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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, 2002

第二季業績報告

截至2002年12月31日

* 僅供識別

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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.

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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.

2nd QUARTERLY REPORT

To 31st December, 2002

SUMMARY OF RESULTS

- Turnover for the six months ended 31st December, 2002 amounted to approximately HK\$39,407,000.
- Net loss for the six months ended 31st December, 2002 amounted to approximately HK\$12,771,000.
- The Directors do not recommend the payment of a dividend for the six months ended 31st December, 2002.

CONDENSED INTERIM FINANCIAL STATEMENTS

Consolidated Profit and Loss Account - Unaudited

For the three months and the six months ended 31st December, 2002

	Note	Three months ended 31st December		Six months ended 31st December	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	2	21,640	17,462	39,407	34,759
Other revenue		6,088	4,742	12,069	11,553
		27,728	22,204	51,476	46,312
Direct costs and operating expenses		(24,881)	(31,413)	(47,537)	(63,091)
Selling and distribution costs		(3,330)	(3,144)	(7,699)	(6,805)
Administrative expenses		(2,581)	(4,595)	(5,022)	(8,035)
Loss from operations		(3,064)	(16,948)	(8,782)	(31,619)
Provision for impairment loss on data centre and network equipment and facilities		(3,857)	—	(3,857)	—
		(6,921)	(16,948)	(12,639)	(31,619)
Finance costs		(3)	(10)	(11)	(15)
		(6,924)	(16,958)	(12,650)	(31,634)
Share of losses of jointly controlled entities		(4)	(3)	(7)	(20)
Loss from ordinary activities before taxation	3	(6,928)	(16,961)	(12,657)	(31,654)
Taxation	4	—	—	—	—
Loss from ordinary activities after taxation		(6,928)	(16,961)	(12,657)	(31,654)
Minority interests		(250)	870	(114)	1,542
Loss attributable to shareholders		(7,178)	(16,091)	(12,771)	(30,112)
Loss per share	6				
Basic		HK0.1 cent	HK0.3 cent	HK0.3 cent	HK0.6 cent

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Consolidated Balance Sheet

At 31st December, 2002

	Note	At 31st December 2002 (Unaudited) HK\$'000	At 30th June 2002 (Audited) HK\$'000
Non-current assets			
Fixed assets	7	78,133	83,654
Interests in jointly controlled entities		15	24
Investment securities		50,058	50,058
Held-to-maturity securities	8	67,056	147,331
		195,262	281,067
Current assets			
Held-to-maturity securities	8	292,979	216,700
Inventories		3,560	3,196
Accounts receivable, deposits and prepayments	9	20,781	16,740
Cash and cash equivalents	10	290,262	297,860
		607,582	534,496
Current liabilities			
Unsecured bank overdraft		1,212	—
Accounts payable and accrued expenses	11	16,673	17,401
		17,885	17,401
Net current assets			
		589,697	517,095
Total assets less current liabilities			
		784,959	798,162
Minority interests			
		(569)	(1,001)
Net assets			
		784,390	797,161
Capital and reserves			
Share capital	12	500,000	500,000
Reserves	13	284,390	297,161
		784,390	797,161

Consolidated Statement of Changes in Equity - Unaudited

For the six months ended 31st December, 2002

	Six months ended 31st December	
	2002 HK\$'000	2001 HK\$'000
Shareholders' equity at 1st July	797,161	933,601
Loss for the period	(12,771)	(30,112)
Shareholders' equity at 31st December	784,390	903,489

Condensed Consolidated Cash Flow Statement - Unaudited

For the six months ended 31st December, 2002

	Six months ended 31st December	
	2002 HK\$'000	2001 HK\$'000
Net cash used in operating activities	(18,483)	(41,950)
Net cash from / (used in) investing activities	10,230	(288,795)
	(8,253)	(330,745)
Net cash (used in) / from financing activities	(557)	1,735
Net decrease in cash and cash equivalents	(8,810)	(329,010)
Cash and cash equivalents at 1st July	297,860	733,397
Cash and cash equivalents at 31st December	289,050	404,387

Notes to the Condensed Interim Financial Statements (Unaudited)

1 Basis of Preparation

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

The condensed interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") 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 condensed interim accounts should be read in conjunction with the 2002 annual accounts.

