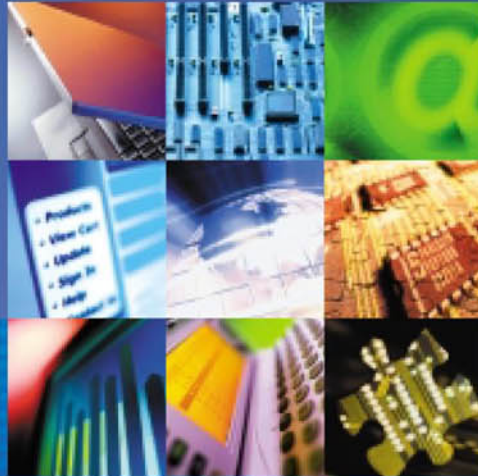




**hendersoncyber**



## **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, 2001

**第二季業績報告**

截至 2001 年 12 月 31 日

\* 僅供識別

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

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

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

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

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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.*

## SUMMARY OF RESULTS

- Turnover for the six months ended 31st December, 2001 amounted to approximately HK\$34,759,000.
- Net loss for the six months ended 31st December, 2001 amounted to approximately HK\$30,112,000.
- The Directors do not recommend the payment of a dividend for the six months ended 31st December, 2001.

## PROFIT & TURNOVER

The Group recorded turnover of HK\$34.8 million for the six months ended 31st December, 2001, compared with HK\$6.6 million for the six months ended 31st December, 2000. The Group's net loss from operations attributable to shareholders for the six months ended 31st December, 2001 was HK\$30.1 million, compared with a loss of HK\$27.6 million for 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, 2001.

## BUSINESS REVIEW

For the quarter ended 31st December, 2001, turnover of the Group was recorded at HK\$17.5 million, showing an increase of 2.4 times over that registered in the second quarter in the previous financial year contributed mainly by the substantial increase in the retailing segment of the Group's business. Other revenues, mainly represented by interest income from debt securities and deposits, amounted to HK\$4.7 million as compared with HK\$13.0 million recorded in the corresponding quarter of financial year 2001 as a result of significant fall in interest rates during the period under review.

Direct costs and operational expenses of HK\$39.2 million was recorded in the quarter under review which showed an increase on the HK\$33.2 million figure registered in the corresponding quarter of financial year 2001. Loss from operations in the quarter under review was shown at HK\$16.9 million, representing a corresponding increase of 12% and resulted in loss attributable to shareholders of HK\$16.1 million for the quarter under review. With the Group maintaining alert to make any necessary adjustments quickly having regard to cost-effectiveness and revenue-generation capability in the conduct of its business activities, the Group stands in a good position to contain its loss from operations whilst constantly seeking means for improvement of its overall business performance.

The Group is in a very strong and liquid financial position with outstanding indebtedness and contingent liabilities being kept at a relatively low level. Reflecting the Group's conservative and prudent approach in controlling its capital expenditures, the Group retained totally HK\$684 million in bank deposits and holdings of investment-grade debt securities at the end of the quarter under review out of the HK\$894 million net proceeds raised from its initial public offering in July 2000.

The main focus of the Group during the quarter ended 31st December, 2001 was to further develop its Internet services, data centre, high technology and network infrastructure businesses and to undertake a strategic review of its local wireless Fixed Telecommunications Network Services ("FTNS") business.

## **iCare**

iCare's major achievements during the quarter ended 31st December, 2001 included:

- The new iCare IDD service, iCare1608, was successfully launched in December 2001 via comprehensive promotion campaigns featuring:
  - Posters, leaflets and leaflet stands, and a note pad premium.
  - Bill inserts offering first month's usage rebate to Towngas users commencing 3rd December, 2001.
  - A joint promotion with Bank of East Asia to offer a 1-month free trial of Internet Service Provider ("ISP") service and \$50 free usage of iCare IDD service.
  - A cross selling programme at Customer Service Hotline to promote iCare IDD service to existing subscribers.
  - Attractive and straightforward tariff plan, excellent call quality and superior customer service.

iCare has registered encouraging responses in terms of subscriptions and call volume since its launch.

