted to HK\$58.2 million of which HK\$44.9 million was property acquired for accommodating the operation of its data centre business, and the balance of HK\$13.3 million was mainly attributable to the investment made in new computer equipment and softwares by the Group. In addition, the Group acquired, through its IT investment arm, equity interests in three companies in the internet, data system and telecommunication technology related





field, and these investments amounted to approximately HK\$55 million in aggregate.

Financial resources and liquidity

As at 30th June, 2000, shareholders' funds of the Group amounted to HK\$122.9 million comprising share capital and reserves of HK\$12.5 million and HK\$110.4 million respectively. Current assets of the Group as at 30th June, 2000 amounted to HK\$21.5 million, of which \$7.2 million were bank balances and deposits. The Group's current liabilities amounted to HK\$9.9 million as at 30th June, 2000 consisting mainly of creditors and accrued expenses for HK\$8.7 million and unsecured bank overdraft outstanding of approximately HK\$850,000.

Subsequent to 30th June, 2000, the shares of the Company were successfully listed on the GEM of The Stock Exchange of Hong Kong Limited on 14th July, 2000. As a result of the international share placement and initial public offering in Hong Kong, the Company obtained net proceeds of approximately HK\$893 million. This capital raised by the Company will be applied to finance the development and operations of the Group's business in the information technology infrastructure, telecommunication and e-commerce areas. It is expected to be adequate to meet the financial needs of the Group such that reliance on external resources will not be significant.



The Directors have pleasure in submitting to shareholders their annual report together with the audited accounts for the period from 10th January, 2000 (date of incorporation) to 30th June, 2000.

GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 10th January, 2000 as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. After the companies comprising the Group underwent a reorganisation on 28th June, 2000 to

rationalise the Group's structure in preparation for the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("the Growth Enterprise Market"), the Company became the holding company of the Group. The Company's shares were listed on the Growth Enterprise Market on 14th July, 2000.

Details of the Group's reorganisation and the basis of presentation of the accounts are set out in note 2 to the accounts on page 26.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of its subsidiaries are internet services, data centre services, local wireless fixed telecommunications network services, intelligent building services and IT investments. The turnover and operating loss of the principal activities of the Group are set out below:—

	Turnover			Operating Loss		
	Period from 10/01/2000 – 30/06/2000	Pro forma Combined* Year ended 30th June 2000	1999	Period from 10/01/2000 – 30/06/2000	Pro forma Combined* Year ended 30th June 2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal activities						
Internet Services	85	85	—	10,956	13,944	—
Data Centre Services	—	—	—	415	798	—
Local wireless fixed telecommunications network services	—	—	—	376	2,354	—
Intelligent building services and IT Investments	39	5,415	1,965	154	386	114

* The Group's pro forma combined turnover and operating loss for the year ended 30th June, 1999 and 30th June, 2000 are presented on the basis set out in note 1 of the Additional Financial Information on page 43.

No geographical analysis of the Group's turnover and loss before taxation is presented as less than 10 per cent. of the Group's turnover and less than 10% of the Group's loss before taxation are attributable to activities outside Hong Kong.

SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 30th June, 2000 are set out on pages 40 to 41.

RESULTS

Details of the Group's results for the period and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 23 to 41.

DIVIDENDS

The Directors do not recommend payment of dividend for the period ended 30th June, 2000.

FIXED ASSETS

Particulars of the movements in fixed assets during the period from 10th January, 2000 (date of incorporation) to 30th June, 2000 are set out in note 11 to the accounts on page 32.

BANK OVERDRAFT

The Group's bank overdraft as at 30th June, 2000 was unsecured and repayable within one year.

INTEREST CAPITALISED

No interest was capitalised by the Group during the period from 10th January, 2000 (date of incorporation) to 30th June, 2000.

RESERVES

Particulars of the movements in the reserves of the Group and the Company during the period from 10th January, 2000 (date of incorporation) to 30th June, 2000 are set out in note 18 to the accounts on page 35.

SHARE CAPITAL

Movements in the share capital of the Company are set out in note 17 to the accounts on page 34.

GROUP FINANCIAL SUMMARY

A summary of the pro forma combined results of the Group for the past three financial years is set out on page 44.

DIRECTORS' REMUNERATION

Particulars of the Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and Rule 18.28 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited are set out in note 6 to the accounts on page 31.

DIRECTORS

The Directors of the Company during the period from 10th January, 2000 (date of incorporation) to 30th June, 2000 and up to the date of this report were:–

Executive Directors:–

Lee Shau Kee (*Chairman*)
(*appointed on 1st April, 2000*)

Chan Wing Kin, Alfred
(*appointed on 10th January, 2000*)

Lam Ko Yin, Colin
(*appointed on 1st April, 2000*)

Lee Ka Kit
(*appointed on 1st April, 2000*)

Lee Ka Shing
(*appointed on 1st April, 2000*)

Yip Ying Chee, John
(*appointed on 1st April, 2000*)

Chan Tat Hung, Ronald
(*appointed on 10th January, 2000 and resigned on 1st April, 2000*)

Independent Non-executive Directors:-

Dr. Li Kwok Po, David
(appointed on 1st April, 2000)

Professor Ko Ping Keung
(appointed on 1st April, 2000)

The Independent Non-executive Directors have been appointed for a term expiring on 31st December, 2001.

All of the existing directors retire in accordance with Article 86(3) of the Company's Articles of Association at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS**Executive Directors**

Dr. LEE Shau Kee, *D.B.A.(Hon.), D.S.Sc.(Hon.), LL.D.(Hon.)*, aged 72, father of Mr. Lee Ka Kit and Mr. Lee Ka Shing. Dr. Lee has been the Chairman of Henderson Land Development Company Limited since 1976 and the Chairman of Henderson Investment Limited since 1975. He was appointed a Director of the Company in April 2000. He is also the Chairman of The Hong Kong and China Gas Company Limited and the Vice Chairman of Sun Hung Kai Properties Limited as well as a director of Hong Kong Ferry (Holdings) Company Limited, The Bank of East Asia, Limited and Miramar Hotel and Investment Company, Limited.

CHAN Wing Kin, Alfred, *B.Sc.(Eng), M.Sc.(Eng), F.H.K.I.E.*, aged 49. Mr. Chan joined The Hong Kong and China Gas Company Limited ("Towngas") in 1992 as General Manager - Marketing and was appointed as General Manager - Marketing & Customer Service in 1995. He was appointed to the Board of Directors of

Towngas in January 1997 and as Managing Director in May 1997. He is also a director of Towngas Investment Company Limited and Technology Capitalization Limited. He was appointed a Director of the Company in January 2000. He holds a B.Sc. (Eng) degree and a M.Sc. (Eng) degree from the University of Hong Kong. Mr. Chan has more than 25 years of experience in marketing, business development, manufacturing, engineering and administration.

LAM Ko Yin, Colin, *B.Sc., A.C.I.B., M.B.I.M., F.C.I.T.*, aged 49. Mr. Lam joined Henderson Land Development Company Limited in 1982 and has been an Executive Director since 1985 and Vice Chairman since 1993. He has also been an Executive Director of Henderson Investment Limited since 1988 and Vice Chairman since 1993. He was appointed a Director of the Company in April 2000 and has been involved in the business of the Group since 1998. He holds a B.Sc. (Honours) degree from the University of Hong Kong and has over 27 years' experience in banking and property development. He is also the Chairman of Hong Kong Ferry (Holdings) Company Limited and a director of The Hong Kong and China Gas Company Limited, Miramar Hotel and Investment Company, Limited, Felix Technology Limited and Best Selection Investments Limited.

LEE Ka Kit, aged 37, National Committee Member of the Political Consultative Conference, PRC., son of Dr. Lee Shau Kee and brother of Mr. Lee Ka Shing. Mr. Lee has been an Executive Director of Henderson Land Development Company Limited since 1985 and Vice Chairman since 1993. He has also been an Executive Director and Vice Chairman of Henderson Investment Limited since 1993. He was appointed a Director of the Company in

April 2000. Educated in the United Kingdom, Mr. Lee is also the Chairman and President of Henderson China Holdings Limited as well as a director of The Hong Kong and China Gas Company Limited.

LEE Ka Shing, aged 29, son of Dr. Lee Shau Kee and brother of Mr. Lee Ka Kit. Mr. Lee has been an Executive Director of Henderson Land Development Company Limited and Henderson Investment Limited since 1993. He was educated in Canada. He is also a director of The Hong Kong and China Gas Company Limited, Felix Technology Limited and Best Selection Investments Limited. He was appointed a Director of the Company in April 2000.

YIP Ying Chee, John, LL.B., F.C.I.S., aged 51. Mr. Yip joined Henderson Land Development Company Limited as Group Company Secretary in 1996 and has been an Executive Director of Henderson Land Development Company Limited since 1997. He was appointed a Director of the Company in April 2000 and has been involved in the business of the Group since early 1998. He graduated from the University of Hong Kong and the London School of Economics and is a solicitor and a certified public accountant. He has over 20 years' experience in corporate finance, and corporate and investment management.

