



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)



SECOND QUARTERLY REPORT Period ended 31st December, 2000

第二季業績報告 截至2000年12月31日

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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 are 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 six months ended 31st December, 2000 amounted to approximately HK\$6,618,000.
- Net loss for the six months ended 31st December, 2000 amounted to approximately HK\$27,577,000.
- The Directors do not recommend the payment of a dividend for the six months ended 31st December, 2000.

HALF-YEAR RESULTS

The board of directors (the "Board") of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and the six months ended 31st December, 2000 together with comparative unaudited proforma combined results for the corresponding periods in 1999 as follows:

	Three months ended 31st December		Six months ended 31st December	
	2000 Consolidated HK\$'000	1999 Proforma Combined HK\$'000	2000 Consolidated HK\$'000	1999 Proforma Combined HK\$'000
Turnover (Note 2)	5,141	1,426	6,618	2,851
Direct cost	(3,860)	(1,428)	(4,736)	(2,855)
	1,281	(2)	1,882	(4)
Other income (Note 3)	12,992	—	25,670	—
Selling and distribution costs	(7,667)	—	(18,676)	—
Administrative expenses	(4,999)	(270)	(9,537)	(270)
Other operating expenses	(16,700)	(214)	(27,520)	(227)
Loss from ordinary activities before taxation	(15,093)	(486)	(28,181)	(501)
Taxation (Note 4)	—	—	—	—
Loss from ordinary activities after taxation	(15,093)	(486)	(28,181)	(501)
Minority interest	366	1	604	1
Loss attributable to shareholders	(14,727)	(485)	(27,577)	(500)
Loss per share (Note 5) Basic	HK0.3 cents	Not Applicable	HK0.6 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 and the six months ended 31st December, 2000, have been prepared using the acquisition accounting method. The results of subsidiaries acquired during the periods are included in the consolidated profit and loss accounts 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 accounts of the Group for the corresponding periods in 1999.

The unaudited proforma combined profit and loss accounts of the Group for the three months and the six months ended 31st December, 1999 include 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 and the six months ended 31st December, 1999.

2 Turnover

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

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 periods.

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 and the six months ended 31st December, 2000 is based on the loss attributable to shareholders of HK\$14,727,000 and HK\$27,577,000 respectively and on the weighted average of 5,000,000,000 and 4,655,570,652 shares in issue during the periods.

The calculation of loss per share in respect of the three months and the six months ended 31st December, 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 and the six months ended 31st December, 2000 because there were no dilutive potential ordinary shares in existence during the periods.

PROFIT & TURNOVER

The Group recorded turnover of HK\$6.6 million for the six months ended 31st December, 2000, compared with HK\$2.9 million based on the proforma combined results for the six months ended 31st December, 1999. The Group's net loss from operations attributable to shareholders for the six months ended 31st December, 2000 was HK\$27.6 million, compared with a loss of HK\$0.5 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 six months ended 31st December, 2000.

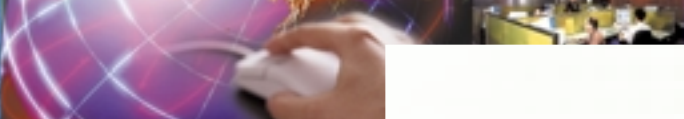
BUSINESS REVIEW

The main focus of the Group during the quarter ended 31st December, 2000 was to establish, develop and prepare for the launch of its local wireless Fixed Telecommunications Network Services ("FTNS") business and further enhance its Internet services and data centre. In addition, the Group aimed to develop its high technology and network infrastructure business.

iCare

iCare's major achievements during the quarter ended 31st December, 2000 included:

- The iCare TV Set-Top Box (the "STB") subscribers, Internet Service Provider ("ISP") users and Internet Content Provider ("ICP") users grew at an overall satisfactory rate to a total of over 80,000 by 31st December, 2000. The iCare portal has become a very popular website in Hong Kong, attracting an average of approximately 55,000 visits per day.
- In order to promote the STB, iCare undertook 29 exhibitions at shopping centres and housing estates in various districts as well as carried out demonstrations at 42 primary and secondary schools. These activities have increased the profile of iCare and we expect will lead to further deployment of STB's although the response during the quarter ended 31st December, 2000 was somewhat slower than expected.
- On 22nd November, 2000, iCare formed an exclusive co-branded shopping site with Microsoft Network ("MSN") Hong Kong. The purpose of this strategic partnership is to further supplement iCare's existing customer base, which mainly comprises adults, with MSN's local customer base of more than 500,000 younger Hotmail users. Together, the iCare-MSN Shop introduced "e-Bargain", the first of its kind e-shopping experience, to bring more fun and local flavour to iCare's e-shoppers.



