



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)



THIRD QUARTERLY REPORT Period ended 31st March, 2001

第三季業績報告 截至2001年3月31日

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET
("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED
(THE "EXCHANGE")**

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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 nine months ended 31st March, 2001 amounted to approximately HK\$15,728,000.
- Net loss for the nine months ended 31st March, 2001 amounted to approximately HK\$40,729,000.
- The Directors do not recommend the payment of a dividend for the nine months ended 31st March, 2001.

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 nine months ended 31st March, 2001 and the period from 10th January, 2000 (Date of Incorporation) to 31st March, 2000 together with comparative unaudited proforma combined results for the three months ended 31st March, 2000 and the audited proforma combined results for the nine months ended 31st March, 2000 were as follows:

| | For the three months ended 31st March, 2001 | For the period from 10th January, 2000 (Date of Incorporation) to 31st March, 2000 | For the three months ended 31st March, 2000 | For the nine months ended 31st March, 2001 | For the period from 10th January, 2000 (Date of Incorporation) to 31st March, 2000 | For the nine months ended 31st March, 2000 |
|--|--|--|--|---|--|---|
| | Consolidated HK\$'000 | Consolidated HK\$'000 | Proforma Combined HK\$'000 | Consolidated HK\$'000 | Consolidated HK\$'000 | Proforma Combined HK\$'000 |
| Turnover (Note 2) | 9,110 | — | 566 | 15,728 | — | 3,417 |
| Direct cost | (7,054) | — | (628) | (11,790) | — | (3,483) |
| | 2,056 | — | (62) | 3,938 | — | (66) |
| Other income (Note 3) | 11,201 | — | — | 36,871 | — | — |
| Selling and distribution costs | (6,316) | — | — | (24,992) | — | — |
| Administrative expenses | (4,957) | (1,249) | (4,037) | (14,494) | (1,249) | (4,307) |
| Other operating expenses | (15,485) | (109) | (132) | (43,005) | (109) | (359) |
| Loss from operations | (13,501) | (1,358) | (4,231) | (41,682) | (1,358) | (4,732) |
| Finance costs | (9) | — | — | (9) | — | — |
| Loss from ordinary activities before taxation | (13,510) | (1,358) | (4,231) | (41,691) | (1,358) | (4,732) |
| Taxation (Note 4) | — | — | — | — | — | — |
| Loss from ordinary activities after taxation | (13,510) | (1,358) | (4,231) | (41,691) | (1,358) | (4,732) |
| Minority interest | 358 | — | 20 | 962 | — | 21 |
| Loss attributable to shareholders | (13,152) | (1,358) | (4,211) | (40,729) | (1,358) | (4,711) |
| Loss per share (Note 5) | | | | | | |
| Basic | HK0.26 cents | Not Applicable | Not Applicable | HK0.85 cents | Not Applicable | 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 the Company 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 nine months ended 31st March, 2001 and the period from 10th January, 2000 (Date of Incorporation) to 31st March, 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 2000.

The unaudited proforma combined profit and loss accounts of the Group for the three months ended 31st March, 2000 and the audited proforma combined profit and loss accounts of the Group for the nine months ended 31st March, 2000 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 nine months ended 31st March, 2000.

2 Turnover

Turnover represents income from e-commerce, internet services, data centre services, the sale and hiring of set-top box, consultancy service income and dividend 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 nine months ended 31st March, 2001 is based on the loss attributable to shareholders of HK\$13,152,000 and HK\$40,729,000 respectively and on the weighted average of 5,000,000,000 and 4,768,704,380 shares in issue during the periods.

As a substantial number of shares were issued pursuant to the Reorganisation of the Group on 28th June, 2000 and the loss per share based on 78 shares in issue during the period from 10th January, 2000 (Date of Incorporation) to 31st March, 2000 would not provide a meaningful comparative figure, the Directors considered that the calculation of loss per share for the period is not applicable.