Independent Non-Executive Directors

Dr. LI Kwok Po, David, O.B.E., M.A., Hon. LL.D. (Cantab), Hon. D.Soc.Sc., F.C.A., F.H.K.S.A., F.C.I.B., F.H.K.I.B., F.B.C.S., F.C.I.Arb., J.P., aged 61. Dr. Li was appointed to the Board of Directors of The Hong Kong and China Gas Company Limited in 1984. He was appointed a Director of the Company in April 2000. He is the Chairman & Chief Executive of The Bank of East Asia, Limited, Chairman of The Chinese Banks' Association, Limited, Chairman of the Hong

Kong Management Association, and Deputy Chairman of Pacific Century Cyberwork. Dr. Li is also a director of New World Infrastructure Limited, San Miguel Brewery Hong Kong Limited, South China Morning Post (Holdings) Limited and The Hongkong and Shanghai Hotels, Limited. He is currently a member of the Banking Advisory Committee, the Exchange Fund Advisory Committee and the Land Fund Advisory Committee, a director of the Mandatory Provident Fund Schemes Authority.

Prof. KO Ping Keung, Ph.D., F.I.E.E.E., F.H.K.I.E., J.P., aged 49. Professor Ko holds a Bachelor of Science (Honours) degree from the University of Hong Kong, a Doctor of Philosophy degree and a Master of Science degree from the University of California at Berkeley. He is an Adjunct Professor of University of California at Berkeley and Beijing University and until recently was the Dean of the School of Engineering and Professor of Electrical & Electronic Engineering of The Hong Kong University of Science and Technology. He was the Vice Chairman of Electrical Engineering and Computer Science Department of the University of California at Berkeley in 1991 - 1993 and a member of Technical staff, Bell Labs, Holmdel, in 1982 - 1984. He was appointed a Director of the Company in April 2000. Professor Ko is also a director of Cycom Technology Limited.

Senior Management

Douglas H. Moore, LL.B., aged 42, Chief Executive Officer of the Company. Prior to joining the Company in April 2000, Mr. Moore was a director of Credit Suisse Investment Advisory (Hong Kong) Limited, a subsidiary of Credit Suisse Group-Zurich where he worked for six years as head of the Hong Kong market. Mr. Moore is a director of First E-Com.com, Inc. which

provides electronic processing solutions for financial institutions and merchants worldwide. He practised international taxation law for 10 years before joining Credit Suisse and has extensive experience in finance, management, high technology and strategic planning.

LEE Wai Kwong, Sunny, *M.Sc., M.Eng., M.B.C.S., C.Eng., M.H.K.C.S.*, aged 41, Chief Executive Officer and Director of iCare.com Limited (“iCare”). Mr. Lee holds a Bachelor and Master Degree in Operations Research and Industrial Engineering from Cornell University, USA. Prior to joining The Hong Kong and China Gas Company Limited in 1996, Mr. Lee was the Vice President and Systems Director of Bank of America in Hong Kong, where he played a key role in building the IT capabilities to support the expansion of the bank’s retail banking business in Asia. Before returning to Hong Kong in 1990, Mr. Lee held various key positions in financial, management consulting and manufacturing companies in the USA. He has extensive experience in IT transformation, business process re-engineering, organisation change management, product marketing and management consulting. Mr. Lee was recognised as one of Hong Kong’s “Ten Outstanding Young Digi Persons” in 1999. He joined iCare in December 1999.

WONG Chi Cheong, Michael, aged 43, General Manager of Eastar Technology Limited (“Estar”). Mr. Wong holds a Bachelor Degree in Electronics and Business Management from the Chinese University of Hong Kong and a Master Degree in Electrical and Electronics Engineering from the University of Hong Kong. He is a Chartered Engineer (HK) and a Corporate Member of the Institution of Electrical Engineers (UK). Mr. Wong has 20 years’ experience in the telecommunication and information technology industry. Prior to

joining the Henderson Group in January 1998, Mr. Wong held various senior management positions with Nortel Networks, Digital Equipment Limited, the Philips China Hong Kong Group and Cable & Wireless HKT. Mr. Wong has worked for Eastar since September 1999 and was appointed General Manager in March 2000.

KWAN Wing Hung, aged 42, Senior Manager Access Networks of Eastar Technology Limited (“Estar”). Mr. Kwan received his Bachelor Degree in Electronics and Computer Science from the Chinese University of Hong Kong. He is a Chartered Engineer (UK and Australia) and Corporate Member of the Institution of Electrical Engineers (UK), and Corporate Member of the Institution of Engineers, Australia. Mr. Kwan has 17 years’ experience in the telecommunication industry specialising in railway communication engineering, emergency call-dispatching system, microwave transmission and cellular network implementation. Before joining Eastar in March 2000, Mr. Kwan worked for Cable & Wireless HKT and the Star Telecom Group.

SHEA Tat On, Jonathan, aged 40, Chief Information Officer of Eastar Technology Limited. Mr. Shea holds a first class honours Bachelor Degree in Electronics Engineering from the University of Hong Kong and a Master Degree in Information Technology from the Royal Melbourne Institute of Technology. He is a Chartered Engineer and a Corporate Member of Institution of Electrical Engineers (UK) and a Member of the Hong Kong Computer Society. Mr. Shea has 18 years’ experience in the telecommunications and information technology industry and has previously held senior positions in New World Telephone, Telstra (Australia) and Cable & Wireless HKT.

HO Chung Choi, Brian, aged 39, Chief Technology Officer of Eastar Technology Limited. Mr. Ho holds a Bachelor Degree (1st class honours) in Computer Studies from the City Polytechnic of Hong Kong and Masters Degree (Distinction) in Satellite Communication Engineering from the University of Surrey. He is a Chartered Engineer and a Corporate Member of the Institution of Electrical Engineers (UK), Institution of Engineers, Australia and Hong Kong Institution of Engineers and a Member of British Computer Society. Mr. Ho has 16 years' experience in the telecommunication industry and has previously held senior positions in SmarTone Mobile Communication, New World Telephone, Wharf Communication Network, Telecom CSL, Stratus Computer and Cable & Wireless HKT.

YIP Hong Ngai, Philip, aged 36, Technology and Operations Manager of iCare.com Limited ("iCare"). Mr. Yip holds a Bachelor Degree in Computer Science from the University of Windsor in Canada. He has 14 years' experience in the IT industry of telecommunications and Internet sector specialising in multimedia development, telecommunications and system infrastructure. Mr. Yip joined iCare in March 2000.

FUNG Man Kit, Daniel, *B.Sc., M.Sc.*, aged 36, Chief Business Strategist of iCare.com Limited. Mr. Fung obtained his B.Sc. degree in Engineering from the University of Hong Kong in 1987 and M.Sc. degree in Information Systems from Hong Kong Polytechnic University in 1999. He joined The Hong Kong and China Gas Company Limited in 1987 and was previously the Business Analysis Manager, looking after business performance, potential business developments and improvements on organisational effectiveness. Mr. Fung has worked for the Group since March 2000.

LAI Man Kwong, Patrick, aged 37, Manager of Future Home Limited ("Future Home"). Mr. Lai graduated from the Lingnan College and possesses an Honour Diploma of Computer Studies. He has 13 years' experience in Management Information Systems and the IT industry. Mr. Lai joined the Henderson Group in 1989 and has been actively involved in the development of web applications and the design of network infrastructure. He was appointed Manager of Future Home in March 2000.

KUM Tak Cheung, Bassanio, aged 36, Deputy Manager of Future Home Limited ("Future Home"). Mr. Kum holds an Advanced Diploma in Computer Studies and International Higher Diploma in Computer Studies. He has 16 years' experience in software development and system integration, specialising in security control, multimedia, telecommunications and web application. He joined the Henderson Group in 1994. He was appointed Deputy Manager of Future Home in March 2000.

AU Tit Ying, *B.Sc.*, aged 50. Mr. Au holds a Bachelor of Science in Pure Mathematics and a Graduate Diploma in Information Systems and has 28 years' IT experience. He started his career with a software company and then spent 5 years in Cathay Pacific Airways Ltd., followed by eight years with Cable & Wireless HKT, where he led the Engineering Computer Application Group. He joined the Hong Kong Jockey Club in 1994 as Micro Processor Systems Manager and joined the Henderson Group in 1996 as EDP Manager. He was appointed a Director of Future Home Limited in April 2000.

TAM Ka Wa, Kelvin, *B.Sc., (Eng.), M.B.A., C. Eng., C.P. Eng., R.P.E., F.I.E.E., F.C.I.B.S.E., F.H.K.I.E., F.I.E. Aust.*, aged 52. Mr. Tam has

over 30 years of practical experience in electrical and mechanical engineering. Prior to joining the Henderson Group in 1999, he held senior executive positions in various organisations including Group Chief Engineer of Miramar Hotel and Investment Co. Ltd., Managing Director of Kelvin Tam & Associates Ltd., director of Bylander Meinhardt Partnership Consulting Engineers, as well as senior posts in Ryoden Engineering Co. Ltd., Associated Consulting Engineers and China Light & Power Co. Ltd. Mr. Tam was appointed a Director of Henderson Data Centre Limited in April 2000.