- During the quarter ended 31st December, 2000, iCare continued with its ongoing efforts to maintain the freshness and attractiveness of both its TV and PC portals. English channels were added, and many relevant topics were introduced, including:
 - Cybercooking - kitchen recipes and vegetarian recipes
 - Life After 5 - weekly horoscope and weekend leisure
 - i-Pretty - chicken soup story and aromatherapy
 - Lifeline - learning on the web
 - Daily Update - real-time financial news
 - Health Watch - daily health tips
 - Money Talk - insurance and credit card
- During the quarter ended 31st December, 2000, iCare developed more content aimed at cross selling iCare's shopping products. Seasonal features, such as the "Christmas Special", proved to be popular.
- In order to retain iCare's website audience and to attract new users, a number of channels have been restructured, such as the Health Watch and @Home channels. A new PC homepage was also launched in mid-November, which not only gives a fresher look to iCare's website, but is also much more informative.
- To introduce iCare's unique and exclusive items (some carrying iCare's private label), the first iCare retail outlet, the iCare Hot Spot, was opened on 13th December, 2000 to provide a "touch and feel" experience on iCare products.
- As at 31st December, 2000, there were over 2,000 items in iCare's cyber mall.
- During the quarter ended 31st December, 2000, iCare continued to work with Microsoft and Legend to further develop the STB. In mid-December 2000, an enhanced version of the iCare Box was unveiled that features an improved keyboard, bilingual functions, enhanced remote control input method, and supports more printer facilities.
- Total revenue for the quarter ended 31st December, 2000 was HK\$3.5 million, an increase of 4 times over the previous quarter. Shopping revenue increased by more than 6 times over the previous quarter. iCare narrowed its loss by HK\$2.4 million as compared with the previous quarter.

Henderson Data Centre ("HDC")

HDC's major achievements during the quarter ended 31st December, 2000 included:

- Achieved satisfactory level of commitments regarding occupancy of the data centre at Well Tech Centre ("Well Tech") in San Po Kong. As the marketing campaign developed momentum and additional value-added services became available, the increase in business in December 2000 was most gratifying.
- Continued with implementation of value-added services to be deployed over next 9 months and developed additional services in response to market demands.
- As Well Tech only has 3 months of full scale operation and many of the occupants are in the process of actually taking up their space, revenue for the quarter ended 31st December, 2000 was negligible.

Eastar

Eastar's major achievements during the quarter ended 31st December, 2000 included:

- As a term of its licence to build and operate a local wireless 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 31st December, 2000, Eastar continued with its activities to meet this schedule.
- As the initial network deployment is at a critical stage, by 31st December, 2000, Eastar's engineering team of 40 staff working with an additional 60 professionals from Eastar's technology partners Nortel, Cisco, Datacraft, Solartronic, Lotus and others were dedicated to deployment. Substantial progress on meeting the terms of the licence had been achieved by 31st December, 2000 and the management is confident that the commitments to the regulatory authorities will be fulfilled.
- Eastar secured premises at New Trend Centre in San Po Kong which will house all operations except where operational synergies and cost savings are better achieved by utilizing facilities of other members of the Group such as:
 - Central Equipment Room was co-located at HDC's Well Tech
 - Call Centre was co-located at Hong Kong and China Gas
 - Network Control Centre was co-located at HDC's Well Tech
- During the quarter ended 31st December, 2000, Eastar focused on building the Engineering and IT teams which are essential to the deployment of its network. Eastar also commenced the building of the Marketing & Sales teams. The budgeted total headcount is not to exceed 100 persons.
- As Eastar is in the midst of network construction, it has no customers and therefore earned no revenue during the quarter ended 31st December, 2000. Its total committed capital expenditures and accumulated operational expenditures as at 31st December, 2000 amounted to less than HK\$100 million.

Future Home

Future Home's major achievements during the quarter ended 31st December, 2000 included:

- Commenced the design of high technology features and network infrastructure at the residential projects located at:
 - Tai Po Town Lot 161, Sam Mun Tsai Road, Tai Po
 - Yuen Long Town Lot 500, Tai Tong Road
 - Service Apartments at 2-20A Minden Avenue
 - 50 Castle Peak Road, Yuen Long
 - 28 Ma Tau Kok Road
- Nearly completed installation of broadband network infrastructure at the King's Park Rise residential project of Henderson Land Development Company Limited.
- Finalized the design of high technology features and network infrastructure at the residential projects located at 2 Bowen Road, 117 Caine Road and 118 Wuhu Street.
- Continued to develop a Customer Relationship System for property management portal, Smart Card System and Car Park System for Henderson Group residential and commercial buildings.
- Total revenue for the quarter ended 31st December, 2000 was HK\$1.8 million.