- The second round of ISP premium promotion was launched in November, and was supported by print ads, on-line ads and was also featured in the Towngas bill inserts. With gift premiums such as multi-tool card, foldable armchair, cordless phone and multi-media speakers, the promotion has boosted subscription of the 12-month plan from 14% to 30%, as compared with last round of ISP premium promotion. The growth of ISP subscription continued steadily, despite a decrease in overall narrowband users in Hong Kong.
- The iCare Internet-on-TV Set-Top Box ("STB") subscribers, ISP users, Internet Content Provider ("ICP") users and IDD subscribers grew to a total of over 160,000 by 31st December, 2001.
- New website content was introduced including:
  - A special feature on cash management was introduced in October which included psychology tests on spending attitudes, useful money saving tips and other financial information.
  - Festive attraction, such as a Christmas eCard design competition has attracted over 30 entries and thousands of voting participants.
  - Special features recommending dining places, entertainment, romance and leisure were provided to customers and viewers. A Gift Wizard recommending presents for family members or friends was introduced and has boosted on-line gift shopping.
  - The iCare website was revamped in October to introduce new home page design with the inclusion of instant news tickers, daily products promotion for e-shopping, marketing promotional scroll tickers and highlights of new contents. The new interface was designed for easy navigation. New interactive forums such as Beauty Q&A, Tsang Sir Home DIY Q&A, etc were added and were welcomed by users.

- In a survey conducted by Nielsen//NetRatings in 2001, iCare's shopping site was ranked one of the top 3 Hong Kong shopping websites in Hong Kong for the second consecutive year.
- The clicks and bricks strategy was further developed as follows:
  - The direct marketing channel has continually proved to be an effective means to generate sales. Promotional offers from various suppliers such as digital cameras, LCD monitors, bedding sets and perfume sets have generated satisfactory revenue in the quarter.
  - Riding on the success of the first iCare Hot Spot in Causeway Bay, the second one was opened in December next to the Tsuen Wan MTR Station to cater for customers in Kowloon and the New Territories. The iCare Hot Spots serve as effective display centres and direct retail outlets for iCare's products and have continued to register encouraging growth during the quarter.
- Total revenue for the quarter ended 31st December, 2001 was HK\$16.3 million, an increase of more than 3 times over the corresponding quarter of the previous year. iCare narrowed its loss by HK\$9.6 million as compared with the corresponding quarter of previous year.

### ***Henderson Data Centre ("HDC")***

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

- Continued with marketing campaigns to increase the occupancy of the data centre at Well Tech Centre ("Well Tech") including co-marketing with Henderson Group's companies and cross selling to Easar's customer base.
- Continued to enrich value-added services offerings including:
  - Data backup
  - Application monitoring
  - Traffic management
  - Network security
- Increased the Internet bandwidth, local and international, to cater for different customer demands.
- Merged technical operations with Easar.
- Continued to focus on cost management by maximizing the utilization of existing resources.
- Total revenue for the quarter ended 31st December, 2001 was HK\$1.1 million. In comparison, the total revenue for the quarter ended 31st December, 2000, the prior financial year, was negligible as Well Tech only had 3 months of full scale operation and many of the occupants were in the process of actually taking up their space.



### ***Eastar***

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

- Continued with the evaluation of new technologies and suppliers in order to enhance Eastar's broadband network with more advanced technology at the lowest cost.
- Conducted a trial launch of technologies similar to Very high speed Digital Subscriber Line ("VDSL") in a few commercial buildings.
- Performed voice/video over IP testing for the development of new value-added services.
- Continued with the implementation of blockwiring projects in some selective property sites of Henderson Group.
- Continued with the discussions of the agreements regarding the usage of blockwiring with New World Telephone, Wharf New T&T and Hutchison Global Crossing.
- Scaled down to a smaller workforce and merged the technical operations with Henderson Data Centre.
- Total revenue for the quarter ended 31st December, 2001 was HK\$0.4 million. In comparison, the total revenue for the quarter ended 31st December, 2000, the prior financial year, was nil as Eastar was in the midst of network construction and therefore had no customers.

### ***Future Home***

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

- Commenced to install Car Park Management System in one Henderson Group estate.
- Completed the design of IT infrastructure consolidation and upgrade for Goodwill Management Limited.
- Completed the initial study of IT infrastructure consolidation and upgrade for Hang Yick Properties Management Limited.
- Implemented the idHOME System which includes Property Management System, Customer Relationship Management System, Facilities Booking System and information broadcast through TV to over ten thousand households managed by Well Born Real Estate Management Limited.
- Developed and introduced an Attendance and Access Control System with smart card and image verification facility to E Man Construction Company Limited, Heng Tat Construction Company Limited, Heng Shung Construction Company Limited and Heng Lai Construction Company Limited.
- Total revenue for the quarter ended 31st December, 2001 was HK\$0.7 million. In comparison, the total revenue for the quarter ended 31st December, 2000, the prior financial year, was HK\$1.8 million.

