



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, 2002

第三季業績報告

截至2002年3月31日

* 僅供識別

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.

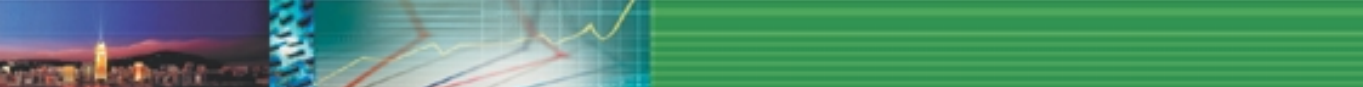
SUMMARY OF RESULTS

- Turnover for the nine months ended 31st March, 2002 amounted to approximately HK\$54,889,000.
- Net loss for the nine months ended 31st March, 2002 amounted to approximately HK\$128,970,000.
- The Directors do not recommend the payment of a dividend for the nine months ended 31st March, 2002.

RESULTS

The unaudited consolidated results of the Company and its subsidiaries (the "Group") for the nine months ended 31st March, 2002 together with the comparative figures for the corresponding period in 2001 were as follows:

	Note	Three months ended 31st March		Nine months ended 31st March	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
2 Turnover	2	20,130	8,967	54,889	15,728
Other revenue	3	6,918	11,344	18,471	36,871
		27,048	20,311	73,360	52,599
Direct costs and operating expenses		(37,232)	(22,539)	(100,323)	(54,795)
Selling and distribution costs		(6,081)	(6,316)	(12,886)	(24,992)
Administrative expenses		(3,401)	(4,957)	(11,436)	(14,494)
Provision for impairment loss	4	(71,262)	—	(71,262)	—
Write off of inventories		(11,254)	—	(11,254)	—
Loss from operations		(102,182)	(13,501)	(133,801)	(41,682)
Finance costs		(4)	(9)	(19)	(9)
		(102,186)	(13,510)	(133,820)	(41,691)
Share of losses of jointly controlled entities		—	—	(20)	—
Loss from ordinary activities before taxation		(102,186)	(13,510)	(133,840)	(41,691)
Taxation	5	—	—	—	—
Loss from ordinary activities after taxation		(102,186)	(13,510)	(133,840)	(41,691)
Minority interests		3,328	358	4,870	962
Loss attributable to shareholders		(98,858)	(13,152)	(128,970)	(40,729)
Loss per share	6				
Basic		HK1.98 cents	HK0.26 cents	HK2.58 cents	HK0.82 cents



Notes:

1 Basis of preparation

The principal accounting policies adopted in preparing the unaudited consolidated results of the Group conform with accounting principles generally accepted in Hong Kong and accounting standards issued by the Hong Kong Society of Accountants.

2 Turnover

Turnover represents the sales value of goods sold to customers, revenue from Internet and telecommunication services, income from data centre and network services, project consultancy service income and ASP service income earned during the period, after elimination of all material intercompany transactions within the Group.

3 Other revenue

Other revenue mainly consists of interest income from debt securities and bank deposits.

4 Provision for impairment loss

	HK\$
Impairment loss on data centre and network equipment and facilities	60,260,000
Impairment loss on investment securities	11,002,000
	71,262,000
	71,262,000

5 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 31st March, 2002, the future realisation of which is uncertain.

6 Loss per share

The calculation of basic loss per share for the three months and the nine months ended 31st March, 2002 is based on the loss attributable to shareholders of HK\$98,858,000 and HK\$128,970,000 (2001: HK\$13,152,000 and HK\$40,729,000) respectively and on the weighted average number of 5,000,000,000 and 5,000,000,000 (2001: 5,000,000,000 and 4,967,153,284) shares respectively in issue during the periods. The weighted average number of shares for the corresponding periods in 2001 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 the nine months ended 31st March, 2002 and 31st March, 2001 because there were no dilutive potential shares in existence during the periods.

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To 31st March, 2002

PROFIT & TURNOVER

The Group recorded turnover of HK\$54.9 million for the nine months ended 31st March, 2002, compared with HK\$15.7 million for the nine months ended 31st March, 2001. The Group's net loss from operations attributable to shareholders for the nine months ended 31st March, 2002 was HK\$129 million, compared with a loss of HK\$40.7 million for 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, 2002.

