



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)



FIRST QUARTERLY REPORT Period ended 30th September, 2000

首季業績報告 截至2000年9月30日

* 僅供識別

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This report, for which the directors of Henderson Cyber Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Henderson Cyber Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover for the three months ended 30th September, 2000 amounted to approximately HK\$1,477,000.
- Net loss for the three months ended 30th September, 2000 amounted to approximately HK\$12,850,000.
- The Directors do not recommend the payments of a dividend for the three months ended 30th September, 2000.

RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 30th September, 2000 together with comparative unaudited proforma combined results for the corresponding period in 1999 as follows:–

	For the three months ended 30th September	
	2000	1999
	Consolidated HK\$'000	Proforma combined HK\$'000
Turnover (Note 2)	1,477	1,425
Direct cost	(876)	(1,427)
	601	(2)
Other income (Note 3)	12,678	—
Selling and distribution costs	(11,009)	—
Administrative expenses	(4,538)	—
Other operating expenses	(10,820)	(13)
Loss from ordinary activities before taxation	(13,088)	(15)
Taxation (Note 4)	—	—
Loss from ordinary activities after taxation	(13,088)	(15)
Minority interest	238	—
Loss attributable to shareholders	(12,850)	(15)
Loss per share (Note 5)		
Basic	HK0.3 cents	Not Applicable



Notes:

1 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 ("GEM") of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the Group. Details of the reorganisation are set out in the Prospectus of Henderson Cyber Limited dated 4th July, 2000. The Company's shares were listed on the GEM on 14th July, 2000.

The unaudited consolidated profit and loss accounts of the Group for the three months ended 30th September, 2000, have been prepared using the acquisition accounting method. 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.

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 proforma combined profit and loss account of the Group for the corresponding period in 1999.

The unaudited proforma combined profit and loss account for the three months ended 30th September, 1999 includes the results of the companies comprising the Group as if the current group structure had been in existence and remained unchanged throughout the three months ended 30th September, 1999.

2 Turnover

Turnover represents income from e-commerce, the sale and hiring of set-top box and consultancy service income earned during the period.

3 Other income

Other income mainly consists of interest from deposits placed with the proceeds from the share offer of the Company.

4 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.

5 Loss per share

The calculation of basic loss per share for the three months ended 30th September, 2000 is based on the loss attributable to shareholders of HK\$12,850,000 and on the weighted average of 4,311,141,304 shares in issue during the period.

The calculation of loss per share in respect of the three months ended 30th September, 1999 is not applicable as the Directors considered that the information is not relevant.

Diluted loss per share is not presented for the three months ended 30th September, 2000 because there were no dilutive potential ordinary shares in existence during the period.

PROFIT & TURNOVER

The Group recorded turnover of HK\$1.5 million in the quarter ended 30th September, 2000, compared with HK\$1.4 million based on the proforma combined results in the quarter ended 30th September, 1999. The Group's net loss from operations attributable to shareholders for the quarter ended 30th September, 2000 was HK\$12.9 million, compared with a loss of HK\$0.02 million based on the proforma combined results of the corresponding period in the previous year.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30th September, 2000.

BUSINESS REVIEW

The main focus of the Group during the quarter ended 30th September, 2000 was to establish, develop and prepare for the launch of its Internet services, 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 quarter ended 30th September, 2000 included:

- Launched the iCare TV Set-Top Box (the "STB") together with the TV portal on 23rd August 2000. Over 300 guests and 100 media attended the grand launch ceremony.
- We are pleased with the level of initial response to the STB. Our marketing efforts included road shows and exhibitions in major shopping malls, TV commercials, newspaper and magazine advertisements, demonstrations in Towngas Customer Service Centres, sales teams making calls in various housing estates, Towngas bill inserts, school promotion program and iCare Club meetings.
- Internet Service Provider ("ISP") users and Internet Content Provider ("ICP") users grew at a satisfactory rate. We further upgraded our ISP data network to cope with the increasing level of traffic.
- Developed English language version of our portal. Further content enhancements are underway.
- Signed website collaboration agreements with a range of suppliers of products and content providers for the iCare portal. As at 30th September, 2000, there were over 80 shopping product and content providers providing over 2,000 stock keeping units in iCare's cyber mall.
- Total revenue for the quarter ended 30th September, 2000 was HK\$0.7 million. With the launch of the STB on 23rd August, 2000 and the growth in ISP and ICP users throughout the period, e-commerce revenue in September exceeded August by 50%.



Henderson Data Centre (“HDC”)

HDC’s major achievements during the quarter ended 30th September, 2000 included:

- Completed network testing and staffing of first data centre at Well Tech Centre (“Well Tech”) in San Po Kong including review of facility by international consultant.
- Opened Well Tech on 1st September, 2000.
- Achieved satisfactory level of commitments regarding occupancy of Well Tech.
- Commenced implementation of value-added services to be deployed over next 12 months.
- As Well Tech only had a soft opening on 1st September, 2000 and the occupants are in the process of actually taking up their space, revenue for the quarter ended 30th September, 2000 was negligible.