The principal accounting policies adopted in the condensed interim financial statements are consistent with those followed in the 2002 annual accounts, except that the Group has adopted the new and revised SSAPs which became effective during the period. The adoption of these new and revised SSAPs has no material effect on the Group's results, however, in accordance with SSAP 1 (revised) "Presentation of financial statements", the consolidated statement of recognised gains and losses is replaced by the consolidated statement of changes in equity and in accordance with SSAP 15 (revised) "Cash flow statements", the preparation of the cash flow statement is modified as required.

2 Segmental Information

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

Business segments:

- Retailing - goods, Internet and telecommunications services
- Business services - data centre and network
- Building system services - project consultancy and application service provider

For the six months ended 31st December, 2002

	Retailing HK\$'000	Business services HK\$'000	Building system services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Turnover	35,690	821	2,896	—	39,407
Other revenue	134	1,090	—	—	1,224
Revenue from external customers	35,824	1,911	2,896	—	40,631
Inter-segment revenue	154	845	—	(999)	—
Total	35,978	2,756	2,896	(999)	40,631
Segment result	(9,249)	(9,149)	(70)	(54)	(18,522)
Interest income from held-to-maturity securities and bank deposits					10,845
Unallocated income net of expenses					(1,105)
Loss from operations					(8,782)
Provision for impairment loss on data centre and network equipment and facilities	—	(3,857)	—	—	(3,857)
Finance costs					(11)
Share of losses of jointly controlled entities					(7)
Loss from ordinary activities before taxation					(12,657)
Taxation					—
Loss from ordinary activities after taxation					(12,657)
Minority interests					(114)
Loss attributable to shareholders					(12,771)

2nd QUARTERLY REPORT

To 31st December, 2002

2 Segmental Information (Cont'd)

For the six months ended 31st December, 2001

	Retailing HK\$'000	Business services HK\$'000	Building system services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Turnover	32,773	859	1,127	—	34,759
Other revenue	49	—	—	—	49
Revenue from external customers	32,822	859	1,127	—	34,808
Inter-segment revenue	3	616	—	(619)	—
Total	32,825	1,475	1,127	(619)	34,808
Segment result	(13,383)	(28,096)	(712)	34	(42,157)
Interest income from held-to-maturity securities and bank deposits					11,504
Unallocated income net of expenses					(966)
Loss from operations					(31,619)
Provision for impairment loss on data centre and network equipment and facilities					—
Finance costs					(31,619)
Share of losses of jointly controlled entities					(20)
Loss from ordinary activities before taxation					(31,654)
Taxation					—
Loss from ordinary activities after taxation					(31,654)
Minority interests					1,542
Loss attributable to shareholders					(30,112)

(b) No geographical analysis is shown as the activities of the Group during the six months ended 31st December, 2002 and 31st December, 2001 were mainly carried out in Hong Kong.

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	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Finance costs				
- interest expenses on bank overdrafts repayable on demand	3	10	11	15
Depreciation	2,881	7,425	5,617	14,463
Cost of inventories sold	4,363	7,222	9,503	14,915

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 approved and paid by the Company for the six months ended 31st December, 2002 (2001: HK\$Nil).

6 *Loss per Share*

The calculation of basic loss per share for the three months and the six months ended 31st December, 2002 is based on the loss attributable to shareholders of HK\$7,178,000 and HK\$12,771,000 (2001: HK\$16,091,000 and HK\$30,112,000) respectively and on the weighted average number of 5,000,000,000 and 5,000,000,000 (2001: 5,000,000,000 and 5,000,000,000) shares respectively in issue during the periods.