The calculation of proforma loss per share in respect of the three months and the nine months ended 31st March, 2000 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 nine months ended 31st March, 2001 because there were no dilutive potential ordinary shares in existence during the periods.

PROFIT & TURNOVER

The Group recorded turnover of HK\$15.7 million for the nine months ended 31st March, 2001, compared with HK\$3.4 million based on the proforma combined results for the nine months ended 31st March, 2000. The Group's net loss attributable to shareholders for the nine months ended 31st March, 2001 was HK\$40.7 million, compared with a loss of HK\$4.7 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 nine months ended 31st March, 2001.

BUSINESS REVIEW

The main focus of the Group during the quarter ended 31st March, 2001 was to establish, develop and prepare for the launch of its local wireless Fixed Telecommunications Network Services (“FTNS”) business. In addition, the Group aimed to further develop its Internet services, data centre, high technology and network infrastructure businesses.

iCare

iCare’s major achievements during the quarter ended 31st March, 2001 included:

- The fee-based Internet Service Provider (“ISP”) service was launched on 1st January, 2001. The growth in the subscription rate during the quarter ended 31st March, 2001 was encouraging with over 6,600 users acquired during the period. Direct marketing to customers of the Hong Kong and China Gas (“Towngas”) and joint acquisition programmes with strategic partners including MSN, Bank of East Asia, House 18, TD Waterhouse and Ming Pao achieved effective and low-cost acquisition of fee-based ISP customers. iCare is endeavouring to offer an attractively priced dial-up ISP service which includes up to 5 e-mail accounts with a total of 70MB mailbox size. We are pleased that the iCare fee-based ISP service received the highest overall customer satisfaction rating from an independent survey.
- The iCare Internet-on-TV Set-Top Box (the “STB”) subscribers, ISP users and Internet Content Provider (“ICP”) users grew at a healthy pace to a total of over 113,000 by 31st March, 2001.
- Shopping revenue increased by 114% over the previous quarter. The number of shopping orders was over 15,000 in the quarter ended 31st March, 2001. These encouraging results were achieved by the following means:
 - Festive seasonal content was developed for the iCare family portal for Chinese New Year, Valentine’s Day and Women’s Day. For example, the “Love Message Competition” for Valentine’s Day was very well received and attracted many participants. This festive season content facilitated merchandise sales by creating traffic and providing cross-selling opportunities.
 - As part of the ongoing effort to improve the e-shopping experience, a “product category tree” was introduced in iCare portal to facilitate product searching.
 - More daily special products were introduced in the home page of the iCare portal in early March to increase the exposure of featured products and to attract more shoppers.
 - By leveraging on the physical sales channels of Towngas and Henderson Land, iCare launched a number of multi-channel consumer product promotions during the period. The combination of web-based and physical sales/fulfillment channels has shown promising sign.

- In addition to focussing on growth of revenue, iCare continued to focus on cost management including the following areas:
 - The logistics operation in warehouse had been enhanced with the use of hand-held devices for goods receiving and picking. The same device will also be used in the second quarter of this year for customer order processing.
 - The total number of all types of products stocked at the iCare warehouse were kept at around 3,000 to maintain cost effectiveness of the operation. As before, many of the products are stocked on consignment basis. The product mix is continuously being refined.
- The iCare Hot Spot, iCare's first physical retail outlet and show room, was opened in December 2000. The Hot Spot has achieved encouraging results during the quarter ended 31st March, 2001 and is showing promising sign as part of iCare's "clicks and bricks" strategy.
- Subsequent to the launch of Hong Kong's first e-brokering-on-TV service with TD Waterhouse in December 2000, iCare conducted a number of Internet-on-TV courses to educate customers on on-line financial services including stock trading via the STB.
- Total revenue for the quarter ended 31st March, 2001 was HK\$6.93 million, an increase of 99% over the previous quarter. iCare narrowed its loss by HK\$4.4 million as compared with the previous quarter.