FOK Man Kin, Simon, *B.A.A.S.(Hons)(HK), B.Arch.(HK), H.K.I.A., R.I.B.A., Registered Architect*, aged 39, Director of Henderson Data Centre Limited ("HDC"). After graduation from the University of Hong Kong with a Bachelor's degree in Architecture in 1985, Mr. Fok worked in private architectural practice as an architect. He joined Henderson Land Development Company Limited in 1992, where he has held the positions of Architect and Deputy General Manager of the Project Management Department. He has extensive experience in managing property development and is currently leading the fitting out works for the data centres at Well Tech Centre and Big Star Centre. Mr. Fok was appointed a Director of HDC in April 2000.

CHUNG Wing Ki, *B.A.(A.S.)(Hon.), B.Arch., M.Sc.(RED), H.K.I.A., R.I.B.A.*, aged 35, Director of Henderson Data Centre Limited ("HDC"). Miss Chung joined Henderson Land Development Company Limited in 1995 as a Project Manager and has been the Assistant General Manager of the Project Management Department since 1998. She holds a B.A. (Architectural Studies) (Honours) degree, a Bachelor of Architecture degree and a Master of

Science (Real Estate Development) degree from the University of Hong Kong. She has over 10 years' experience in property development and was appointed a Director of HDC in April 2000.

CHAN Tat Hung, Ronald, *F.C.C.A., F.C.M.A., F.C.P.A., F.C.I.S., F.H.K.S.A., M.H.K.S.I.*, aged 56. Mr. Chan joined The Hong Kong and China Gas Company Limited ("Towngas") as Chief Accountant in 1973. He was promoted to Financial Controller and Company Secretary in 1980 and was appointed to the Board of Directors of Towngas as Finance Director in 1988 and as Executive Director of Towngas in 1995. He has more than 30 years' experience in the utilities businesses and finance in Hong Kong and was appointed a Director of iCare.com Limited in November 1999.

KWAN Yuk Choi, James, *B.Sc.(Eng), M.B.A., M.B.I.M., C.Eng., F.I.GasE., F.H.K.I.E., M.C.I.B.S.E., M.I.Mech.E.*, aged 49, Director of iCare.com Limited ("iCare"). Mr. Kwan joined the Engineering Division of The Hong Kong and China Gas Company Limited ("Towngas") in 1975 and was appointed to the Board of Directors of Towngas in January 1997. He has been involved in setting up the marketing and customer service departments of iCare and was appointed a Director of iCare in November 1999. Mr. Kwan was elected the President of the Institution of Gas Engineers, UK, in May 2000.

KWOK Ping Ho, Patrick, *B.Sc., M.Sc., A.C.I.B.*, aged 48. Mr. Kwok has been an Executive Director of Henderson Land Development Company Limited and Henderson Investment Limited since 1993 and 1988, respectively. He is an Associate Member of the Chartered Institute of Bankers and has previously worked in the banking industry for more than 11 years with postings in the United Kingdom, the

United States of America, Malaysia, Singapore as well as in Hong Kong. He was appointed a Director of Eastar Technology Limited in April 2000.

SHEN Shuk Ching, Susanna, aged 36, Chief Operating Officer of iCare.com Limited (“iCare”). Ms. Shen is a graduate of the Hong Kong Polytechnic University in Computing Studies and a full Member of the British Computer Society. She has 15 years’ experience in the Information Technology industry. She joined The Hong Kong and China Gas Company Limited (“Towngas”) in January 1988 and has held various management positions in Towngas. Previously she worked for Cincom Systems as a Technical Consultant. Ms. Shen joined iCare in December 1999.

DISCLOSURE OF INTERESTS

Directors’ Interests

The shares of the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 14th July, 2000. Following the listing of the Company’s shares, the interests of the Directors of the Company in the equity securities of the Company and its associated corporations as at 14th July, 2000 as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:—

Ordinary Shares (unless otherwise specified)

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Henderson Cyber Limited	Lee Shau Kee	173,898	—	—	4,244,996,094 (Note 15)	4,245,169,992
	Lam Ko Yin, Colin	55	—	—	—	55
Henderson Land Development Company Limited	Lee Shau Kee	—	—	—	1,118,914,300 (Note 1)	1,118,914,300
Henderson Investment Limited	Lee Shau Kee	34,779,936	—	—	1,816,496,007 (Note 6)	1,851,275,943
	Lam Ko Yin, Colin	11,000	—	—	—	11,000
Henderson China Holdings Limited	Lee Shau Kee	—	—	—	286,374,477 (Note 13)	286,374,477

Ordinary Shares (unless otherwise specified) (cont'd)

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Hong Kong Ferry (Holdings) Company Limited	Lee Shau Kee	7,799,220	—	—	108,588,090 (Note 7)	116,387,310
	Lam Ko Yin, Colin	150,000	—	—	—	150,000
The Hong Kong and China Gas Company Limited	Lee Shau Kee	2,666,260	—	—	1,782,659,328 (Note 8)	1,785,325,588
	Li Kwok Po, David	9,061,226	—	—	—	9,061,226
	Chan Wing Kin, Alfred	92,510 (Note 5)	—	—	—	92,510
Miramar Hotel and Investment Company, Limited	Lee Shau Kee	—	—	—	201,884,250 (Note 11)	201,884,250
Henderson Development Limited	Lee Shau Kee	—	—	—	8,190 (Ordinary A Shares) (Note 2)	8,190 (Ordinary A Shares)
	Lee Shau Kee	35,000,000 (Non-voting Deferred Shares)	—	—	15,000,000 (Non-voting Deferred Shares) (Note 3)	50,000,000 (Non-voting Deferred Shares)
	Lee Shau Kee	—	—	—	3,510 (Non-voting B Shares) (Note 14)	3,510 (Non-voting B Shares)
	Lee Ka Kit	—	—	—	8,190 (Ordinary A Shares) (Note 4)	8,190 (Ordinary A Shares)
	Lee Ka Shing	—	—	—	8,190 (Ordinary A Shares) (Note 10)	8,190 (Ordinary A Shares)
Angelfield Investment Limited	Lam Ko Yin, Colin	—	—	1 (Note 9)	—	1
Henfield Properties Limited	Lee Ka Kit	—	—	4,000 (Note 9)	—	4,000
Shellson International Limited	Lee Ka Kit	—	—	25 (Note 9)	—	25
Feswin Investment Limited	Lee Ka Kit	—	—	5,000 (Note 9)	—	5,000

Ordinary Shares (unless otherwise specified) (cont'd)

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Perlin Development Limited	Lee Ka Kit	—	—	5 (Note 9)	—	5
Quickcentre Properties Limited	Lee Ka Kit	—	—	1 (Note 9)	—	1
Techno Factor (Development) Limited	Lee Ka Kit	2,575,000	—	—	—	2,575,000
Amanwana Limited	Lee Ka Kit	5	—	—	—	5
Maxfine Development Limited	Lee Ka Kit	—	—	1,525 (Note 9)	—	1,525
Shanghai Henfield Properties Co., Ltd.	Lee Ka Kit	—	—	(see Note 12)	—	(see Note 12)

Notes:—

- Dr. Lee Shau Kee owned beneficially all the issued share capital of Rimmer (Cayman) Limited which was the trustee of a discretionary trust which held the majority of units in a unit trust ("Unit Trust") and Hopkins (Cayman) Limited which was the trustee of the Unit Trust which beneficially owned all the issued ordinary shares which carry the voting rights in the share capitals of Henderson Development Limited ("HD") and Fu Sang Company Limited ("FS" and which beneficially owned 192,500 of these shares). HD and its subsidiaries owned 1,113,119,200 of these shares. In addition, 5,602,600 of these shares were beneficially owned by a subsidiary of The Hong Kong and China Gas Company Limited ("Towngas"). Dr. Lee Shau Kee was taken to be interested in Towngas as set out in Note 8 by virtue of the SDI Ordinance.
- Dr. Lee Shau Kee was taken to be interested in HD through the Unit Trust, Hopkins (Cayman) Limited and Rimmer (Cayman) Limited as set out in Note 1 by virtue of the SDI Ordinance.
- These shares were beneficially owned by FS. Dr. Lee Shau Kee was taken to be interested in FS through the Unit Trust, Hopkins (Cayman) Limited and Rimmer (Cayman) Limited as set out in Note 1 by virtue of the SDI Ordinance.
- These shares were beneficially owned by the Unit Trust. The units of the Unit Trust were owned by two discretionary trusts in which Mr. Lee Ka Kit was one of the discretionary beneficiaries.
- These shares were jointly held by Mr. Chan Wing Kin, Alfred and his spouse.
- These shares were beneficially owned by FS and certain subsidiaries of Henderson Land Development Company Limited ("HL"). Dr. Lee Shau Kee was taken to be interested in FS and HL as set out in Note 1 by virtue of the SDI Ordinance.
- These shares were beneficially owned by certain subsidiaries of Henderson Investment Limited ("HI"). Dr. Lee Shau Kee was taken to be interested in HI through FS and HL as set out in Note 1 and Note 6 by virtue of the SDI Ordinance.
- These shares were beneficially owned by certain subsidiaries of HI, FS and a subsidiary of HD. Dr. Lee Shau Kee was taken to be interested in HI, FS and HD as set out in Note 1 and Note 6 by virtue of the SDI Ordinance.
- These shares were beneficially owned by a company in which the relevant director is entitled to exercise or control the exercise of one-third or more of the voting power at its general meetings.