Diluted loss per share is not presented for the three months and the six months ended 31st December, 2002 and 31st December, 2001 because there were no dilutive potential shares in existence during the periods.

7 *Fixed Assets*

During the six months ended 31st December, 2002, the Group had additions to and provision for impairment loss on data centre and network equipment and facilities in the amounts of HK\$3,794,000 and HK\$3,857,000 respectively.

8 Held-to-Maturity Securities

	At 31st December 2002		At 30th June 2002	
	HK\$'000 Non-current	HK\$'000 Current	HK\$'000 Non-current	HK\$'000 Current
Debt securities				
Listed outside Hong Kong	11,699	70,555	11,699	71,424
Unlisted	55,357	222,424	135,632	145,276
	67,056	292,979	147,331	216,700
Market value of listed securities	11,349	70,543	12,093	72,174

9 Accounts Receivable, Deposits and Prepayments

(a)

	At 31st December 2002 HK\$'000	At 30th June 2002 HK\$'000
Trade receivable	8,609	5,082
Other receivables, deposits and prepayments	12,172	11,658
	20,781	16,740

At 31st December, 2002, included in the accounts receivable, deposits and prepayments are amounts due from fellow subsidiary companies of HK\$2,300,000 (at 30th June, 2002: HK\$1,580,000) and deposits paid to fellow subsidiary companies of HK\$2,541,000 (at 30th June, 2002: HK\$2,535,000).

(b) The Group maintains a defined credit policy, the general credit term is 30 to 90 days. An ageing analysis of trade receivable is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables.

The ageing analysis of trade receivable (net of provision for bad debts) is as follows:

	At 31st December 2002 HK\$'000	At 30th June 2002 HK\$'000
Under 1 month overdue	5,236	4,060
More than 1 month overdue but less than 3 months overdue	2,872	917
More than 3 months overdue but less than 6 months overdue	380	71
More than 6 months overdue	121	34
	8,609	5,082

10 Cash and Cash Equivalents

	At 31st December 2002 HK\$'000	At 30th June 2002 HK\$'000
Deposits with banks	288,935	292,189
Cash at bank and in hand	1,327	5,671
	<u>290,262</u>	<u>297,860</u>

11 Accounts Payable and Accrued Expenses

(a)

	At 31st December 2002 HK\$'000	At 30th June 2002 HK\$'000
Trade payable	9,334	11,242
Other payables and accrued expenses	7,339	6,159
	<u>16,673</u>	<u>17,401</u>

At 31st December, 2002, included in the accounts payable and accrued expenses, are amounts due to intermediate holding company and fellow subsidiary companies of HK\$2,773,000 and HK\$30,000 (at 30th June, 2002: HK\$1,896,000 and HK\$51,000) respectively.

(b) The ageing analysis of the trade payable is as follows:

	At 31st December 2002 HK\$'000	At 30th June 2002 HK\$'000
Due within 1 month and on demand	7,761	9,377
Due after 1 month but within 3 months	1,563	1,435
Due after 3 months but within 6 months	10	430
	<u>9,334</u>	<u>11,242</u>

12 Share Capital

	Number of shares		Nominal value	
	At 31st December 2002 '000	At 30th June 2002 '000	At 31st December 2002 HK\$'000	At 30th June 2002 HK\$'000
Authorised				
Ordinary shares of HK\$0.1 each	10,000,000	10,000,000	1,000,000	1,000,000
Issued and fully paid				
Ordinary shares of HK\$0.1 each	5,000,000	5,000,000	500,000	500,000

13 Reserves

	Capital reserve 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	86,179	443,707	(126,397)	403,489
At 1st July, 2002	86,179	443,707	(232,725)	297,161
Loss for the period	—	—	(12,771)	(12,771)
At 31st December, 2002	86,179	443,707	(245,496)	284,390