Henderson Data Centre ("HDC")

HDC's major achievements during the quarter ended 31st March, 2001 included:

- Continued with the marketing campaign to increase the occupancy of the data centre at Well Tech Centre ("Well Tech") in San Po Kong including:
 - Joint seminar with Roctec, RSA and Cisco on e-Security for e-Business.
 - Server rental promotions with Dell for Intel based servers and Sun Microsystems for Unix based servers and joint product and trade-in programme with Sun Microsystems and Compaq.

- Continued with implementation of value-added services including:
 - Security services such as customer firewall, RSA 2-factor authentication and remote web camera monitoring.
 - Performance services such as pro-active server and network monitoring with escalation and pager alert and bandwidth optimization.
 - Access services such as remote secured server access.
 - Server backup services.
 - System integration services including network operation system, local area network, cabling, filing and mailing systems and software, web site design and implementation.
 - Reporting services such as performance, utilisation and bandwidth optimization.
- HDC continued to focus on cost management including:
 - Securing low cost bandwidth.
 - Ongoing optimization of operation to minimize headcount.
 - Achievement of synergies with various members of the Group to maximize utilisation of resources.
- Total revenue for the quarter ended 31st March, 2001 was HK\$0.19 million.

Eastar

Eastar's major achievements during the quarter ended 31st March, 2001 included:

- As a term of its licence issued by the Office of Telecommunications Authority of Hong Kong ("OFTA") to build and operate a local wireless FTNS network, Eastar was required to deploy by 16th February, 2001 6 network hubsites serving 67 buildings with an aggregate capital expenditure of at least HK\$50 million. Eastar met these commitments to OFTA and the Directors expect to receive a completion certificate from OFTA in due course.

- On 15th March, 2001, Eastar launched its initial services to the commercial sector of Hong Kong including:
 - Supreme-Biz Plan: dedicated leased line 256kb/s service with unlimited access, 30 e-mail accounts each at 5MB capacity, maximum 8 IP addresses, free on-loan Router if 1 year contract signed, free 56k dial-up account and free global domain name.
 - Diamond-Biz Plan: dedicated leased line 128kb/s service with unlimited access, 30 e-mail accounts each at 5MB capacity, maximum 8 IP addresses, free on-loan Router if 1 year contract signed, free 56k dial-up account and free global domain name.
 - Golden-Biz Plan: 1.5mb/s down and 512kb/s up broadband internet access service with unlimited access, 30 e-mail accounts each at 5MB capacity, maximum 8 IP addresses, free on-loan Router if 1 year contract signed, free 56k dial-up account and free global domain name.
 - 56K Dial-up Biz-Plan: 56kb/s dial-up Internet access service with unlimited access during office hours plus first 10 hour outside office hours available free, 1 free e-mail account with 8MB capacity.
 - Co-location Services of 1/4 rack, 1/2 rack, full rack and other services; firewall security, web traffic reporting, server traffic monitoring, server system backup, server performance monitoring, web hosting.
- In order to launch its services Eastar completed the following essential tasks which will continue to be subject to further development and refinement:
 - The network, network operation and related resources.
 - Billing, customer relationship management and customer interaction centre.
 - Sales and marketing.
- Eastar is continuing to adopt a vigilant approach to expenditure including:
 - Utilise outsourcing to technology partners such as Nortel, Cisco, Datacraft, Solartronic, Loftus and others to employ state of the art technology and minimize the build-up of Eastar's own professional staff.
 - Outsource non-core functions such as call centre, bill printing and distribution and logistics support wherever possible.
 - Evaluation of new technologies or network deployments to minimize capital expenditures.
- On 17th February, 2001 Eastar held an official contract signing ceremony with its technology partner Nortel Networks in the presence of the Canadian Prime Minister Jean Chretien and the Team Canada 2001 trade mission.
- As Eastar launched its services on 15th March, 2001, it has minimal revenue amounting to HK\$0.2 million during the quarter ended 31st March, 2001. Such revenue was derived from consulting services rather than the newly launched services. Eastar's total incurred and committed capital expenditures as at 31st March, 2001 amounted to HK\$67.62 million.