IT Investments

IT Investments reviewed a number of opportunities during the quarter ended 31st December, 2000 but did not proceed with any investments.

PROSPECTS

The Group has been actively implementing its strategies during the quarter ended 31st December, 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 further 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 with its ongoing expansion of 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 STB 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.

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

HDC

HDC will continue to 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 of the network by the end of 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.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business objectives as set out in the Company's Prospectus dated 4th July, 2000 to the actual business progress up to 31st December, 2000:

Business Objectives

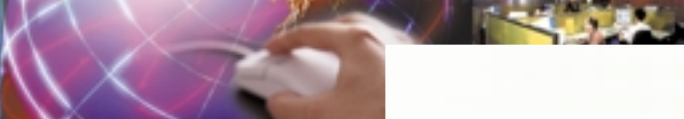
iCare

- Capitalising on its expected "first mover" advantage in Hong Kong by further developing the STB technology in association with Microsoft and establishing the STB technology and launching the STB in August 2000 with a major marketing campaign aimed at Towngas customers.
- Using the free Internet Service Provider ("ISP") model and the additional services offered by iCare to become one of the leading ISPs in Hong Kong.

Actual Business Progress

- Launched the iCare TV STB together with the TV portal on 23rd August, 2000. Over 300 guests and 100 media attended the grand launch ceremony. To promote the STB, iCare undertook 29 exhibitions at shopping centres and housing estates in various districts as well as carried out demonstrations at 42 primary and secondary schools. Our marketing efforts also included TV commercials, newspaper and magazine advertisements, demonstrations at Towngas Customer Service Centres, sales teams making calls in various housing estates, Towngas bill inserts, school promotion programmes and iCare Club meetings.
- iCare continued to work with Microsoft and Legend to further develop the STB. In mid-December 2000, an enhanced version of the iCare Box was unveiled that features an improved keyboard, bilingual functions, enhanced remote control input method, and supports more printer facilities.
- The iCare TV STB subscribers, ISP users and Internet Content Provider ("ICP") users grew at an overall satisfactory rate to a total of over 80,000 by 31st December, 2000. The iCare portal has become a very popular website in Hong Kong, attracting an average of approximately 55,000 visits per day.

- Exploiting a target market of Internet users that has previously been untapped and establishing the iCare portal as the portal and e-shopping provider of choice by tailoring iCare's services to the requirements of its target customers.
- To retain iCare's website audience and to attract new users, a number of channels have been restructured, such as the Health Watch and @Home channels. A new PC homepage was also launched in mid-November, which not only gives a fresher look to iCare's website, but is also much more informative. English channels were added, and many relevant topics were introduced.
- On 22nd November, 2000, iCare formed an exclusive co-branded shopping site with Microsoft Network ("MSN") Hong Kong. The purpose of this strategic partnership is to further supplement iCare's existing customer base, which mainly comprises adults, with MSN's local customer base of more than 500,000 younger Hotmail users. Together, the iCare-MSN Shop introduced "e-Bargain", the first of its kind e-shopping experience, to bring more fun and local flavour to iCare's e-shoppers.
- To introduce iCare's unique and exclusive items (some carrying iCare's private label), the first iCare retail outlet, the iCare Hot Spot, was opened on 13th December, 2000 to provide a "touch and feel" experience on iCare products.
- As at 31st December, 2000, there were over 2,000 items in iCare's cyber mall and 8 vans in the delivery fleet.
- As at 31st December, 2000, the number of full-time staff supporting iCare was approximately 100.
- iCare expects to offer over 1,000 items supplied by more than 20 business partners, with the delivery fleet expanding to 10 vans, by 31st December, 2000.
- The total number of full-time staff supporting iCare (including those Towngas employees engaged pursuant to the Supporting Service Arrangements) is expected to reach approximately 100 by 31st December, 2000.