14 Commitments

(a) Capital commitments

At 31st December, 2002, the Group had capital commitments contracted but not provided for in the accounts in respect of:

	At 31st December 2002 HK\$'000	At 30th June 2002 HK\$'000
Acquisition of telecommunications network infrastructure	4,165	—
System development costs	455	1,447
	4,620	1,447

(b) Operating leases commitments

At 31st December, 2002, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Properties		Telecommunications network facilities	
	At 31st December 2002 HK\$'000	At 30th June 2002 HK\$'000	At 31st December 2002 HK\$'000	At 30th June 2002 HK\$'000
Within 1 year	1,942	1,366	2,282	5,711
After 1 year but within 5 years	1,092	838	—	1,438
	3,034	2,204	2,282	7,149

15 *Contingent Liabilities*

- (a) As at 31st December, 2002, there were guarantees given by the Company to banks in respect of banking facilities extended to certain subsidiaries. Of these facilities, HK\$1,347,000 (at 30th June, 2002: HK\$369,000) were utilised by the subsidiaries as at 31st December, 2002.
- (b) As at 31st December, 2002, there were contingent liabilities in respect of performance bond guaranteed by a bank on behalf of a subsidiary of the Group amounting to HK\$12,000,000 (at 30th June, 2002: HK\$12,000,000). The performance bond was provided in accordance with the terms of the Fixed Telecommunications Network Services Licence granted to the subsidiary on 16th February, 2000 and amended on 30th May, 2002.

16 *Material Related Party Transactions*

The Group had the following material transactions with related parties during the six months ended 31st December, 2002:

- (a) Pursuant to various agreements in 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\$388,000 (the corresponding period in 2001: HK\$569,000). Related deposits of HK\$212,000 have been paid by the Group as at 31st December, 2002 (at 30th June, 2002: HK\$186,000).
 - (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\$1,255,000 (the corresponding period in 2001: HK\$218,000).
 - (iii) Supporting service charges paid to an affiliated company of the Group at reimbursement costs amount to HK\$431,000 (the corresponding period in 2001: HK\$170,000).
 - (iv) 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 2001: HK\$500,000).
 - (v) Service fees received from fellow subsidiaries in respect of provision of software system support services to properties developed or managed by certain fellow subsidiaries amounted to HK\$1,026,000 (the corresponding period in 2001: HK\$909,000).
 - (vi) No rental deposit was paid to any related parties during the period (the corresponding period in 2001: HK\$Nil). As at 31st December, 2002, there was a rental deposit of HK\$2,515,000 (at 30th June, 2002: HK\$2,515,000) with a fellow subsidiary in respect of a building to be developed by the fellow subsidiary which will be leased to the Group. The construction of the building has not yet been completed as at 31st December, 2002.

16 Material Related Party Transactions (Cont'd)

- (b) Sale of goods to certain fellow subsidiaries and affiliated companies of the Group amounted to HK\$3,557,000 (the corresponding period in 2001: HK\$8,710,000).
- (c) Staff costs were reimbursed from an affiliated company of the Group in the amount of HK\$253,000 (the corresponding period in 2001: HK\$641,000), based on the costs incurred for sharing of administrative services.
- (d) Agency service fees totalling HK\$387,000 (the corresponding period in 2001: HK\$Nil) were received from an affiliated company of the Group.
- (e) Service fee received from an affiliated company of the Group for the provision of website design and production services amounted to HK\$900,000 (the corresponding period in 2001: HK\$Nil).
- (f) Service fee received from an affiliated company of the Group for the provision of printouts design, editing and production services amounted to HK\$600,000 (the corresponding period in 2001: HK\$Nil).
- (g) Marketing costs in the amount of HK\$950,000 (the corresponding period in 2001: HK\$Nil) were reimbursed from an affiliated company of the Group for joint promotion of the image and branding of the affiliated company and a subsidiary of the Group.
- (h) Payment to an affiliated company of the Group for costs of office space and utilities in the amount of HK\$384,000 (the corresponding period in 2001: HK\$Nil).
- (i) The amount due to intermediate holding company and amounts due from / (to) fellow subsidiary companies at 31st December, 2002 and 30th June, 2002 are shown in note 9 and note 11.