Future Home

Future Home's major achievements during the quarter ended 31st March, 2001 included:

- Completion of installation of broadband network infrastructure at the King's Park Rise residential project of Henderson Land.
- Reached completion stage of the network infrastructure installation at the residential projects located at 2 Bowen Road and 117 Caine Road.
- Continued 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
 - 124 - 130 Tai Po Road
- Continued with the development of a Customer Relationship System for property management portal and a Smart Card System and Car Park System for Henderson Group residential and commercial buildings.
- Commenced the design of the Car Park System at:
 - Miramar Hotel
 - Yuen Long Town Lot 500, Tai Tong Road
 - 2 Bowen Road
 - 124-130 Tai Po Road
 - 28 Ma Tau Kok Road
- Commenced the IT infrastructure consolidation and upgrade study for Well Born Real Estate Management Limited.
- Total revenue for the quarter ended 31st March, 2001 was HK\$2 million.

IT Investments

IT Investments reviewed a number of opportunities during the quarter ended 31st March, 2001 but did not proceed with any investments during the quarter.

IT Investments received a dividend in the amount of HK\$0.14 million in respect of its approximately 4.76% interest in Roctec Technology Limited.

PROSPECTS

The Group has been actively implementing its strategies during the quarter ended 31st March, 2001. 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 Towngas.

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 Towngas and Henderson Group to accelerate entry to other markets.

iCare

The business to consumer ("B2C") segment of the e-commerce marketplace has proven to present challenges to virtually all participants the world over. iCare has gained a lot of experience since its inception and has adjusted its strategies accordingly on an ongoing basis.

The basic strength of iCare is the ability to access the large customer bases of Towngas and Henderson Group. iCare has established a strong brand name and a solid reputation which will enable it to continue with new and evolving ways to capitalize on its basic strength.

The Directors believe that iCare is well positioned to succeed in establishing itself as the "ultimate family Internet experience".

HDC

HDC will actively market Well Tech to increase the occupancy. It will also continue to introduce further value-added services which will increase the attractiveness of Well Tech.

HDC will continue with its exploration of partnerships with operators outside of Hong Kong with a particular focus on Greater China.

HDC will proceed with the evaluation of various alternatives regarding additional data centres in Hong Kong and Greater China in light of HDC's experience and market demand.

Now that Eastar has launched its services HDC and Eastar will achieve considerable synergy in their marketing efforts which will assist HDC.

Eastar

Eastar has achieved the critical first step of meeting its commitments to OFTA regarding the deployment of its network and commencement of its operation. Eastar will now focus on the marketing of its services. The large building portfolio and customer base of Henderson Group are key advantages in Eastar's deployment and marketing strategies.

Eastar will constantly monitor the fast-changing market conditions and developments in technology and network deployment which are a fact of life for a technology and communications operator. Eastar will make any necessary adjustments quickly and having regard to cost-effectiveness and revenue-generation capability.

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 focus on the development, installation and promotion of the Customer Relationship System, Smart Card System and Car Park Systems for Henderson Group developments and is exploring the opportunities to provide these systems to other customers.

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 31st March, 2001, 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 | | | | 1,120,352,300 (Note 1) | 1,120,352,300 |
| Henderson Investment Limited | Lee Shau Kee | 34,779,936 | | | 2,064,260,007 (Note 6) | 2,099,039,943 |
| | 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 1,114,557,200 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