10. These shares were beneficially owned by the Unit Trust. The units of the Unit Trust were owned by two discretionary trusts in which Mr. Lee Ka Shing was one of the discretionary beneficiaries.
11. These shares were beneficially owned by certain subsidiaries of HI. Dr. Lee Shau Kee was taken to be interested in HI through FS and HL as set out in Note 1 and Note 6 by virtue of the SDI Ordinance.
12. Shanghai Henfield Properties Co., Ltd. was an equity joint venture company in the PRC of which the registered capital was US\$27,000,000. Henfield Properties Limited ("Henfield") (owned as to 40 per cent. by a company controlled by Mr. Lee Ka Kit) and the PRC partner to the joint venture had entered into a joint venture contract under which Henfield and the PRC partner agreed to make contributions to the total amount of investment in the proportion of 99 per cent. and 1 per cent. respectively and to share the profits of the joint venture company in accordance with their equity interest in the joint venture company.
13. These shares were beneficially owned by certain subsidiaries of HL. Dr. Lee Shau Kee was taken to be interested in HL as set out in Note 1 by virtue of the SDI Ordinance.
14. These shares were beneficially owned by Hopkins (Cayman) Limited as trustee of the Unit Trust. Dr. Lee Shau Kee was taken to be interested in HD through the Unit Trust, Hopkins (Cayman) Limited and Rimmer (Cayman) Limited as set out in Note 1 by virtue of the SDI Ordinance.
15. These shares were beneficially owned by a subsidiary of HI, FS, certain subsidiaries of HL and a subsidiary of Towngas. Dr. Lee Shau Kee was taken to be interested in HI, FS, HL and Towngas as set out in Note 1, Note 6 and Note 8 by virtue of the SDI Ordinance.

Save as disclosed above, none of the directors, chief executive or their associates had any interests in any securities of the Company or its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

The shares of the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 14th July, 2000. Following the listing of the Company's shares, the interests of substantial shareholders, other than Directors of the Company, in the ordinary shares of the Company (the "Shares") as at 14th July, 2000 as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance were as follows:-

Name of Company	No. of shares in which interested
Felix Technology Limited	3,333,213,616
Technology Capitalization Limited	902,700,000
Best Selection Investments Limited (Note 1)	3,333,213,616
Henderson Investment Limited (Notes 1 and 2)	3,333,213,616
Henderson Land Development Company Limited (Notes 1, 2 and 3)	3,342,268,019
Towngas Investment Company Limited (Note 4)	902,700,000
The Hong Kong and China Gas Company Limited (Notes 4 and 5)	902,700,000
Henderson Development Limited (Notes 1, 2, 3 and 6)	3,342,268,019
Rimmer (Cayman) Limited (Note 7)	3,342,296,094
Hopkins (Cayman) Limited (Note 7)	3,342,296,094

Notes:-

1. As Felix Technology Limited ("Felix Technology") is a wholly-owned subsidiary of Best Selection Investments Limited ("Best Selection"), Best Selection had a deemed interest in the 3,333,213,616 Shares held by Felix Technology under the SDI Ordinance.
2. As Best Selection is a wholly-owned subsidiary of Henderson Investment Limited ("HI"), HI had a deemed interest in the 3,333,213,616 Shares held by Felix Technology under the SDI Ordinance.
3. Of these Shares, 3,333,213,616 are duplicated in the interest described in 1 and 2, as HI is a subsidiary of Henderson Land Development Company Limited ("HL").
4. As Technology Capitalization Limited ("Technology Capitalization") is a wholly-owned subsidiary of Towngas Investment Company Limited ("Towngas Investment"), Towngas Investment had a deemed interest in the 902,700,000 Shares held by Technology Capitalization under the SDI Ordinance.
5. As Towngas Investment is a wholly-owned subsidiary of The Hong Kong and China Gas Company Limited ("Towngas"), Towngas had a deemed interest in the 902,700,000 Shares held by Technology Capitalization under the SDI Ordinance.
6. As HL is a subsidiary of Henderson Development Limited ("HD"), HD had a deemed interest in the 3,342,268,019 Shares in which HL was deemed to have an interest under the SDI Ordinance.
7. Of these shares, 3,342,268,019 are duplicated in the interest described in Note 6. Rimmer (Cayman) Limited was the trustee of a discretionary trust which held the majority of units in a unit trust ("Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust beneficially owned all the issued ordinary shares which carry the voting rights in the share capital of HD and also all the issued ordinary shares in Fu Sang Company Limited ("FS"). Accordingly, each of Rimmer (Cayman) Limited and Hopkins (Cayman) Limited had a deemed interest in the 3,342,268,019 Shares by virtue of their interest in the discretionary trust, the Unit Trust and HD and the SDI Ordinance in addition to its interest in the Shares held by FS. The beneficiaries of the discretionary trust referred to herein are certain members of Dr. Lee Shau Kee's family.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Pursuant to the Pre-IPO Share Option Plan ("the Option Plan") conditionally approved by the shareholders of the Company on 28th June, 2000, options to subscribe for shares of the Company at a consideration of HK\$1 for each grant of options have been granted to and accepted by the following directors and chief executive during the period from 10th January, 2000 to 30th June, 2000 as below:-

Name of director	Granted on 28th June, 2000 at the exercise price of HK\$1.25 per share
	Number of Share Options Granted
Dr. Lee Shau Kee	2,400,000
Chan Wing Kin, Alfred	1,200,000
Lam Ko Yin, Colin	1,200,000
Lee Ka Kit	1,200,000
Lee Ka Shing	1,200,000
Yip Ying Chee, John	1,200,000
Dr. Li Kwok Po, David	1,200,000
Professor Ko Ping Keung	1,200,000
Name of chief executive	
Douglas H. Moore	1,200,000

Apart from the above directors and chief executive, options to subscribe for an aggregate of 20,000,000 shares of the Company have also been granted at a consideration of HK\$1 for each grant of options to 66 other grantees on 28th June, 2000 at the exercise price of HK\$1.25 per share pursuant to the Option Plan.

Each of the above grantees will be entitled, subject to the conditions under which the options were granted being satisfied, to exercise (i) thirty per cent of the options so granted at any time after the expiry of 12 months from 14th July, 2000, (ii) a further thirty per cent of the options so granted at any time after the expiry of 24 months from 14th July, 2000 and (iii) the remaining options at any time after the expiry of 36

months from 14th July, 2000 and, in each case, not later than four years from 14th July, 2000.

During the period, no options were granted by the Company under the Share Option Scheme which was also adopted by the Company on 28th June, 2000.

Except for the above, at no time during the period was the Company or its subsidiary companies a party to any arrangement to enable the directors or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED TRANSACTIONS

The shares of the Company were listed after the end of the period under review. The related party transactions during the period are disclosed in note 22 to the accounts on pages 37 to 39.

Save as disclosed above, no other contracts of significance to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the period end or at any time during the period.

COMPETING INTERESTS

None of the Directors or the major shareholders of the Company (as defined in the Growth Enterprise Market Listing Rules) had an interest in a business which competes or may compete with the business of the Group.

SERVICE CONTRACTS

Each of Mr. Chan Wing Kin, Alfred, Mr. Lam Ko Yin, Colin and Mr. Yip Ying Chee, John has entered into a service contract with the Company on 1st April, 2000. Each service contract, until and unless terminated by not

less than two months' notice in writing served by either party on the other, is of an initial term of three years commencing on 1st April, 2000 and shall continue thereafter. Subject to shareholders' approval, the director's fee for each of the above Directors for any financial year during the initial three-year term shall be HK\$20,000 per annum. Each of the above Directors is entitled to such management bonus as the Board may approve without limitation but shall abstain from voting and not be counted in the quorum in respect of any resolution of the board of Directors regarding the amount of management bonus payable to himself.

Apart from the above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period from 10th January, 2000 (date of incorporation) to 30th June, 2000, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities as the shares of the Company were listed after the end of the period.

MAJOR CUSTOMERS AND SUPPLIERS

For the period from 10th January, 2000 (date of incorporation) to 30th June, 2000:—

- (a) the aggregate amount of purchases attributable to the Group's five largest suppliers represented 97.33 per cent. of the Group's total purchases. The largest supplier accounted for 36.41 per cent. of the Group's total purchases.

(b) the aggregate amount of turnover attributable to the Group's five largest customers represented 35.89 per cent. of the Group's total turnover. The largest customer accounted for 18.21 per cent. of the Group's total turnover.