17 Comparative Figures

Due to the adoption of new and revised SSAPs during the current period, certain comparative figures have been reclassified to conform with the current period's presentation.

PROFIT & TURNOVER

The Group recorded turnover of HK\$39.4 million for the six months ended 31st December, 2002, compared with HK\$34.8 million for the six months ended 31st December, 2001. The Group's loss attributable to shareholders for the six months ended 31st December, 2002 was HK\$12.8 million, compared with a loss of HK\$30.1 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, 2002.

BUSINESS REVIEW

The main focus of the Group during the quarter ended 31st December, 2002 was to further implement its strategies in the Internet services, data centre, high technology and network infrastructure businesses including its Local Fixed Carrier ("LFC") business. The Group has written down HK\$3.9 million as provision for impairment loss on data centre and network equipment and facilities in response to a difficult operating environment.

iCare

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

- iCare's broadband service continued its growth at a satisfactory rate since its launch in May 2002 via the following promotion campaigns:
 - Special discount offered to staff of Henderson Group and Towngas, users of iCare IDD, Internet Service Provider ("ISP") and Internet Content Provider ("ICP") services, and members of Hotmail, Hongkong.com, Mingpao.com and House 18.com.
 - Various upselling programmes have successfully converted over 1,200 ISP and ICP users to iCare's broadband service.
 - Wireless broadband service was launched in October 2002 offering a free broadband router set to 18-month wireless broadband service plan subscribers.
- Continued with the marketing campaigns of ISP service with over 13,000 ICP users upgraded to a promotional fee-based ISP plan during the quarter.

- iCare IDD service, iCare1608, has continued its growth with over 118,000 telephone lines registered as at 31st December, 2002 by the following:
 - A subscription drive was launched and has acquired over 28,000 registrations with over 44,000 telephone lines registered during the 3-month promotional period.
 - Promotional rates were launched in November 2002 for calls destined for US, Canada, UK and Australia. The promotion was well received and has recorded 20% increase in call minutes.
 - China tariff promotion, supported by various promotion campaigns, was launched in December 2002.
 - A toll-free IDD service was launched in November 2002 allowing iCare1608 customers to call home from 20 popular overseas destinations through toll-free calls.
 - Prepaid calling cards targeting at the Filipino community continued to be well received. A new promotion for prepaid calling cards targeting at Mainland China was launched in December 2002 with card distribution mainly through chain stores at MTR stations and on Zhuhai Ferry.
 - Commercial IDD customer base continued to grow steadily and accounted for 10% of the total IDD traffic.
- The new Fax2Email service was launched in November 2002 targeting at the local online community. Three packages were offered to accommodate different usage levels.
- The iCare Internet-on-TV Set-Top Box (the "STB") subscribers, ISP users, ICP users, broadband users and IDD subscribers grew to a total of about 275,000 by 31st December, 2002.
- New seasonal website content, "New Year Special - Bad Luck Bye Bye", was launched in December 2002. The content was accompanied by a prize-winning contest and has attracted 400 participants in less than 3 weeks.
- iCare's clicks and bricks strategy has continued to contribute a stable revenue stream by combining the effective reach of Towngas bill inserts, iCare Hot Spots and the iCare shopping mall website. Popular merchandise during the period includes Samsung video camera, Omron blood pressure monitor and ear thermometer, Steam Fast iron steamer, Puricom water filter, Cotteen bedding sets and Italian dining sets.
- The loyalty programme for frequent shoppers, the iCare Club, was well received by customers. Total membership has grown to over 2,500 in 3 months.
- Total revenue for the quarter ended 31st December, 2002 was HK\$19.4 million. In comparison, the total revenue for the quarter ended 31st December, 2001 was HK\$16.3 million.