(i) Options to subscribe for shares in the Company

At 31st March, 2001, the following Directors and Chief Executive of the Company had interests in options to subscribe for shares ("Share Options") in the Company, which were granted on 28th June, 2000 and have been accepted by the Directors and Chief Executive during the period, under the Pre-IPO Share Option Plan (the "Option Plan") approved by the shareholders of the Company on 28th June, 2000:-

| Name of Director | Number of Share Options at 1st July, 2000 | Number of Share Options offered and accepted during the period | Number of Share Options outstanding at 31st March, 2001 |
|-------------------------|---|--|---|
| Dr. Lee Shau Kee | — | 2,400,000 | 2,400,000 |
| Chan Wing Kin, Alfred | — | 1,200,000 | 1,200,000 |
| Lam Ko Yin, Colin | — | 1,200,000 | 1,200,000 |
| Lee Ka Kit | — | 1,200,000 | 1,200,000 |
| Lee Ka Shing | — | 1,200,000 | 1,200,000 |
| Yip Ying Chee, John | — | 1,200,000 | 1,200,000 |
| Dr. Li Kwok Po, David | — | 1,200,000 | 1,200,000 |
| Professor Ko Ping Keung | — | 1,200,000 | 1,200,000 |
| Name of Chief Executive | | | |
| Douglas H. Moore | — | 1,200,000 | 1,200,000 |

Each of the above Directors and Chief Executive will be entitled to exercise at the price of HK\$1.25 per share (i) thirty per cent. of the Share Options so granted at any time after the expiry of 12 months from 14th July, 2000, (ii) a further thirty per cent. of the Share Options so granted at any time after the expiry of 24 months from 14th July, 2000 and (iii) the remaining Share 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.

Apart from the above Directors and Chief Executive, Share Options to subscribe for an aggregate of 20,000,000 shares of the Company have been granted to 66 other grantees on 28th June, 2000 at the exercise price of HK\$1.25 per share, of which 2,100,000 shares granted to 8 grantees have lapsed pursuant to the Option Plan. Except for the 8 grantees whose Share Options have lapsed, the Share Options granted to each of the above grantees are subject to the same limitations on timing of exercise as those of the above Share Options granted to the Directors and Chief Executive.

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 under the Share Option Scheme which was also approved by the shareholders of the Company on 28th June, 2000. An option to subscribe for 50,000 shares granted to one of the grantees has lapsed pursuant to the Share Option Scheme. The other grantee will be entitled to exercise (i) thirty per cent. of the option 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 option so granted at any time after the expiry of 24 months from the Date of Acceptance and (iii) the remaining option 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 March, 2001, Share Options granted by the Company to subscribe for a total of 29,900,000 shares in the Company under the Option Plan and 100,000 shares in the Company under the Share Option Scheme remained outstanding, representing in aggregate 0.6% of the existing issued share capital of the Company.

(ii) Options to subscribe for shares in associated corporation

At 31st March, 2001, Mr. Lam Ko Yin, Colin, a Director of the Company, had an option to subscribe for 1,500,000 shares in Henderson China Holdings Limited, an associated corporation of the Company, which he will be entitled to exercise at the price of HK\$4.00 per share at any time in whole or in part during the period of three years commencing on 21st August, 2001.

Except for the above, at no time during the period was the Company or any of its holding companies, subsidiary companies or fellow subsidiaries 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 March, 2001, 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 Note 1 and Note 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.
- 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 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 nine months ended 31st March, 2001, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTEREST OF SPONSOR

As notified by the Company's retained sponsor, The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), an associate (as defined in Note 3 to Rule 6.35 of the GEM Listing Rules) of HSBC held 50,152,000 shares (representing approximately 1% of the issued share capital of the Company) as at 31st March, 2001.

Pursuant to the sponsor's agreement dated 3rd July, 2000 entered into between the Company and HSBC Investment Bank Asia Limited ("HIBA") and the novation agreement ("Novation Agreement") dated 29th January, 2001 entered into between the Company, HIBA and HSBC, HSBC will receive a fee for acting as the Company's retained sponsor for the period from 29th January, 2001, the date on which the Novation Agreement takes effect, to 30th June, 2002.

Save for the above, HSBC has no other interest in the Company as at 31st March, 2001.

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, 11th May, 2001

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