One of the five largest suppliers and one of the five largest customers are wholly-owned subsidiaries of Henderson Land Development Company Limited. Dr Lee Shau Kee was taken to be interested in these subsidiaries by virtue of the SDI Ordinance.

Save as disclosed above, none of the Directors, their associates, or any shareholders (which to the knowledge of the Directors owned more than 5 per cent. of the Company's issued share capital) had a beneficial interest in the abovementioned major suppliers and customers.

COMMENTARY ON ANNUAL RESULTS

A commentary on annual results is shown on pages 6 and 7.

PENSION SCHEME

The Group's eligible employees can participate in a defined contribution provident fund scheme (the "Scheme"). Particulars of the Scheme are set out in note 19 to the accounts on page 36.

YEAR 2000 COMPLIANCE

The Group's computer systems are year 2000 compliant and the Group has not experienced any year 2000 problem.

AUDIT COMMITTEE

The Company has established an Audit Committee on 25th May, 2000 which comprises two Independent Non-executive Directors and reports to the Board of Directors. The written terms of reference include the authority and duties of the Audit Committee and amongst its principal

duties are the review and supervision of the Company's financial reporting process and internal controls. The Audit Committee has not met during the period under review, which was before the listing of the shares of the Company.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the period.

INTEREST OF SPONSOR

Neither HSBC Investment Bank Asia Limited (the "Sponsor") nor its directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the share capital of the Company as at 30th June, 2000.

Pursuant to the agreement dated 3rd July, 2000 entered into between the Company and the Sponsor, the Sponsor will receive a fee for acting as the Company's retained sponsor for the period from 14th July, 2000, the date on which the shares of the Company are listed, until 30th June, 2002.

Saved for the above, the Sponsor has no other interest in the Company as at 30th June, 2000.

AUDITORS

KPMG were appointed as first auditors of the Company. A resolution for the re-appointment of KPMG as Auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Lee Shau Kee
Chairman

Hong Kong, 11th September, 2000



**Auditors' report to the
shareholders of
Henderson Cyber Limited**

(Incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 23 to 41 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 30th June, 2000 and of the Group's loss for the period then ended and have been properly prepared in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants

Hong Kong, 11th September, 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the period from 10th January, 2000
(date of incorporation) to 30th June, 2000

	Note	HK\$'000
Turnover	3	124
Direct cost		(99)
		<hr/>
		25
Other income		77
Selling and distribution costs		(3,024)
Administrative expenses		(4,442)
Other operating expenses		(4,837)
		<hr/>
Loss from ordinary activities before taxation	4	(12,201)
Taxation	5	—
		<hr/>
Loss from ordinary activities after taxation		(12,201)
Minority interest		173
		<hr/>
Loss attributable to shareholders	8	(12,028)
		<hr/> <hr/>
Loss per share		
Basic	10(a)	HK\$5.55
		<hr/> <hr/>

The notes on pages 26 to 41 form part of these accounts.

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

for the period from 10th January, 2000
(date of incorporation) to 30th June, 2000

	HK\$'000
Capital reserve on acquisition of subsidiaries	<u>85,301</u>
Net gains not recognised in the profit and loss account	85,301
Net loss for the period	<u>(12,028)</u>
Total recognised gains and losses	<u><u>73,273</u></u>

The notes on pages 26 to 41 form part of these accounts.

BALANCE SHEETS

at 30th June, 2000

	Note	The Group HK\$'000	The Company HK\$'000
Non-current assets			
Fixed assets	11	58,195	—
Interests in subsidiaries	12	—	50,477
Investment securities	13	55,002	—
		<u>113,197</u>	<u>50,477</u>
Current assets			
Inventories	14	348	—
Accounts receivable, deposits and prepayments	15	13,821	564
Amount due from affiliated company		226	—
Cash and cash equivalents	16	7,152	121
		<u>21,547</u>	<u>685</u>
Current liabilities			
Unsecured bank overdraft		(850)	—
Accounts payable and accrued expenses		(8,721)	(508)
Amount due to affiliated company		(300)	—
		<u>(9,871)</u>	<u>(508)</u>
Net current assets		<u>11,676</u>	<u>177</u>
Total assets less current liabilities		124,873	50,654
Non-current liability			
Amount due to intermediate holding company		(1,284)	(1,284)
		<u>123,589</u>	<u>49,370</u>
Minority interest		(646)	—
Net assets		<u>122,943</u>	<u>49,370</u>
Capital and reserves			
Share capital	17	12,500	12,500
Reserves	18	110,443	36,870
		<u>122,943</u>	<u>49,370</u>

Approved by the Board of Directors on 11th September, 2000

Lee Shau Kee)
Directors
Lam Ko Yin, Colin)

The notes on pages 26 to 41 form part of these accounts.

1 STATUS OF THE COMPANY

The Company was incorporated in the Cayman Islands on 10th January, 2000 as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands.

2 SIGNIFICANT ACCOUNTING POLICIES**(a) Statement of compliance**

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM"). A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost.

(c) Group reorganisation and basis of consolidation

(i) Pursuant to a group reorganisation (the "Group Reorganisation"), which was completed on 28th June, 2000, to rationalise the Group structure in preparation of a listing of the Company's shares on the GEM, the Company became the holding company of the companies comprising the Group. This was accomplished by acquiring the entire share capital of certain subsidiaries of the intermediate holding company in consideration of and in exchange for the Company's allotted and issued share capital. Details of the Group Reorganisation are set out in note 17 on the accounts.

(ii) The consolidated accounts have been prepared using the acquisition accounting method. The consolidated accounts include the audited accounts of the Company and all of its subsidiaries made up to 30th June each year. The results of subsidiaries acquired during the period are included in the consolidated profit and loss account from the date of their acquisition. All material intercompany transactions and balances are eliminated on consolidation.

(iii) Goodwill arising on the acquisition of subsidiaries, being the excess of the cost of investments in these companies over the fair value of the Group's share of the separable net assets acquired, is written off against reserves in the year in which it arises. The excess of the Group's share of the fair value of the separable net assets of subsidiaries acquired over the cost is credited to capital reserve.

(iv) On disposal of a subsidiary during the period, any attributable amount of purchased goodwill not previously amortised through the profit and loss account or which has previously been dealt with as a movement on group reserves is included in the calculation of the profit and loss on disposal.

(d) Interests in subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Interests in subsidiaries in the Company's balance sheet are stated at cost less any provisions for diminution in value which is other than temporary as determined by the directors for each subsidiary individually. Any such provisions are recognised as an expense in the profit and loss account.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investment securities

Investments held on a continuing basis for an identified long-term purpose are classified as “investment securities”. Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the profit and loss account, such provisions being determined for each investment individually.

Provisions against the carrying value of investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Profits or losses on disposal of investment securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

(f) Fixed assets and depreciation

(i) Valuation

Fixed assets are stated at cost less accumulated depreciation. The carrying amount of fixed assets is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recognised as an expense in the profit and loss account. In determining the recoverable amount, expected future cash flows generated by the fixed assets are discounted to their present values.

When the circumstances and events that led to the write-down or write-off cease to exist, any subsequent increase in the recoverable amount of an asset is written back to the profit and loss account. The amount written back is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred.

Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(ii) Depreciation

Depreciation is calculated to write off the cost of fixed assets on a straight-line basis over the estimated useful lives at the following rates:

Land	Over the unexpired terms of the leases
Buildings	Over the shorter of the unexpired terms of the leases or 40 years
Leasehold improvements	Over the shorter of the periods of the respective leases or 5 years
Computer equipment and software	3 to 5 years
Set-top boxes, telecommunications and network equipment	3 to 7 years
Furniture, fixtures, office equipment and motor vehicles	5 years

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**(iii) Disposals**

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.

(g) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

(i) Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue is stated after the deduction of any trade discounts.

(ii) Consultancy service income

Consultancy service income is derived from the provision of high technology infrastructure design and consultancy services and is recognised when the services are rendered.

(iii) Interest income

Interest income is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

(h) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**(j)** Translation of foreign currencies

Foreign currency transactions during the period are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Differences on foreign currency translation are dealt with in the profit and loss account.

(k) Operating leases

Rental payable under operating leases is accounted for on a straight-line basis over the periods of the respective leases.

(l) Research and development costs

Research and development costs including website/portal development costs are charged to the profit and loss account as incurred, except insofar as those product development costs relate to a clearly defined project and the future benefits therefrom are reasonably assured.

Development costs recognised as an asset are amortised on a straight-line basis over the expected period of return of the related project. The unamortised balance of development costs is reviewed at the end of each period and is written off to the extent that the unamortised balance, taken together with further development and directly related costs, is no longer likely to be recovered. Development costs written off, less attributable amortisation, are written back when the circumstances and events that led to the write off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(m) Advertising and promotion costs

Advertising and promotion costs are charged to the profit and loss account as incurred.

(n) Retirement cost

Contributions to the retirement benefit scheme are charged to the profit and loss account as and when incurred.

(o) Pre-operating expenses

Pre-operating expenses comprise expenses incurred by the Group during the preliminary set up period prior to its commencement of business. Pre-operating expenses are written off as incurred.