### ***IT Investments***

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

### PROSPECTS

The Group has been actively implementing its strategies during the quarter ended 31st December, 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 seeks to integrate its existing businesses and wherever feasible, to offer “one-stop shopping” and move up the value chain by bundling services together to create higher 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, while focused on implementing its strategies in Hong Kong, is also looking for 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*

iCare aims to become the portal of choice for PC users. iCare will continue to expand the breadth of its infotainment and e-commerce offerings on its portal site. The rich content and desirable offerings will make it a popular site for both STB subscribers and PC users via the ISP. iCare will also aggressively expand its IDD and shopping businesses.

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

#### *HDC*

HDC will continue to actively market Well Tech to the customer base of Henderson Group and beyond. HDC will continue to cautiously manage the operating expenses with respect to the revenue-generation potential.

#### *Estar*

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

The policy of Office of Telecommunications Authority of Hong Kong (“OFTA”) to fully liberalize the local FTNS market is crucial to all service providers and Estar will closely monitor the situation.



### ***Future Home***

Future Home will continue to provide and upgrade existing IT infrastructure for companies in the Henderson Group.

Future Home will focus on the development, installation and promotion of the idHOME System (which includes Property Management System and Customer Relationship Management System), Smart Card System and Car Park Management Systems for Henderson Group developments and is exploring 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.



## INTERIM FINANCIAL STATEMENTS

## Consolidated Profit and Loss Account - Unaudited

	Note	Three months ended 31st December		Six months ended 31st December	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	2(a)	17,462	5,141	34,759	6,618
Other revenue		4,742	12,992	11,553	25,670
		<u>22,204</u>	<u>18,133</u>	<u>46,312</u>	<u>32,288</u>
Direct costs and operating expenses		(31,413)	(20,560)	(63,091)	(32,256)
Selling and distribution costs		(3,144)	(7,667)	(6,805)	(18,676)
Administrative expenses		(4,595)	(4,999)	(8,035)	(9,537)
		<u>(16,948)</u>	<u>(15,093)</u>	<u>(31,619)</u>	<u>(28,181)</u>
Loss from operations		(16,948)	(15,093)	(31,619)	(28,181)
Finance costs		(10)	—	(15)	—
		<u>(16,958)</u>	<u>(15,093)</u>	<u>(31,634)</u>	<u>(28,181)</u>
Share of losses of jointly controlled entities		(3)	—	(20)	—
Loss from ordinary activities before taxation	3	(16,961)	(15,093)	(31,654)	(28,181)
Taxation	4	—	—	—	—
Loss from ordinary activities after taxation		<u>(16,961)</u>	<u>(15,093)</u>	<u>(31,654)</u>	<u>(28,181)</u>
Minority interests		870	366	1,542	604
Loss attributable to shareholders		<u>(16,091)</u>	<u>(14,727)</u>	<u>(30,112)</u>	<u>(27,577)</u>
Loss per share	6				
Basic		<u>HK0.3 cents</u>	<u>HK0.3 cents</u>	<u>HK0.6 cents</u>	<u>HK0.6 cents</u>

No separate statement of recognised gains and losses has been prepared as the net loss for the periods would be the only component of this statement.

## Condensed Consolidated Balance Sheet

	Note	At 31st December 2001 (Unaudited) HK\$'000	At 30th June 2001 (Audited) HK\$'000
Non-current assets			
Fixed assets	7	<b>172,322</b>	178,827
Interests in jointly controlled entities		<b>19</b>	1
Investment in securities	8	<b>340,562</b>	61,060
		<b>512,903</b>	239,888
Current assets			
Inventories		<b>14,827</b>	15,154
Accounts receivable, deposits and prepayments	9	<b>17,615</b>	9,450
Cash and cash equivalents	10	<b>405,727</b>	735,225
		<b>438,169</b>	759,829
Current liabilities			
Unsecured bank overdraft		<b>1,340</b>	1,828
Accounts payable and accrued expenses	11	<b>43,721</b>	61,974
		<b>45,061</b>	63,802
Net current assets		<b>393,108</b>	696,027
Total assets less current liabilities		<b>906,011</b>	935,915
Minority interests		<b>(2,522)</b>	(2,314)
Net assets		<b>903,489</b>	933,601
Capital and reserves			
Share capital	12	<b>500,000</b>	500,000
Reserves	13	<b>403,489</b>	433,601
		<b>903,489</b>	933,601

**Condensed Consolidated Cash Flow Statement - Unaudited**

	Six months ended	
	31st December	
	2001	2000
	HK\$'000	HK\$'000
Net cash outflow from operating activities	<b>(41,950)</b>	(46,237)
Net cash inflow from returns on investments and servicing of finance	<b>7,128</b>	16,886
Net cash outflow from investing activities	<b>(295,938)</b>	(89,835)
Net cash outflow before financing	<b>(330,760)</b>	(119,186)
Net cash inflow from financing	<b>1,750</b>	895,037
(Decrease) / increase in cash and cash equivalents	<b>(329,010)</b>	775,851
Cash and cash equivalents at 1st July	<b>733,397</b>	6,302
Cash and cash equivalents at 31st December	<b>404,387</b>	782,153

## **Notes to the Interim Financial Statements (Unaudited)**

### **1 Basis of Preparation**

The interim financial statements are unaudited but have been reviewed by the Audit Committee.

The interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants and the disclosure requirements set out in Chapter 18 of The Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

The principal accounting policies adopted in the interim financial statements are consistent with those followed in the 2000/2001 annual accounts, except as described below.

#### (a) Held-to-maturity securities

Dated debt securities that the Group have the ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less any provisions for diminution in value. Provisions are made when carrying amounts are not expected to be fully recovered and are recognised as an expense in the profit and loss account, such provisions being determined for each investment individually.

#### (b) Goodwill/negative goodwill

In the current period, the Group has adopted SSAP No.30 “Business Combinations” and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st July, 2001 is held in reserves and will be charged to the profit and loss account at the time of disposal of the relevant subsidiary or jointly controlled entity, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st July, 2001 will be credited to income at the time of disposal of the relevant subsidiary or jointly controlled entity.

Goodwill arising on acquisitions after 1st July, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st July, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

## 2 Segmental Information

(a) The analysis of the Group's revenue and segment result by business during the periods are as follows:

### For the six months ended 31st December, 2001

	Retailing		Business Services		Building System Services		Elimination	Consolidated
	Goods HK\$'000	Internet HK\$'000	Data Centre HK\$'000	Network HK\$'000	Consultancy HK\$'000	Application Service Provider HK\$'000		
Turnover	15,034	17,739	517	342	775	352	—	34,759
Other revenue	—	49	—	—	—	—	—	49
Revenue from external customers	15,034	17,788	517	342	775	352	—	34,808
Inter-segment revenue	3	—	1,466	175	—	—	(1,644)	—
<b>Total</b>	<b>15,037</b>	<b>17,788</b>	<b>1,983</b>	<b>517</b>	<b>775</b>	<b>352</b>	<b>(1,644)</b>	<b>34,808</b>
Segment result	(5,742)	(7,641)	(8,342)	(19,754)	(168)	(544)	34	(42,157)
Interest income from debt securities and bank deposits								11,504
Unallocated expenses								(966)
Loss from operations								(31,619)

For the six months ended 31st December, 2000

	Retailing		Business Services		Building System Services		Elimination	Consolidated
	Goods HK\$'000	Internet HK\$'000	Data Centre HK\$'000	Network HK\$'000	Consultancy HK\$'000	Application Service Provider HK\$'000		
Turnover	1,611	2,206	23	—	2,778	—	—	6,618
Other revenue	—	49	—	—	—	—	—	49
Revenue from external customers	1,611	2,255	23	—	2,778	—	—	6,667
Inter-segment revenue	—	—	—	—	—	—	—	—
Total	<u>1,611</u>	<u>2,255</u>	<u>23</u>	<u>—</u>	<u>2,778</u>	<u>—</u>	<u>—</u>	<u>6,667</u>
Segment result	(1,912)	(32,143)	(9,548)	(8,869)	(459)	—	—	(52,931)
Interest income from bank deposits								25,621
Unallocated expenses								(871)
Loss from operations								<u>(28,181)</u>

(b) No geographical analysis of each segment is shown as less than 10% of the Group's revenue and loss from operations are derived from activities outside Hong Kong.

To 31st December, 2001

**3 Loss from Ordinary Activities Before Taxation**

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

	Three months ended 31st December		Six months ended 31st December	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Finance costs				
- interest expenses on bank overdrafts repayable on demand	10	—	15	—
Depreciation	7,425	3,594	14,463	5,130
Cost of inventories sold	7,222	2,078	14,915	2,512

**4 Taxation**

No provision has been made for Hong Kong Profits Tax as the Group sustained losses for taxation purposes during the period.

No provision for deferred taxation has been made as the Group has a net potential deferred tax asset at the balance sheet date, the future realisation of which is uncertain.

**5 Interim Dividend**

No dividend has been paid or declared by the Company for the six months ended 31st December, 2001 (2000: HK\$Nil).

**6 Loss Per Share**

The calculation of basic loss per share for the three months and the six months ended 31st December, 2001 is based on the loss attributable to shareholders of HK\$16,091,000 and HK\$30,112,000 (2000: HK\$14,727,000 and HK\$27,577,000) respectively and on the weighted average number of 5,000,000,000 and 5,000,000,000 (2000: 5,000,000,000 and 4,951,086,956) shares respectively in issue during the periods. The weighted average number of shares for the corresponding periods in 2000 has been adjusted for the effect of capitalisation issue following the initial public offering of the Company's shares.