BUSINESS REVIEW

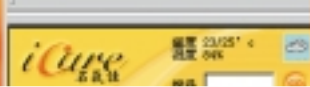
The main focus of the Group during the quarter ended 31st March, 2002 was to further develop its Internet services, data centre, high technology and network infrastructure businesses.

In accordance with the announcement of Office of Telecommunications Authority ("OFTA") on 11th January, 2002 to fully liberalize the local Fixed Telecommunications Network Services ("FTNS") market and to waive the performance commitments of existing FTNS licensees that will be due in 2003, the Group has decided to complete a restructuring exercise during the quarter under review. The Group has written down HK\$60.3 million as provision for impairment loss on data centre and network equipment and facilities in respect of the down-sizing of the operating scale of Eastar and Henderson Data Centre ("HDC") in response to a difficult operating environment. After a comprehensive review of its overall businesses, the Group also decided to make a provision of HK\$11 million to write down certain investments in light of their future prospects.

iCare

iCare's major achievements during the quarter ended 31st March, 2002 included:

- The new iCare IDD service, iCare1608, has successfully acquired over 13,000 customers since its launch in December 2001. The encouraging responses were boosted by a range of comprehensive promotion campaigns including:
 - Chinese New Year promotion featuring attractive non-peak China rates and 24-hour flat rates to popular destinations.
 - An IDD roaming service was launched in mid-March to attract frequent travellers. This new service drastically reduces regular mobile roaming expenses by up to 98% and was well received by customers. The promotion was carried out through Towngas bill inserts, point of sales materials at Towngas Customer Centres and iCare Hot Spots, newspapers, magazines, online ads, and bus shelter panels.
 - Joint promotions with business partners to offer HK\$50 free usage for the members of Future Home, credit card holders of Bank of East Asia, Dah Sing Bank, Chekiang First Bank and Liu Chong Hing Bank, registered users of sina.com.hk, tvb.com, etnet.com.hk and msn.com.hk, and new Towngas customers.
 - Continued with the cross selling programme at Customer Service Hotline to promote iCare IDD service to existing subscribers.



- Commercial IDD service primarily targeting Small-and-Medium Enterprises (“SMEs”) was also launched in end of March. An attractive 24-hour flat rate plan was offered and a dedicated sales team has been set up to market this service.
- A prize-winning eCard scratching game was designed to attract more IDD customers as free IDD minutes were given to winning participants.
- Continued with the marketing campaigns of Internet Service Provider (“ISP”) service including:
 - The third round of ISP premium promotion was launched in March, which included a mini-coffee maker or a 4-in-1 radio alarm clock calculator for monthly subscribers, and an electronic weight scale or a cordless telephone for 12-month plan subscribers.
 - A one-month service fee waiver was offered to Future Home members, and credit card holders of Bank of East Asia, Dah Sing Bank, Chekiang First Bank and Liu Chong Hing Bank. This promotion was also extended to registered users of sina.com.hk, hkcyber.com, mingpao.com, tvb.com and etnet.com.hk.
 - A referral programme was launched in end of March to drive acquisition. Existing active ISP users who refer friends to join the iCare ISP service will be entitled to a free gift.
 - A dealership arrangement has been set up with Computer Zone, a computer retailer, to promote our ISP service to their shopping customers.
- 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 185,000 as at 31st March, 2002.
- Other promotion campaigns were introduced including:
 - A specially designed Chinese New Year eCard was sent to all iCare members and with the “Send to Friend” function, they can simply forward the eCard to their friends and family members. This helped to acquire more ICP members and to boost online product sales. A joint promotion with gipEx.com to create paper-based greeting cards online through the iCare website was also carried out to cater for customers who prefer traditional greeting method.
 - In early March, a Women’s Day eNewsletter was sent to all iCare members to provide leisure information and beauty tips. Selected female products with special discounts were also featured in the eNewsletter.
 - The direct marketing channel for product sales through Towngas bill inserts and credit card statement inserts continued to be successful. Customers were able to shop at discounted prices by using product redemption coupons. Products such as Sony TV, DVD and speaker set, Daewoo TV and LCD monitor, OSIM chiropractic massager and Pro-therapist, and iCare self-imported household items were welcomed by customers and has generated satisfactory revenue during the quarter.