(p) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(q) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired.

3 TURNOVER

The principal activities of the Company are investment holding and the provision of management services to group companies. The principal activities of the subsidiaries are set out on pages 40 and 41.

Turnover represents sales value of goods sold to customers, consultancy service income and commission income earned during the period. An analysis of turnover is as follows:

	HK\$'000
Sales value of goods sold	84
Consultancy service income	39
Commission income	1
	<u>124</u>

4 LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

Loss from ordinary activities before taxation is arrived at after charging:

	HK\$'000	HK\$'000
Staff costs (including retirement costs of HK\$1,000)		2,265
Staff secondment fees (note 22(b))		4,342
Operating lease charges in respect of hire of telecommunications network facilities		1,519
Research and development costs	5,121	
Less: amount capitalised under fixed assets as computer equipment and software	<u>4,777</u>	344
Auditors' remuneration		600
Depreciation		176
Cost of inventories		99
Pre-operating expenses written off		<u>16</u>

5 TAXATION

No provision has been made for Hong Kong Profits Tax as the Group sustained a loss for taxation purpose during the period.

No provision for deferred taxation has been made as the effect of all timing differences is immaterial. Future deferred tax benefits are not recognised as their realisation cannot be assured beyond reasonable doubt.

6 DIRECTORS' REMUNERATION

No directors' remuneration has been paid by the Group during the period and there were no amounts paid during the period to former directors in connection with their retirement from employment with the Group. There was no arrangement under which a director waived or agreed to waive any remuneration during the period.

All of the directors were granted share options under the Company's share option scheme, the details of these benefits in kind are disclosed under the paragraph "Arrangement to Purchase Shares or Debentures" in the directors' report.

In the absence of a ready market for the options granted on the shares of the Company, the directors are unable to arrive at an accurate assessment of the value of the options granted to the respective directors.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The emoluments of the five highest paid individuals are set out below:

	HK\$'000
Total remuneration (Note)	
– basic salary, allowances and other benefits	1,134
– inducement fee	200
– staff retirement cost	—
	<u>1,334</u>

Note: Of the five highest paid individuals for the period ended 30th June, 2000, two are the senior management of the Group. All of their emoluments are within the band of nil to HK\$1,000,000. During the period, an amount of HK\$200,000 was paid to one of the five highest paid individuals as an inducement to join the Group. Apart from the above, there were no emoluments paid to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

8 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders includes a loss of HK\$300,000 which has been dealt with in the accounts of the Company.

9 DIVIDENDS

No dividend has been paid or declared by the Company for the period ended 30th June, 2000.

10 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$12,028,000 and the weighted average of 2,167,706 ordinary shares in issue during the period.

(b) Diluted loss per share

Diluted loss per share for the period was not disclosed as the calculation of diluted loss per share is not meaningful in the absence of a quoted market price for the Company's shares during the period.

11 FIXED ASSETS

The Group:

	Land and buildings HK\$'000	Computer equipment and software HK\$'000	Total HK\$'000
Cost:			
Additions			
– through acquisition of subsidiaries	44,662	261	44,923
– others	256	13,295	13,551
At 30th June, 2000	<u>44,918</u>	<u>13,556</u>	<u>58,474</u>
Aggregate depreciation:			
Through acquisition of subsidiaries	—	103	103
Charge for the period	8	168	176
At 30th June, 2000	<u>8</u>	<u>271</u>	<u>279</u>
Net book value:			
At 30th June, 2000	<u>44,910</u>	<u>13,285</u>	<u>58,195</u>

- (a) The Group's properties are situated in Hong Kong and are held under medium-term leases.
- (b) Included in computer equipment and software of HK\$13,556,000, there were HK\$4,777,000 relating to research and development costs capitalised during the period. No depreciation is provided in respect of the capitalised amount as the related project has not yet been completed by the end of 30th June, 2000.

12 INTERESTS IN SUBSIDIARIES

	The Company HK\$'000
Unlisted shares, at cost	7,190
Amounts due from subsidiaries	<u>86,278</u>
Amounts due to subsidiaries	<u>93,468</u> <u>(42,991)</u>
	<u>50,477</u>

Details of the subsidiaries are set out on pages 40 and 41.

13 INVESTMENT SECURITIES

	The Group HK\$'000
Unlisted equity securities, at cost	55,002

Details of the unlisted equity securities disclosed pursuant to section 129 of the Hong Kong Companies Ordinance are as follows:

Name of company	Place of incorporation	Description of shares held	Percentage held	Principal activities
Adsale Broadnet Company Limited	Hong Kong	Ordinary	11.54%	Provision of information and internet services on television systems
Roctec Technology Limited	Hong Kong	Ordinary	4.76%	Provision of data network and security solutions services and multimedia display systems

33

henderson cyberlimited | ANNUAL REPORT 2000

14 INVENTORIES

	The Group HK\$'000
Trading goods, at cost	348

15 ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

The accounts receivable, deposits and prepayments of the Group included a rental deposit of HK\$2,515,000 which is expected to be repaid after more than one year. Apart from the above, all of the balances are expected to be recovered within one year.

16 CASH AND CASH EQUIVALENTS

	The Group HK\$'000	The Company HK\$'000
Deposits with banks	7,011	—
Cash at bank	141	121
	7,152	121

17 SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
Authorised		
Ordinary shares of HK\$0.1 each	<u>10,000,000</u>	<u>1,000,000</u>
Issued and fully paid		
Ordinary shares of HK\$0.1 each	<u>125,000</u>	<u>12,500</u>

The following changes in the Company's issued and authorised share capital took place during the period:

- (a) The Company was incorporated with an authorised share capital of 50,000 shares of US\$1 each. On incorporation, 1 share was issued fully paid for cash at par as initial capital of the Company.
- (b) By a special resolution passed on 23rd March, 2000, the Company re-denominated its authorised share capital from US\$50,000 divided into US\$1 each to HK\$390,000 divided into 50,000 shares of HK\$7.8 each and then subdivided every issued and unissued share of HK\$7.8 into 78 shares such that the Company had an authorised share capital of HK\$390,000 divided into 3,900,000 shares and an issued share capital of HK\$7.8 divided into 78 shares.
- (c) On 28th June, 2000, resolutions of all the shareholders of the Company were passed pursuant to which:
 - (i) the authorised share capital of the Company was increased from HK\$390,000 to HK\$1,000 million by the creation of an additional 9,996,100,000 shares of HK\$0.1 each, ranking pari passu with the existing shares of the Company;
 - (ii) the Company allotted and issued an aggregate of 53,099,922 shares to the two shareholders of the Company for cash at HK\$0.8 per share, the surplus being credited to the share premium account as set out in note 18;
 - (iii) the Company allotted and issued a further 71,900,000 shares credited as fully paid at par to Felix Technology Limited, one of the shareholders of the Company, as consideration for the acquisition by the Company from Henderson Investment Limited ("HI"), the intermediate holding company and certain of its subsidiaries, of the entire issued share capital of certain companies now comprising the Group; and
 - (iv) prior to the listing of the Company on the GEM, options for 32 million of the Company's shares exercisable at HK\$1.25 per share were conditionally granted under the Pre-IPO Share Option Plan to certain directors and employees of the Company, its holding companies, subsidiaries and fellow subsidiaries at a consideration of HK\$1 for each grant of options. Each of the grantees will be entitled to exercise (i) thirty per cent of the options so granted to him/her at any time after the expiry of 12 months from 14th July, 2000 (the "Listing Date"), (ii) a further thirty per cent of the options so granted to him/her at any time after the expiry of 24 months from the Listing Date; and (iii) the remaining options so granted to him/her at any time after the expiry of 36 months from the Listing Date and, in each case, not later than four years from the Listing Date.

18 RESERVES

The Group:

	Capital reserve on consolidation HK\$'000	Share premium HK\$'000	Loss HK\$'000	Total HK\$'000
Capital reserve on acquisition of subsidiaries	85,301	—	—	85,301
Premium on issue of shares	—	37,170	—	37,170
Loss for the period	—	—	(12,028)	(12,028)
At 30th June, 2000	<u>85,301</u>	<u>37,170</u>	<u>(12,028)</u>	<u>110,443</u>

The Company:

	Share premium HK\$'000	Loss HK\$'000	Total HK\$'000
Premium on issue of shares	37,170	—	37,170
Loss for the period	—	(300)	(300)
At 30th June, 2000	<u>37,170</u>	<u>(300)</u>	<u>36,870</u>

(a) Share premium

The application of the share premium account is governed by section 102 of the Company's Articles of Association and the Companies Law (1998 Revision) of the Cayman Islands, where the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(b) Capital reserve on consolidation

Capital reserve on consolidation has been set up and will be dealt with in accordance with the accounting policies adopted for goodwill and capital reserve arising on the acquisition of subsidiaries as set out in accounting policies note 2(c).

(c) At 30th June, 2000, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK\$36,870,000, subject to the restrictions as stated in note 18(a).