Diluted loss per share is not presented for the three months and six months ended 31st December, 2001 and 31st December, 2000 because there were no dilutive potential shares in existence during the periods.

**7 Fixed Assets**

During the period from 1st July, 2001 to 31st December, 2001, the Group had additions to data centre and network equipment and facilities in the amount of HK\$7,545,000.

## 8 Investment in Securities

	At 31st December 2001 HK\$'000	At 30th June 2001 HK\$'000
Held-to-maturity debt securities		
- listed outside Hong Kong	72,292	—
- unlisted	207,210	—
	<u>279,502</u>	<u>—</u>
Investment securities		
Unlisted equity securities	61,060	61,060
	<u>340,562</u>	<u>61,060</u>
Market value of listed securities	<u>72,306</u>	<u>—</u>

## 9 Accounts Receivable, Deposits and Prepayments

(a)

	At 31st December 2001 HK\$'000	At 30th June 2001 HK\$'000
Trade receivable	5,881	1,860
Other receivable, deposits and prepayments	11,734	7,590
	<u>17,615</u>	<u>9,450</u>

At 31st December, 2001, amounts due from fellow subsidiary companies and affiliated companies of HK\$1,415,000 (at 30th June, 2001: HK\$ Nil) and HK\$531,000 (at 30th June, 2001: HK\$ Nil) respectively are included in the trade receivable.

(b) The Group maintains a defined credit policy, the general credit term is 30 to 90 days. The ageing analysis of trade receivable (net of provision for bad debt) is as follows:

	At 31st December 2001 HK\$'000	At 30th June 2001 HK\$'000
Within 1 month	4,337	1,280
More than 1 month but less than 3 months	955	390
More than 3 months but less than 6 months	501	130
More than 6 months	88	60
	<u>5,881</u>	<u>1,860</u>



To 31st December, 2001

**10 Cash and Cash Equivalents**

	At 31st December 2001 HK\$'000	At 30th June 2001 HK\$'000
Deposits with banks	404,108	733,867
Cash at bank and in hand	1,619	1,358
	<u>405,727</u>	<u>735,225</u>

**11 Accounts Payable and Accrued Expenses**

(a)

	At 31st December 2001 HK\$'000	At 30th June 2001 HK\$'000
Trade payable	9,297	17,523
Other payable and accrued expenses	34,424	44,451
	<u>43,721</u>	<u>61,974</u>

At 31st December, 2001, amounts due to intermediate holding company and affiliated company of HK\$5,629,000 (at 30th June, 2001: HK\$5,345,000) and HK\$ Nil (at 30th June, 2001: HK\$682,000) respectively are included in the other payable.

(b) The analysis of the trade payable by due date is as follows:

	At 31st December 2001 HK\$'000	At 30th June 2001 HK\$'000
Within 1 month and on demand	8,641	9,723
After 1 month but within 3 months	656	7,800
	<u>9,297</u>	<u>17,523</u>

## 12 Share Capital

	No. of shares		Nominal value	
	At 31st December 2001 '000	At 30th June 2001 '000	At 31st December 2001 HK\$'000	At 30th June 2001 HK\$'000
Authorised ordinary shares of HK\$0.1 each	<b>10,000,000</b>	10,000,000	<b>1,000,000</b>	1,000,000
Issued and fully paid ordinary shares of HK\$0.1 each	<b>5,000,000</b>	5,000,000	<b>500,000</b>	500,000

## 13 Reserves

	Capital reserve on consolidation HK\$'000	Share premium HK\$'000	Profit and loss account HK\$'000	Total HK\$'000
At 1st July, 2001	86,179	443,707	(96,285)	433,601
Loss for the period	—	—	(30,112)	(30,112)
At 31st December, 2001	<b>86,179</b>	<b>443,707</b>	<b>(126,397)</b>	<b>403,489</b>

**14 Commitments**

## (a) Capital commitments

At 31st December, 2001, the Group had capital commitments contracted but not provided for in the accounts in respect of:

	<b>At 31st December 2001 HK\$'000</b>	At 30th June 2001 HK\$'000
Acquisition of telecommunications network infrastructure	<b>3,337</b>	5,421
Website development costs	<b>822</b>	1,521
Refurbishment and equipment costs of data centre	<b>673</b>	1,376
Acquisition of other fixed assets	<b>617</b>	911
	<b>5,449</b>	9,229