Henderson Data Centre ("HDC")

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

- Improved the diversity of local Internet connections by introducing an additional link to Hong Kong Internet Exchange.
- Enhanced traffic monitoring of core switch to improve network manageability.
- Upgraded in-house developed customer care and billing system.
- Reviewed the fault and disaster recovery plan to improve overall service quality.
- Introduced new firewall services for customer trials.
- Commenced preliminary discussion with several independent reseller agents to establish more cost-effective sales channels.
- Continued to focus on cost management and efficiency improvement.
- Total revenue for the quarter ended 31st December, 2002 was HK\$0.5 million. In comparison, the total revenue for the quarter ended 31st December, 2001 was HK\$1.1 million.

Eastar

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

- Signed "Network Provision Contract" and "Site Facilities Construction Agreement" for the second phase network rollout with Castel Broadband (Hong Kong) Limited.
- Completed the frequency assignment plan at 5.8/5.9 GHz for the second phase network rollout.
- Commenced the second phase network rollout to meet the commitments with OFTA.
- Implemented the network management system for the data centre at Well Tech Centre ("Well Tech").
- Continued the discussion with PCCW-HKT on cable duct lead-in sharing agreement.
- Submitted an application for a Block Licence to The Lands Department for installation of duct system for unleased Government land.
- Submitted the Road Opening Plan of Year 2003 to OFTA for approval.
- Launched new "Power-On" Internet broadband services with multiple fixed IP addresses.
- Commenced the discussion on blockwiring agreement with Hutchison Global Crossing.
- Continued with the implementation of blockwiring projects in some selective property sites of Henderson Group.
- Total revenue for the quarter ended 31st December, 2002 was HK\$0.5 million. In comparison, the total revenue for the quarter ended 31st December, 2001 was HK\$0.4 million.

Future Home

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

- Installed private broadband infrastructure at thirty-six management offices of Hang Yick Properties Management Limited.
- Installed Car Park Management System in three Henderson Group estates and commenced installation in two other Henderson Group estates.
- Commenced installation of Attendance and Access Control System with smart card and image verification facility to a construction site of E Man Construction Company Limited.
- Implemented the idHOME System which includes Property Management System, Customer Relationship Management System, Facilities Booking System and information broadcast through TV in Sereno Verde managed by Urban-Wellborn Property Management Limited.
- Commenced installation of an attendance management system in a Henderson Group estate managed by Well Born Real Estate Management Limited.
- Commenced installation of a payroll and attendance system for Megastrength Security Services Company Limited.
- Commenced installation and design of a smart card access control system for two Henderson Group estates.
- Total revenue for the quarter ended 31st December, 2002 was HK\$2.1 million. In comparison, the total revenue for the quarter ended 31st December, 2001 was HK\$0.7 million.

IT Investments

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

PROSPECTS

The Group has been actively implementing its strategies during the quarter ended 31st December, 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". The objective is to either reduce costs or 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 a well-established and widely accepted brand for the distribution of goods, Internet and telecommunication services. With respect to distribution of goods, iCare, via its website, direct marketing channels and Hot Spots, will continue to seek growth while achieving satisfactory margins. With respect to Internet services, iCare will continue to develop market share in Internet broadband services and retain ISP customers. With respect to telecommunication services, iCare will seek to continue with the encouraging growth of iCare1608 since its launch. 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 PC users via broadband or the ISP.

It is anticipated that iCare is well positioned to succeed in establishing itself as a widely accepted brand for the distribution of goods, Internet and telecommunication services.

HDC

HDC will continue to optimize operational efficiency and to explore more cost-effective sales channel with respect to the revenue-generation potential. It is also expected to facilitate the network rollout of Eastar by providing equipment co-location and management services.