HDC

- Complete retrofitting and undertake the soft launch of operations of the three floors of the first data centre at the Well Tech Centre (“Well Tech”), San Po Kong, in the second half of 2000, with the official launch being undertaken before the end of such period. The aggregate capital cost of retrofitting Well Tech is expected to be approximately HK\$60 million.
- Undertake a comprehensive marketing programme to attract new customers to the first data centre including promotions and advertisements in newspapers.
- Invite, close the tender invitation and award retrofitting contract of the second data centre at the Big Star Centre, Kowloon Bay.
- It is expected that the foundation work will be completed and construction will commence at the third data centre, the Wealth Centre in Kwun Tong.
- The first data centre at Well Tech in San Po Kong was opened on 1st September, 2000. The aggregate capital cost was approximately HK\$43 million.
- Achieved satisfactory level of commitments regarding occupancy of the data centre at Well Tech. As the marketing campaign developed momentum and additional value-added services became available, the increase in business in December 2000 was most gratifying.
- Invited tender for the main contract of the second data centre at the Big Star Centre, Kowloon Bay, on 21st December, 2000.
- The foundation work of the third data centre at the Wealth Centre, Kwun Tong was completed and pile cap works were in progress as at 31st December, 2000.

Eastar

- Set up sales and marketing offices and customer service centre at the Company’s head office and central equipment centre in San Po Kong.
- Complete the design and testing of the system in association with Nortel and Datacraft by 31st December, 2000 to prepare for the roll-out of the broadband network and services.
- Eastar focused on building the Engineering and IT teams which are essential to the deployment of its network. Eastar also commenced the building of the Marketing & Sales teams.
- Under Network Provision Agreements entered into with each of Datacraft (Cisco Internet Platform) and Nortel Networks (LMDS network equipment and services), shipments of equipment were received by year end.

Future Home

- Designing and developing new application software, integrated systems and high technology services for residential and commercial developments, in order to provide a better environment and “intelligent communities” for their occupants and to meet the increasingly sophisticated technological requirements of the market.
- Future Home will seek design contracts from the Henderson Group to upgrade progressively the broadband network infrastructure of some properties developed, owned or managed by the Henderson Group.
- 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 the Henderson Group.
- 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.
- Installed a broadband network infrastructure at the Casa Marina II residential project of the Henderson Group.
- Nearly completed installation of broadband network infrastructure at the King’s Park Rise residential project of the Henderson Group.
- Commenced the design of high technology features and network infrastructure at the residential projects of the Henderson Group located at:
 - Tai Po Town Lot 161, Sam Mun Tsai Road, Tai Po
 - Yuen Long Town Lot 500, Tai Tong Road
 - Service Apartments at 2-20A Minden Avenue
 - 50 Castle Peak Road, Yuen Long
 - 28 Ma Tau Kok Road

DIRECTORS' INTERESTS IN SHARES

As at 31st December, 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				1,119,869,300 (Note 1)	1,119,869,300
Henderson Investment Limited	Lee Shau Kee	34,779,936			2,004,265,007 (Note 6)	2,039,044,943
	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			110,363,090 (Note 7)	118,162,310
	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
	Li Kwok Cheung, Arthur	191,664				191,664
Miramar Hotel and Investment Company, Limited	Lee Shau Kee				228,201,250 (Note 11)	228,201,250

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 1,114,074,200 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:

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 2,000,000 shares granted to 6 grantees have lapsed pursuant to the Option Plan. Except for the 6 grantees whose options have lapsed, each of the above grantees will be entitled 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.

On 4th October, 2000, options to subscribe for an aggregate of 150,000 shares of the Company were granted to 2 grantees at the exercise price of HK\$0.89 per share pursuant to the Share Option Scheme which was also approved by the shareholders of the Company on 28th June, 2000. The 2 grantees will be entitled to exercise (i) thirty per cent. of the options so granted at any time after the expiry of 12 months from the date of acceptance of the option ("Date of Acceptance"), (ii) a further thirty per cent. of the options so granted at any time after the expiry of 24 months from the Date of Acceptance and (iii) the remaining options at any time after the expiry of 36 months from the Date of Acceptance and, in each case, not later than four years from the Date of Acceptance.

As at 31st December, 2000, options granted by the Company to subscribe for a total of 30,000,000 shares in the Company under the Option Plan and 150,000 shares in the Company under the Share Option Scheme remained outstanding, representing in aggregate approximately 0.6% of the existing issued share capital of the Company.

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.



SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December, 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:

- 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 Chau Kee's family.

COMPETING INTERESTS

Newspeed Technology Limited, a wholly-owned subsidiary of Henderson Investment Limited, the Company's holding company, has a 8.9% interest in iLink.net Holdings Limited, the businesses of which include the operation of data centres in Hong Kong.

Save as disclosed above, 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 six months ended 31st December, 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 31st December, 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 31st December, 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 February, 2001