## (b) Operating leases commitments

At 31st December, 2001, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Properties		Telecommunications network facilities	
	<b>At 31st December 2001 HK\$'000</b>	At 30th June 2001 HK\$'000	<b>At 31st December 2001 HK\$'000</b>	At 30th June 2001 HK\$'000
Leases expiring:				
Within 1 year	<b>2,642</b>	2,460	<b>2,665</b>	7,512
After 1 year but within 5 years	<b>1,143</b>	1,868	<b>25</b>	98
	<b>3,785</b>	4,328	<b>2,690</b>	7,610

**15 Contingent Liabilities**

As at 31st December, 2001, there were contingent liabilities in respect of performance bond guaranteed by a bank on behalf of a subsidiary of the Group amounting to HK\$19,000,000 (at 30th June, 2001: HK\$19,000,000). The performance bond was provided in accordance with the terms of the Fixed Telecommunication Network Services Licence granted to the subsidiary on 16th February, 2000.

## 16 Material Related Party Transactions

The Group had the following material transactions with related parties during the period from 1st July, 2001 to 31st December, 2001:

- (a) Pursuant to various agreements on 28th June, 2000:
  - (i) Licence fees payable to fellow subsidiaries in respect of the rights for the Group to install network equipment relating to the provision of local wireless Fixed Telecommunications Network Services ("FTNS") in buildings developed, owned and/or managed by the fellow subsidiaries amounted to HK\$569,000 (the corresponding period in 2000: HK\$106,000). Related rental deposits paid by the Group amounted to HK\$320,000 at 31st December, 2001 (at 30th June, 2001: HK\$320,000);
  - (ii) Income from provision of high technology infrastructure design and consultancy services, to properties developed, owned and/or managed by fellow subsidiaries of the Group amounted to HK\$218,000 (the corresponding period in 2000: HK\$1,284,000);
  - (iii) Service fees paid to a fellow subsidiary for provision of legal, secretarial, accounting, computer and other related services and the use of office equipment at reimbursement costs amounted to HK\$500,000 (the corresponding period in 2000: HK\$1,078,000);
  - (iv) Service fees received from fellow subsidiaries in respect of provision of software system support services to properties developed or managed by some fellow subsidiaries amounted to HK\$909,000 (the corresponding period in 2000: HK\$1,494,000); and
  - (v) At 31st December, 2001, rental deposit of HK\$2,515,000 (at 30th June, 2001: HK\$2,515,000) was paid to a fellow subsidiary in respect of a building developed by the fellow subsidiary to be leased to the Group. The building was under construction as at 31st December, 2001.
- (b) Sale of consumer goods to certain fellow subsidiaries of the Group amounted to HK\$2,096,000 (the corresponding period in 2000: Nil).
- (c) Sale of consumer goods to an affiliated company of the Group amounted to HK\$6,614,000 (the corresponding period in 2000: HK\$125,000).
- (d) Staff costs were reimbursed from an affiliated company of the Group in the amount of HK\$641,000 (the corresponding period in 2000: HK\$900,000) based on the costs incurred for sharing of administrative services.
- (e) The amount due to intermediate holding company, amounts due from fellow subsidiary companies and amounts due from / (to) affiliated company at 31st December, 2001 and 30th June, 2001 are shown in note 9 and note 11.

## 17 Comparative Figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

## 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 during the six months ended 31st December, 2001:

### Business Objectives

#### *iCare*

- In order to cater for the increasing popularity of broadband Internet access that is expected in this period, iCare expects to begin to explore means of providing more three-dimensional and video oriented content.
- iCare expects to continue to add new content services to its portal as well as enhancing existing content and services. The iCare portal is expected to offer over 3,000 items by the end of this period.

### Actual Business Progress

- No substantial progress in providing three-dimensional and video oriented content during the period due to lower than expected market demand and business opportunity.
- Pet Photo Contest was held in July to promote the use of iCare digital photo album. In addition, on-line ordering of digital photo processing was also provided.
- Fund investment and on-line Q&A were introduced in the financial channel (Money Talk) in mid-September.
- New interactive forums such as Beauty Q&A and Tsang Sir Home DIY Q&A were introduced in October.
- The website was revamped in October to introduce new home page design with the inclusion of instant news tickers and daily product promotion for e-shopping.
- Special on-line promotional coupons for Karting Mall were offered to customers, which featured instant booking and special discounts.
- Seasonal attractions, such as special travel offer in summer, Christmas eCard design competition and gift wizard were introduced to enhance existing content and to promote sales.
- As at 31st December, 2001, there were around 3,000 items offered in iCare portal.