Eastar

Eastar will actively prepare for the second phase network rollout while aiming to achieve cost benefit and time efficiency at a higher level by combining both wireless and wireline technologies for future service delivery. Partnering with affiliated entities and leveraging on available resources within Henderson Group will further minimise costs.

Future Home

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

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

Subsequent to the six months ended 31st December, 2002, on 10th January, 2003, IT Investments announced that it would increase its stake in Googol Technology (HK) Limited from approximately 11.02% to approximately 12.41% at a cash consideration of HK\$1.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS

The following comments should be read in conjunction with the Unaudited Condensed Interim Financial Statements of Henderson Cyber Limited and their accompanying notes.

Liquidity, financial resources and capital structure

As at 31st December, 2002, shareholder's funds of the Group amounted to HK\$784.4 million, representing a slight decrease from the corresponding figure recorded as at 30th June, 2002, after accounting for HK\$12.8 million loss attributable to shareholders that was incurred during the six-month period under review.

As at the end of December, 2002, current assets of the Group amounted to HK\$607.6 million which was represented by HK\$290.3 million in cash holdings and HK\$293.0 million in investment-grade debt securities which have remaining life to maturity of less than one year. The Group's other current assets recorded at 31st December, 2002 included HK\$3.5 million in inventories and HK\$20.8 million in accounts receivable, deposits and prepayments, showing an increase of 11.4% and 24.1% when compared to their respective levels recorded as at the end of June, 2002. Current liabilities of the Group amounted to HK\$17.9 million, representing an increase of 2.8% as compared to those recorded as at the end of June, 2002 comprising HK\$16.7 million in accounts payable and accrued expenses and HK\$1.2 million in unsecured bank overdraft. The Group maintained a financially liquid position with net current assets recorded at HK\$589.7 million showing an increase of 14.0% as compared with that recorded as at 30th June, 2002 as HK\$76.3 million worth in debt securities held were re-classified as current assets as at the end of the period under review due to shortening maturities. In addition, the Group still held HK\$67.1 million in investment-grade debt securities with remaining life to maturity longer than one year as at 31st December, 2002.

Significant investments

Investment-grade debt securities were held by the Group mainly for the purpose of enhancing treasury investment yield and these were kept at a similar level as that recorded as at 30th June, 2002 which totally amounted to HK\$360.0 million as at 31st December, 2002, with an average remaining life of 1.2 years. Other than maintaining these debt securities holdings, the Group did not make securities investments of any significant amount during the period under review.

Material acquisitions and disposals of subsidiaries and affiliated companies

The Group had not made significant disposals or acquisitions of subsidiaries and affiliated companies during the six-month period ended 31st December, 2002.

Segmental information

Business Turnover

For the six months ended 31st December, 2002, total turnover of the Group amounted to approximately HK\$39.4 million representing an increase of 13.4% as compared to HK\$34.8 million recorded during the corresponding six-month period ended 31st December, 2001. Of the total turnover amount, HK\$35.7 million or 90.6% was generated from the Retailing segment which showed an increase of 8.9% over that recorded in the corresponding period in the previous financial year for the same segment as a result of the successful clicks and bricks strategy implemented by iCare in combining the effective reach of Towngas bill inserts, iCare Hot Spots and the iCare shopping mall website. Turnover of the Business Services segment remained stable at around HK\$0.8 million during the six-month period under review as compared to that registered in the corresponding period of the previous financial year. Turnover of the Building System Services segment was recorded at HK\$2.9 million for the six-month period under review, showing substantial increase as compared to that shown in the corresponding period in the previous financial year mainly as a result of the increased number of various management and control systems installed for Henderson Group developments by Future Home.