Eastar

Eastar’s major achievements during the quarter ended 30th September, 2000 included:

- As a term of its licence to build and operate a local wireless Fixed Telecommunications Network Services (“FTNS”) network, Eastar must by 16th February, 2001 deploy 6 network hubsites serving 67 buildings with an aggregate capital expenditure of at least HK\$50 million. During the quarter ended 30th September, 2000, Eastar continued with its activities to meet this schedule.
- Under Network Provision Agreements entered into with each of Datacraft (Cisco Internet Platform) and Nortel Networks (LMDS network equipment and services), initial shipments of equipment were completed in September with all remaining equipment to be received by year end.
- Eastar’s Central Equipment Room was co-located at HDC’s Well Tech to achieve operational synergies and cost savings between HDC and Eastar.
- Obtained approval from OFTA for Eastar’s PNETS licences for ISP services and External Telecommunications Services.
- As Eastar is in the midst of network construction, it has no customers and therefore earned no revenue during the quarter ended 30th September, 2000. Its total committed capital expenditures as at 30th September, 2000 amounted to HK\$39 million.

Future Home

Future Home’s major achievements during the quarter ended 30th September, 2000 included:

- Installed a broadband network infrastructure at the Casa Marina II residential project of Henderson Land Development Company Limited (“HLD”).
- Installation of broadband network infrastructure at the King’s Park Rise residential project of HLD commenced but not completed as at 30th September, 2000.

- Commenced the design of high technology features and network infrastructure at the residential projects located at Bowen Road and Caine Road.
- Self-developed and implemented a Wireless Application Protocol (“WAP”) application for booking of clubhouse facilities and memo browsing for the Casa Marina I residential project of HLD.
- Developing a customer relationship system for property management portal and a smart card system and car park system for Henderson Group residential and commercial buildings.
- Total revenue for the quarter ended 30th September, 2000 was HK\$1 million.

IT Investments

IT Investments’s major achievements during the quarter ended 30th September, 2000:

- Acquisition of an 11.96% interest in Googol Technology (HK) Limited (“Googol”) for a cash consideration of HK\$6 million which was successfully completed in early October, 2000. The businesses of Googol are mainly the designing, developing, manufacturing and sale of innovative motion control and information technology related products and providing related consulting services in automation and motion control.

PROSPECTS

The quarter ended 30th September, 2000 marked the first quarter subsequent to the reorganization which gave rise to the current businesses and structure of the Group. The Group has been actively implementing its strategies during the quarter ended 30th September, 2000. Due to the fact that the Internet, telecommunication and high technology industries are dynamic and fast changing, the Group must 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, whilst 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 the first mover advantage, which it secured by the launch of the STB 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. The initial success which iCare has achieved is within our expectations and is encouraging regarding iCare’s prospects of gaining a dominant position in the STB business.



Having launched its ISP in June 2000, iCare has achieved growth within our expectations. The growth in ICP users is also encouraging.

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. The e-commerce revenue is at an early stage and we are optimistic that iCare is establishing a strong brand name and solid reputation.

It is anticipated that iCare is well positioned to succeed in establishing itself as the most successful family-oriented Internet business in Hong Kong.

HDC

HDC will actively market Well Tech to increase the occupancy. It will also 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 portfolio and customer base of Henderson Group are key advantages 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 developments.

IT Investments

IT Investments 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.

DIRECTORS' INTERESTS IN SHARES

As at 30th September, 2000, the interests of the Directors of the Company in the equity securities of the Company and its associated corporations 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 GEM Listing Rules 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
	Li Kwok Cheung, Arthur	100	—	—	—	100
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	—	—	1,824,823,007 (Note 6)	1,859,602,943
	Lam Ko Yin, Colin	11,000	—	—	—	11,000
	Li Kwok Cheung, Arthur	20,000	—	—	—	20,000
Henderson China Holdings Limited	Lee Shau Kee	—	—	—	290,608,477 (Note 13)	290,608,477
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 (Note 5)	92,510	—	—	—	92,510
	Li Kwok Cheung, Arthur	191,664	—	—	—	191,664
Miramar Hotel and Investment Company, Limited	Lee Shau Kee	—	—	—	208,773,250 (Note 11)	208,773,250

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

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
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
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:**

- 1 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.
- 2 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.
- 3 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.
- 4 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.
- 5 These shares were jointly held by Mr. Chan Wing Kin, Alfred and his spouse.
- 6 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.
- 7 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.
- 8 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.
- 9 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.

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 have been granted to and accepted by the following directors and chief executive during the financial year as below:—

Granted on 28th June, 2000
at the exercise price of HK\$1.25 per share

Name of director	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 to 66 other grantees on 28th June, 2000 at the exercise price of HK\$1.25 per share, of which 1,400,000 shares granted to 5 grantees have lapsed pursuant to the Option Plan. As at 30th September, 2000, options granted by the Company under the Option Plan to subscribe for a total of 30,600,000 shares of the Company remained outstanding, representing approximately 0.6% of the existing issued share capital of the Company.

Except for the 5 grantees whose options have lapsed, 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.

No options have been 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 financial year 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th September, 2000, the interests of substantial shareholders, other than Directors of the Company, in the ordinary shares of the Company (the "Shares") 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:

- 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.
- 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.
- 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").
- 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.
- 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.
- 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.

COMPETING INTERESTS

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

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

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 GEM of The Stock Exchange of Hong Kong Limited.

Other than the initial public offering referred to above, during the three months ended 30th September, 2000, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTEREST OF SPONSOR

As updated and notified by HSBC Investment Bank Asia Limited (the "Sponsor"), an associate (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) of the Sponsor held 50,152,000 shares (representing approximately 1% of the existing issued share capital of the Company) as at 30th September, 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 as disclosed above, neither 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 Company as at 30th September, 2000.

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.

By Order of the Board

Lee Shau Kee

Chairman

Hong Kong, 13th November, 2000