### **HDC**

- The construction of the third data centre is expected to be completed by the end of this period.
- The tender will be awarded for the retrofit of the third data centre at Kwun Tong for a total capital cost of about HK\$350 million.
- HDC also expects to undertake a comprehensive marketing programme to attract new customers to the third data centre, including offering discounted rates and special promotions and advertisements.
- The construction of the third data centre was suspended due to reduced market demand. The key focus was on increasing occupancy at Well Tech and enhancing service profiles.
- Not applicable as third data centre has not been built.
- Not applicable as third data centre has not been built.

### **Eastar**

- Eastar expects to continue to expand the districts covered by the service and to expand the range of value added services. The target is to install at least five new LMDS hub sites during this period.
- A more cost-effective means for network deployment was considered in light of intense competition and increasing liberalization of the telecommunications industry. The network rollout of LMDS sites was suspended while the evaluation of alternative technologies was being actively pursued.
- Total capital expenditure required during this period is expected to be at least HK\$80 million.
- Total capital expenditure incurred during this period is approximately HK\$4 million.

### **Future Home**

- Future Home will continue to market its high technology and network infrastructure design services to developers, property owners and estate management companies.
- Completed the implementation of IT infrastructure consolidation and upgrade for Well Born Real Estate Management Limited.
- Completed the design of IT infrastructure consolidation and upgrade for Goodwill Management Limited.
- Completed the initial study of IT infrastructure consolidation and upgrade for Hang Yick Properties Management Limited.
- Continue to develop, improve and enhance its services and to find new applications and high technology features for its network infrastructure.
- Implemented Customer Relationship Management System and Smart Card System in a number of Henderson Group estates.
- Installed Car Park Management System in two Henderson Group estates.
- Implemented the idHOME System which includes Property Management System, Customer Relationship Management System, Facilities Booking System and information broadcast through TV to over ten thousand households managed by Well Born Real Estate Management Limited.
- Developed and introduced an Attendance and Access Control System with smart card and image verification facility to E Man Construction Company Limited, Heng Tat Construction Company Limited, Heng Shung Construction Company Limited and Heng Lai Construction Company Limited.

## USE OF PROCEEDS OF IPO

On 14th July, 2000, the Company raised net proceeds of approximately HK\$894 million through the initial public offering of 15% of the Shares of the Company in the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited which have been used during the period ended 31st December, 2001 as follows. While the Company has achieved most of its key business objectives during the period ended 31st December, 2001, it has sought to do so cautiously while maintaining a healthy cash reserve and debt securities totaling HK\$684 million as at 31st December, 2001.

	Actual (HK\$ million)	Actual (HK\$ million)	Comments
<b>Total net proceeds from IPO</b>		894	
<b>Less: Actual use for the period from 1st July, 2000 to 31st December, 2001</b>			
<b>iCare</b>			
Hardware	39		STB deployment has been below expectations resulting in the purchase of fewer STB's.
Software	6		Same comment.
Advertising	22		
<b>HDC</b>	45		The amount of HK\$110 million was projected to be used by the period ended 31st December, 2001. The first data centre at Well Tech was completed at lower cost than projected and the construction of second and third data centres have been suspended due to reduced market demand.
<b>Eastar</b>			
Telecom networks and distribution equipment	42		Additional HK\$32 million subject to further technical review. Network deployed conservatively to benefit from technical advances.
<b>Future Home</b>	3		Capital not required.
<b>IT Investments</b>	6		Cautious approach.
<b>Investment in Debt Securities</b>	280		
<b>Other capital expenditure</b>	8		
<b>Working capital</b>	39	490	
<b>Cash at Bank</b>		404	Cash has been maintained as a result of prudent adjustments to business plan.



**DISCLOSURE OF INTERESTS****Directors' Interests in Shares**

As at 31st December, 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				1,121,914,300 (Note 1)	1,121,914,300
Henderson Investment Limited	Lee Shau Kee	34,779,936			2,075,859,007 (Note 6)	2,110,638,943
	Lam Ko Yin, Colin	11,000				11,000
	Li Kwok Cheung, Arthur	20,000				20,000
Henderson China Holdings Limited	Lee Shau Kee				315,108,477 (Note 13)	315,108,477
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	2,932,886			1,960,925,256 (Note 8)	1,963,858,142
	Li Kwok Po, David	9,967,348				9,967,348
	Chan Wing Kin, Alfred	93,478 (Note 5)				93,478
	Li Kwok Cheung, Arthur	210,830				210,830