19 RETIREMENT BENEFITS SCHEME

The Group's employees, except for those employed by one subsidiary of the Company, participate in the Henderson Staff Provident Fund (the "Fund"), a defined contribution provident scheme as defined in the Occupational Retirement Schemes Ordinance. Contributions to the Fund are made by both the employer and employees at rates ranging from 4% to 6% and 2% of the employees' basic monthly salaries respectively. According to the terms of the Fund, when an employee leaves the Fund prior to his/her interest in the Group employer contributions vesting fully, the forfeited employer's contributions shall not be used to reduce the future contributions of the employer. The subsidiary not participating in the Fund will participate in a Mandatory Provident Fund ("MPF") operated by an approved MPF trustee. All eligible staff and the employer will make mandatory contributions which comply with the minimum requirement of the Mandatory Provident Fund Schemes Ordinance.

The Group's retirement costs charged to the profit and loss account for the period ended 30th June, 2000 were HK\$1,000.

20 COMMITMENTS**(a) Capital commitments**

At 30th June, 2000, the Group had capital commitments contracted but not provided for in the accounts in respect of:

	HK\$'000
Refurbishment and equipment costs of data centre	36,728
Acquisition of telecommunications network infrastructure	22,296
Set-top boxes development costs	13,063
Website development costs	8,160
Acquisition of fixed assets	2,085
	<u>82,332</u>

(b) Operating leases commitments

At 30th June, 2000, the Group had commitments under operating leases to make payments in the next year as follows:

	Properties HK\$'000	Telecommunications network facilities HK\$'000
Leases expiring:		
Within 1 year	—	2,411
After 1 year but within 5 years	196	7,500
	<u>196</u>	<u>9,911</u>

21 CONTINGENT LIABILITIES

As at 30th June, 2000, there were contingent liabilities in respect of performance bond guaranteed by a bank on behalf of a subsidiary of the Group amounting to HK\$40 million. The performance bond was provided in accordance with the terms of the fixed telecommunications network services licence granted to the Group on 16th February, 2000.

22 RELATED PARTY TRANSACTIONS

The Group entered into the following transactions with related parties during the period:

- (a) On 12th June, 2000, the Company entered into a licence agreement with The Hong Kong and China Gas Company Limited (“Towngas”), an affiliated company, relating to the use of certain trade marks at a consideration of HK\$1. An indirect wholly-owned subsidiary of Towngas and a subsidiary of the Company also entered into a licence agreement relating to the use of domain name at a consideration of HK\$1. Each licence agreement has no fixed term and may be terminated by one party if the other is in default.
- (b) On 23rd June, 2000, the Company entered into an agreement with Towngas to provide to the Group with certain supporting services including billing and collection of monthly Public Non-Exclusive Telecommunications Service (PNETS) charges and set-top boxes rental charges, installation of set-top boxes, call centres, information technology support, warehousing, supplies and warehouse management, marketing and sales and backup delivery services, at reimbursement costs, for a term of three years from the date of the agreement, with the option for the Company to terminate at any time prior to the said three year period with three months’ notice in writing.

During the period, staff secondment fees amounting to HK\$4,342,000, including retirement costs of HK\$333,000, have been recharged by Towngas to the Group in respect of the staff employed by Towngas on behalf of a subsidiary of the Company.

- (c) Pursuant to an option agreement dated 23rd June, 2000 entered into by the Company and Towngas, Towngas has granted an option to the Company at a consideration of HK\$10 to purchase all the interests of Towngas in iBrandDirect.com Limited (“iBrandDirect”) if the shares of iBrandDirect or its holding company or a company which holds substantially all the assets, liabilities and businesses of it shall be listed on the Stock Exchange of Hong Kong Limited or such other stock exchange of similar international standing as may be decided by the Company.
- (d) As part of the Group Reorganisation, Henderson Investment Limited (“HI”) sold or procured its relevant subsidiaries to sell to the Company the entire issued share capital of certain companies now comprising the Group in consideration of the Company allotting and issuing 71,900,000 shares to a wholly-owned subsidiary of HI credited as fully paid.
- (e) On 28th June, 2000, a subsidiary of the Company entered into an agreement for lease with a subsidiary of Henderson Land Development Company Limited (“HL”), an intermediate holding company. Pursuant to the lease agreement, the subsidiary of HL will lease the entire building to be purposely built for the Group for a term of five years with two renewal options for a term of five years each at a monthly rental (exclusive of rates, management fees and other outgoings) of HK\$11 per square foot for the initial five year period and to be adjusted to account for inflation/deflation by reference to the Consumer Price Index published by the Special Administrative Region of the Hong Kong Government at the expiration of the initial five year period and at the then prevailing market rent for the third five year period. As at 30th June, 2000, the construction of the premises has not yet been completed.

As at 30th June, 2000, the Group paid an initial deposit of the lease amounting to HK\$2,515,000 to the subsidiary of HL.

22 RELATED PARTY TRANSACTIONS (continued)

- (f) On 28th June, 2000, the Company entered into agreements with HL and HI pursuant to which:
- (i) HL and HI will procure their respective relevant members to grant licences/tenancies to the relevant members of the Group the rights to install such equipment relating to the provision of local wireless fixed telecommunications network services (“FTNS”) in buildings developed, owned and/or managed by HL and its subsidiaries but excluding the Group (collectively “Henderson Group”) for a period of five years from the date of the agreement at a fee calculated by reference to fees charged by the relevant members of the Henderson Group to other unrelated customers or, if there is no such references available, at a fee no less favourable than fees at which the Group may obtain from other unrelated parties;
 - (ii) the Company will procure the relevant members of the Group to provide members of the Henderson Group the services available at the data centres of the Group, upon request, for a period of two years from the date of opening of the relevant data centres at a fee calculated by reference to fees charged by the relevant members of the Group to other unrelated customers; and
 - (iii) the Company will procure the relevant members of the Group to provide services to members of the Henderson Group with respect to the high technology infrastructure design, consultancy services and local wireless FTNS in connection with properties developed, owned and/or managed by the Henderson Group for a period of three years from the date of the agreement at a fee calculated by reference to fees charged by the relevant members of the Group to other unrelated customers of the Group.

During the period, consultancy service income of HK\$23,000 was earned from the provision of high technology infrastructure design and consultancy services to a subsidiary of HL. Apart from the above, the Group neither incurred any expense nor recognised any income in respect of such agreements for the period.

- (g) On 28th June, 2000, the Company entered into agreements with HL pursuant to which:
- (i) HL will procure the relevant members of the Henderson Group to provide marketing support to the Group in connection with the Group’s local wireless FTNS operations and the leasing of the racks in, and marketing of the services offered at, the Group’s data centres for a term of three years from the date of agreement at a commission at the same level as offered by the Group to other unrelated providers;
 - (ii) the Company will procure the relevant members of the Group to provide software system support to the Henderson Group for its properties and properties managed by it for a period of three years from the date of agreement at a fee calculated by reference to fees at which the relevant members of the Group offer such services to other unrelated customers; and
 - (iii) HL will provide, inter alia, legal, secretarial, accounting, computer and other related services and the use of office equipment to the Group at reimbursement costs for a period of three years commencing from the date of the agreement.

22 RELATED PARTY TRANSACTIONS (continued)

During the period, management fees of HK\$18,000 were paid to a subsidiary of HL for the provision to the Group of the services of certain employees in relation to Group's high technology infrastructure design and consultancy business determined on a cost reimbursement basis. Apart from the above, the Group neither incurred any expense nor recognised any income in respect of such agreements for the period.

- (h) The Group's two properties are managed by subsidiaries of HL. Upon completion of the construction of the property as mentioned in note 22(e) above (the "Property"), it will also be managed by a subsidiary of HL. It is intended that such subsidiaries of HL will continue to, or will, provide such property management services to the Group.

Pursuant to a letter dated 28th June, 2000, a subsidiary of the Company will appoint a subsidiary of HL as the building manager for the Property, for a term of three years from the commencement date of the lease. The fee is determined by reference to the current level of management fees charged by unrelated providers of property management services in respect of property of similar standard.

- (i) During the period, a subsidiary of the Company, HI and its subsidiaries but excluding the Group ("HI Group") and Towngas and its subsidiaries ("Towngas Group") have entered into an arrangement whereby members of HI Group and Towngas Group provided content to the subsidiary's portal relating to information and insurance package. Members of HI Group and Towngas Group will continue to provide content to the subsidiary's portal. Such arrangements will be conducted on normal commercial terms and in the ordinary course of business of the Group.

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and in the ordinary course of business and have confirmed that the above transactions will continue in the future after the listing of the Company's shares on the GEM.

23 POST BALANCE SHEET EVENTS

On 14th July, 2000, the Company's shares were listed on the GEM through an initial public offering of 750 million shares of HK\$0.1 each at the issue price of HK\$1.25 per share.

24 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company at 30th June, 2000 to be Henderson Development Limited, which is incorporated in Hong Kong.