In view of this success, new arrangement such as online coupon redemption was introduced to provide an alternative for customers to download and redeem coupons at their preferred locations.

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To 31st March, 2002

- The clicks and bricks strategy was further developed with the opening of the third iCare Hot Spot in March. This new retail outlet, located in Tsim Sha Tsui, was well accepted by the residents and tourists in the district. iCare currently has physical presence in Hong Kong Island, Kowloon Peninsula and the New Territories.
- Total revenue for the quarter ended 31st March, 2002 was HK\$20.3 million, an increase of 2 times over the corresponding quarter of the previous year. In comparison, the total revenue for the quarter ended 31st March, 2001 was HK\$6.9 million.

HDC

HDC's major achievements during the quarter ended 31st March, 2002 included:

- Enhanced the reliability of the core network by introducing better failure protections to satisfy customer demands.
- Introduced more advanced security measures to prevent network hacking and intrusion.
- Commenced an investigation to enrich value-added services offerings with network storage solutions based on existing server platforms.
- Continued with measures to increase the operational efficiency of the data centre at Well Tech Centre ("Well Tech").
- Continued with marketing campaigns to increase the occupancy of Well Tech by means of co-marketing with Henderson Group's companies and cross selling to Eastar's customer base.
- Continued to focus on cost management by maximizing the utilization of existing resources.
- Total revenue for the quarter ended 31st March, 2002 was HK\$0.7 million. In comparison, the total revenue for the quarter ended 31st March, 2001, the prior financial year, was HK\$0.2 million.

Eastar

Eastar's major achievements during the quarter ended 31st March, 2002 included:

- Collaborated with Future Home to cross sell Internet broadband access services to some property management companies.
- Collaborated with iCare to prepare for the launching of residential broadband services.
- Commenced a joint marketing programme with Henderson Data Centre targeting SMEs and system integration companies.
- Continued with discussions with OFTA on the extension and amendment of milestone deadlines for the second phase network rollout.



- Continued with the evaluation of alternative technologies for the preparation of the second phase network rollout.
- Continued with the implementation of blockwiring projects in some selective property sites of Henderson Group.
- Total revenue for the quarter ended 31st March, 2002 was HK\$0.3 million. In comparison, the total revenue for the quarter ended 31st March, 2001, the prior financial year, was HK\$0.2 million.

Future Home

Future Home's major achievements during the quarter ended 31st March, 2002 included:

- Installed Car Park Management System in one Henderson Group estate.
- Installed an Attendance and Access Control System with smart card and image verification facility to two construction sites of E Man Construction Company Limited.
- Submitted a tender application with the Hong Kong Housing Authority for the provision of idHOME System.
- Total revenue for the quarter ended 31st March, 2002 was HK\$1 million. In comparison, the total revenue for the quarter ended 31st March, 2001, the prior financial year, was HK\$2 million.

IT Investments

IT Investments reviewed a number of opportunities during the quarter ended 31st March, 2002 but did not proceed with any investments.

PROSPECTS

The Group has been actively implementing its strategies during the quarter ended 31st March, 2002. 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 market Well Tech to the customer base of Henderson Group and beyond and to cautiously manage the operating expenses with respect to the revenue-generation potential. The decrease in the cost of international bandwidth is expected to further improve cost efficiency.

Eastar

Eastar 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. Eastar will make any necessary adjustments quickly and having regard to cost-effectiveness and revenue-generation capability.

Eastar is optimistic that the discussions with OFTA on the extension and amendment of milestone deadlines for the second phase network rollout will result in a greater ability to deploy cost-effective technology and will provide a basis for an application to OFTA for a fixed carrier licence.

The policy of OFTA to fully liberalize the local FTNS market is crucial to all service providers and Eastar will closely monitor the situation.

Future Home

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

Future Home will focus on the development, installation and promotion of the idHOME System, Smart Card System and Car Park Management Systems and Attendance and Access Control System 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.