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

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Miramar Hotel and Investment Company, Limited	Lee Shau Kee				252,105,250 (Note 11)	252,105,250
Henderson Development Limited	Lee Shau Kee				8,190 (Ordinary A Shares) (Note 2)	8,190 (Ordinary A Shares)
	Lee Shau Kee	35,000,000 (Non-voting Deferred Shares)			15,000,000 (Non-voting Deferred Shares) (Note 3)	50,000,000 (Non-voting Deferred Shares)
	Lee Shau Kee				3,510 (Non-voting B Shares) (Note 14)	3,510 (Non-voting B Shares)
	Lee Ka Kit				8,190 (Ordinary A Shares) (Note 4)	8,190 (Ordinary A Shares)
	Lee Ka Shing				8,190 (Ordinary A Shares) (Note 10)	8,190 (Ordinary A Shares)
Angelfield Investment Limited	Lam Ko Yin, Colin			1 (Note 9)		1
Henfield Properties Limited	Lee Ka Kit			4,000 (Note 9)		4,000
Shellson International Limited	Lee Ka Kit			25 (Note 9)		25

## 2nd QUARTERLY REPORT

To 31st December, 2001

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

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
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 1,116,119,200 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

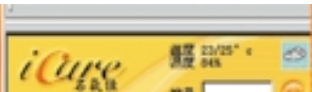
### (i) Options to subscribe for shares in the Company

As at 31st December, 2001, the following Directors of the Company had interests in options to subscribe for shares ("Share Options") in the Company, which were granted on 28th June, 2000 at a consideration of HK\$1.00 for each grant of Share Options and have been accepted by the Directors, 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, 2001	Number of Share Options granted during the period	Number of Share Options outstanding at 31st December, 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
Douglas H. Moore	1,200,000	—	1,200,000

Each of the above Directors 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, Share Options to subscribe for an aggregate of 20,000,000 shares of the Company have been granted at a consideration of HK\$1.00 for each grant of Share Options to 66 other grantees on 28th June, 2000 at the exercise price of HK\$1.25 per share, of which 3,700,000 shares granted to 17 grantees have lapsed pursuant to the Option Plan (Share Options issued to 4 grantees to subscribe for a total of 1,350,000 shares have lapsed during the six months ended 31st December, 2001). Except for the 17 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.



On 4th October, 2000, Share Options to subscribe for an aggregate of 150,000 shares of the Company at a consideration of HK\$1.00 for each grant of Share Options 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. A Share Option to subscribe for 50,000 shares granted to one of the grantees has lapsed pursuant to the Share Option Scheme (for the six months ended 31st December, 2001: position remained unchanged). The other grantee will be entitled to exercise (i) thirty per cent. of the Share 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 Share Option so granted at any time after the expiry of 24 months from the Date of Acceptance and (iii) the remaining Share 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 December, 2001, Share Options granted by the Company for a total of 28,300,000 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 approximately 0.6% of the existing issued share capital of the Company. These Share Options were granted to the following categories of grantees:

Categories of Grantees	No. of Grantees	No. of Share Options
<u>Option Plan</u>		
Directors	9	12,000,000
Employees	4	1,300,000
Other participants	45	15,000,000
	58	28,300,000
<u>Share Option Scheme</u>		
Employee	1	100,000

Save as disclosed above, no Share Options under the Option Plan and the Share Option Scheme had been granted, exercised, cancelled or lapsed during the six months ended 31st December, 2001.

**(ii) Options to subscribe for shares in associated corporation**

As at 31st December, 2001, the following Directors of the Company had interests in options to subscribe for shares in Henderson China Holdings Limited, an associated corporation of the Company:

Name of Director	Number of share options	Exercisable Period - 3 years commencing on
Colin Lam Ko Yin	1,500,000	21/08/2001
Lee Ka Kit	1,500,000	02/11/2001

The above Directors will be entitled to exercise the share options in whole or in part at the price of HK\$4.00 per share at any time during the respective exercisable periods.

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 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, 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	Number 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").

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

### **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.

### **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 December, 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 December, 2001.



### OTHER INFORMATION

#### **Purchase, Sale or Redemption of the Company's Listed Securities**

During the six months ended 31st December, 2001, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

#### **Employees**

As at 31st December, 2001, the number of employees of the Group was about 80. The remuneration of employees was in line with the market trend and commensurable to the level of pay in the industry. Discretionary year-end bonus was paid to employees based on individual performance. Employees of the Group may be granted share options. Other benefits to employees include medical insurance, retirement schemes, training programmes and educational subsidies.

#### **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 control procedures.

The Audit Committee Members have reviewed the half-yearly report for the period ended 31st December, 2001.

#### **Board Practices and Procedures**

During the six months ended 31st December, 2001, the Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

By Order of the Board

**Lee Shau Kee**

Chairman

Hong Kong, 8th February, 2002