SUBSIDIARIES

Details of subsidiaries at 30th June, 2000 are as follows:-

Name of company	Place of incorporation and operation	Particulars of issued and paid up ordinary share capital	Attributable percentage of equity interest held by		Principal activities
			The Company	Subsidiaries	
Cotech Investment Limited	The British Virgin Islands (the "BVI")	10,500,000 shares of HK\$1 each	—	92.2	Investment holding
Data Tower Holdings Limited (formerly Tradelink Investment Limited)	The BVI	2 shares of US\$1 each	100	—	Investment holding
Dowell Limited	The BVI	1 share of US\$1	—	100	Investment holding
Eastar Technology Limited	Hong Kong	10,000,000 shares of HK\$1 each	—	92.2	Provision of local wireless fixed telecommunications network services
Future Home Limited (formerly Power Sheen Development Limited)	Hong Kong	2 shares of HK\$1 each	—	100	Provision of high technology infrastructure design and consultancy services
Hansom Technology Limited	The BVI	1 share of US\$1	100	—	Investment holding
Henderson Data Centre Limited (formerly Silver Target International Limited)	Hong Kong	2 shares of HK\$1 each	—	100	Provision of internet server co-location centres and system management
iCare.com Limited	Hong Kong	2 shares of HK\$1 each	—	100	Internet service provider, internet content provider and provision of e-commerce services
Konet Investment Limited	The BVI	2 shares of US\$1 each	100	—	Investment holding
Mingsway Limited	Hong Kong	2 shares of HK\$1 each	—	100	Property investment
Popular International Limited	The BVI	1 share of US\$1	100	—	Investment holding

Name of company	Place of incorporation and operation	Particulars of issued and paid up ordinary share capital	Attributable percentage of equity interest held by		Principal activities
			The Company	Subsidiaries	
Rena Limited	The BVI	1 share of US\$1	—	100	Investment holding
Senway Technology Limited (formerly Sanway Technology Limited and Sunway Technology Limited)	The BVI	1 share of US\$1	—	100	Manages strategic investments
Startech Investment Limited	The BVI	1 share of US\$1	100	—	Investment holding
Victory City Enterprises Limited	Hong Kong	2 shares of HK\$1 each	—	100	Property investment

In preparation of a listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, a group reorganisation (the "Group Reorganisation") was completed on 28th June, 2000. As the reorganised Group structure did not exist until 28th June, 2000, the directors consider that it is appropriate to provide additional financial information to shareholders by presenting the pro forma combined profit and loss account on the basis set out in note 1 below.

PRO FORMA COMBINED PROFIT AND LOSS ACCOUNT

for the year ended 30th June, 2000

	Note	Unaudited 2000 HK\$'000	Audited 1999 HK\$'000
Turnover	2	5,500	1,965
Direct cost		(5,103)	(2,015)
		397	(50)
Other income		77	—
Selling and distribution costs		(4,202)	—
Administrative expenses		(7,280)	(12)
Other operating expenses		(6,774)	(52)
Loss from ordinary activities before taxation		(17,782)	(114)
Taxation	3	—	—
Loss from ordinary activities after taxation		(17,782)	(114)
Minority interest		173	—
Loss attributable to shareholders		(17,609)	(114)
Accumulated losses brought forward		(132)	(18)
Accumulated losses carried forward		(17,741)	(132)
Loss per share			
Basic	4(a)	HK\$0.14	HK\$0.001

NOTES ON THE PRO FORMA COMBINED PROFIT AND LOSS ACCOUNT

1 Basis of preparation of the pro forma accounts

The pro forma combined profit and loss account of the Group for the two years ended 30th June, 1999 and 2000 include the results of the companies comprising the Group as at 30th June, 2000 (for the period from 1st July, 1998 or the dates of incorporation, if later, to 30th June, 2000) as if the current Group structure had been in existence and remained unchanged throughout the years on the assumption that the Group Reorganisation had been in effect on 1st July, 1998. Details of the subsidiaries of the Company at 30th June, 2000 are set out on pages 40 and 41.

2 Turnover

Turnover represents sales value of goods sold to customers, consultancy service income and commission income earned during the year.

	2000 HK\$'000	1999 HK\$'000
Consultancy service income	5,415	1,965
Sales value of goods sold	84	—
Commission income	1	—
	5,500	1,965

3 Taxation

No provision has been made for Hong Kong Profits Tax as the Group sustained a loss for taxation purpose during the year.

No provision for deferred taxation has been made as the effect of all timing differences is immaterial. Future deferred tax benefits are not recognised as their realisation cannot be assured beyond reasonable doubt.

4 Pro forma loss per share

(a) Pro forma basic loss per share

The calculations of the pro forma basic loss per share for the years ended 30th June, 1999 and 2000 are based on the pro forma combined loss attributable to shareholders of HK\$114,000 and HK\$17,609,000 respectively and the pro forma issued ordinary share capital of 125,000,000 shares. In determining the pro forma issued share capital for calculation of the pro forma basic loss per share, 78 shares issued on incorporation and 124,999,922 shares issued on the Group Reorganisation were deemed to have been issued on 1st July, 1998.

(b) Pro forma diluted loss per share

Pro forma diluted loss per share for the year was not disclosed as the calculation of diluted loss per share is not meaningful in the absence of a quoted market price for the Company's shares during the year.

PRO FORMA COMBINED RESULTS

	Year ended 30th June		
	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000
Turnover	466	1,965	5,500
Loss from ordinary activities after taxation	(18)	(114)	(17,782)
Minority interest	—	—	173
Loss attributable to shareholders	(18)	(114)	(17,609)

Notes:

1. To ensure consistency of presentation and for comparison purpose, the pro forma combined results of the Group have been prepared on the basis as if the group structure immediately after the Group Reorganisation had been in existence since 1st July, 1997.
2. The Company was incorporated in the Cayman Islands on 10th January, 2000 and became the holding company of the companies now comprising the Group as a result of the Group Reorganisation which was completed on 28th June, 2000. Accordingly, the only balance sheet for the Group that has been prepared is that set out on page 25.

NOTICE IS HEREBY GIVEN THAT the First Annual General Meeting of Shareholders of the Company will be held at the Stork and Bamboo Rooms, Mandarin Oriental, 5 Connaught Road Central, Hong Kong on Thursday, 26th October, 2000 at 3:30 p.m. to transact the following businesses:–

1. To receive and consider the Audited Accounts and the Reports of the Directors and Auditors for the period from 10th January, 2000 (date of incorporation) to 30th June, 2000.
2. To re-elect retiring Directors and authorise the Board of Directors to fix their remuneration.
3. To re-appoint Auditors and authorise the Board of Directors to fix their remuneration.
4. To consider as special businesses and, if thought fit, pass the following resolutions as Ordinary Resolutions:–

A. “THAT:–

- (a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company (“Directors”) during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company or securities convertible into such shares or options, warrants, or similar rights to subscribe for any shares or convertible securities and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal value of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an options or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) of this Resolution), (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company, (iii) the exercise of any options granted under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of options to subscribe for, or rights to acquire, shares of the Company or, (iv) any scrip dividend or similar arrangement providing for the allotment of shares in the capital of the Company in lieu of the whole or part of the cash payment for any dividend on shares of the Company pursuant to the Articles of Association of the Company from time to time, shall not in aggregate exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution:–

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:–

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in Meeting.

“Right Issue” means the allotment, issue or grant of shares in the capital of the Company pursuant to an offer of shares open for a period fixed by the Directors made to holders of shares of the Company or any class thereof whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in or in any territory applicable to the Company).”

B. “THAT:–

(a) subject to paragraph (b) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as defined in paragraph (c) of this Resolution) of all the powers of the Company to repurchase its owned issued shares of HK\$0.10 each in the capital of the Company in accordance with laws and requirements and regulations of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly; and

(c) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:–

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws of the Cayman Islands to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in Meeting.”

C. "THAT:-

subject to the passing of the Ordinary Resolution Nos. 4A and 4B, the general mandate granted to the Directors of the Company to allot, issue and deal with additional securities pursuant to Resolution No. 4A be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares repurchased by the Company under the authority granted pursuant to Resolution No. 4B, provided that such amount of shares so repurchased shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution."

By Order of the Board

John Yip

Secretary

Hong Kong, 11th September, 2000

Registered Office:

Huntlaw Building,

P.O. Box 2804,

George Town,

Grand Cayman, Cayman Islands.

Head Office and Principal Place of Business:

6th Floor, World-Wide House,

19 Des Voeux Road Central,

Hong Kong.

Notes:

- (1) In order to qualify for attending the forthcoming Meeting of the Company, all shares transfer accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Central Registration Hong Kong Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than forty-eight hours before the appointed time for holding the Meeting.
- (2) Every member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies (if a member who is the holder of two or more shares) to attend and vote in his stead. A proxy need not be a member of the Company.
- (3) To be valid, the instrument appointing a proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch registrars in Hong Kong, Central Registration Hong Kong Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than forty-eight hours before the appointed time for holding the Meeting or any adjournment thereof.
- (4) An Explanatory Statement containing further details regarding Ordinary Resolution No. 4B above as required by the Rules Governing the Listing of Securities on the Stock Exchange will be dispatched to the members of the Company together with the 2000 Annual Report.