DISCLOSURE OF INTERESTS

Directors' Interests in Shares

As at 31st March, 2002, 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)

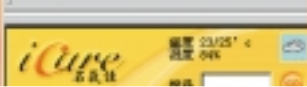
Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Henderson Cyber Limited	Lee Shau Kee	173,898			4,244,996,094 (Note 15)	4,245,169,992
	Lam Ko Yin, Colin	55				55
	Li Kwok Cheung, Arthur	100				100
Henderson Land Development Company Limited	Lee Shau Kee				1,122,938,300 (Note 1)	1,122,938,300
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				325,133,977 (Note 13)	325,133,977
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

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To 31st March, 2002

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
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



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

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
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 1,117,143,200 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.

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- 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 March, 2002, the following Directors of the Company had interests in options to subscribe for shares in the Company which were granted on 28th June, 2000 at the consideration of HK\$1.00 for each grant of options under the Pre-IPO Share Option Plan of the Company (the "Option Plan"):

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 March, 2002
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

Particulars of outstanding share options of employees of the Company at the consideration of HK\$1.00 for each grant of options under the Option Plan are as follows:

Date of Grant	Aggregate number of share options at 1st July, 2001	Number of share options granted during the period	Aggregate number of share options outstanding at 31st March, 2002
28/06/2000	1,300,000	—	1,300,000

Particulars of outstanding share options of all other participants under the Option Plan are as follows:

Date of Grant	Aggregate number of share options at 1st July, 2001	Number of share options granted during the period	Number of share options lapsed during the period	Aggregate number of share options outstanding at 31st March, 2002
28/06/2000	16,350,000	—	1,350,000	15,000,000

Each of the above Directors, employees and other participants 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.

Particulars of outstanding share options of the employee of the Company under the Share Option Scheme of the Company (the "Share Option Scheme") are as follows:

Date of Grant	Aggregate number of share options at 1st July, 2001	Number of share options granted during the period	Aggregate number of share options outstanding at 31st March, 2002
04/10/2000	100,000	—	100,000

The employee of the Company will be entitled to exercise at the price of HK\$0.89 per share (i) thirty per cent. of the share options so granted at any time after the expiry of 12 months from 16th October, 2000 (the date of acceptance of the share options), (ii) a further thirty per cent. of the share options so granted at any time after the expiry of 24 months from 16th October, 2000 and (iii) the remaining share options at any time after the expiry of 36 months from 16th October, 2000 and in each case, not later than four years from 16th October, 2000.

As at 31st March, 2002, share options 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	Number of Grantees	Number of share options
<u>Option Plan</u>		
Directors	9	12,000,000
Employees	4	1,300,000
Other participants	45	15,000,000
	<u>58</u>	<u>28,300,000</u>
<u>Share Option Scheme</u>		
Employee	<u>1</u>	<u>100,000</u>

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 nine months ended 31st March, 2002.

(ii) Options to subscribe for shares in associated corporation

As at 31st March, 2002, 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
Colin Lam Ko Yin	1,500,000	21/08/2001 - 20/08/2004
Lee Ka Kit	1,500,000	02/11/2001 - 01/11/2004

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 March, 2002, 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:

- 1 As Felix Technology Limited ("Felix Technology") is a wholly-owned subsidiary of Best Selection Investments Limited ("Best Selection"), Best Selection had a deemed interest in the 3,333,213,616 Shares held by Felix Technology under the SDI Ordinance.
- 2 As Best Selection is a wholly-owned subsidiary of Henderson Investment Limited ("HI"), HI had a deemed interest in the 3,333,213,616 Shares held by Felix Technology under the SDI Ordinance.
- 3 Of these Shares, 3,333,213,616 are duplicated in the interest described in 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.

3rd QUARTERLY REPORT

To 31st March, 2002

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

During the nine months ended 31st March, 2002, 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, 2002.

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, 2002.

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 has reviewed the Third Quarterly Report of the Company for the nine months ended 31st March, 2002.

By Order of the Board

Lee Shau Kee

Chairman

Hong Kong, 10th May, 2002