Operating Results

For the six-month period under review, the loss attributable to shareholders of the Group was recorded at HK\$12.8 million, representing a substantial 57.6% reduction in loss as compared with the corresponding loss figure of HK\$30.1 million shown in the six-month period in the previous financial year. The loss attributable to shareholders included a loss of HK\$8.8 million from operations (which was reduced by 72.2% when compared to the corresponding loss figure of HK\$31.6 million of the previous financial year), and a provision for impairment loss of HK\$3.9 million in respect of data centre and network equipment and facilities. The segmental results which were mainly accounted for by the Group's Retailing segment, Business Services segment and Building System Services segment totally amounted to a consolidated loss of HK\$18.5 million for the six-month period under review representing a reduction of 56.1% as compared to the corresponding consolidated loss figure of HK\$42.2 million registered in the six-month period of the previous financial year when the Group's business was still in a development phase. Each of the Retailing, Business Services, and Building System Services segments reported reduction in loss during the period under review and the loss recorded in these segments were recorded at HK\$9.2 million, HK\$9.1 million, and HK\$0.1 million respectively during the period under review. Direct costs and operational expenses of HK\$47.5 million was recorded in the six-month period under review and showed a decrease of 24.7% as compared to corresponding figure registered in the six-month period of the previous financial year. Interest income from held-to-maturity securities and bank deposits showed a decrease of 5.7% as compared to that registered in the corresponding period of the previous financial year and was recorded at HK\$10.8 million resulting from the continuously low interest rates environment in the financial period under review. A reduction of 14.3% was recorded in selling, distribution and administrative costs over the six-month period under review as compared to the corresponding figure of HK\$14.8 million registered in the corresponding period of the previous financial year mainly as a result of the Group's continuous efforts made on improvement in its operating efficiency and cost control.

Employees

The number of employees of the Group increased to 104 as at 31st December, 2002 as compared to 80 recorded as at 30th June, 2002 mainly due to iCare's expansion in striving to establish itself as a widely accepted brand for the distribution of goods, Internet and telecommunication services. The staff cost incurred in the six-month period under review decreased by 38.4% to HK\$13.8 million as compared with HK\$22.4 million incurred in the corresponding period of the previous financial year, as a result of the Group's continuous effort in controlling its operating expenses. Remuneration of employees was generally 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 the Group's employees include medical insurance, retirement schemes, training programmes and educational subsidies.

Charges on group assets

The assets of the Group had not been charged to any third parties for the financial period under review.

Future plans for material investments or capital assets

Capital commitments of the Group was recorded at HK\$4.6 million as at the end of the six-month period under review representing a substantial increase as compared to the corresponding figure of HK\$1.4 million registered in the previous financial year mainly due to the commencement of the second phase of Eastar's network rollout.

Gearing ratio

Although the Group recorded bank borrowings of HK\$1.2 million as at 31st December, 2002, yet the gearing ratio of the Group which is expressed as the ratio of total net bank borrowings to shareholders' fund remained at zero, being the same as that recorded as at 30th June, 2002.

Exposure to fluctuations in exchange and related hedges

The core operations of the Group remain to be not exposed to any significant foreign exchange risks. The HK\$360.0 million investment-grade debt securities held by the Group as at 31st December, 2002 are denominated in U.S. Dollars and no arrangement has been made to hedge the associated exchange rate risk.

Contingent liabilities

As at the end of the financial period under review, contingent liabilities amounted to HK\$13.3 million which mainly consisted of a performance bond in the amount of HK\$12.0 million issued by a bank on behalf of a subsidiary of the Group. It was provided in accordance with the terms of the FTNS licence granted to the subsidiary.

The Group will continue to monitor its capital expenditure prudently while constantly seeking more cost effective capital investment plans. The financial resources in hand is adequate to meet the operational and capital expenditure needs of the Group and external resources of financing will not be required.

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 by 31st December, 2002 as follows. While the Company has achieved most of its key business objectives, it has sought to do so cautiously while maintaining a healthy cash reserve and debt securities totaling HK\$649 million as at 31st December, 2002.

	Actual (HK\$ million)	Actual (HK\$ million)
Total net proceeds from IPO		894
Less: Actual use up to 31st December, 2002		
iCare		
Hardware	45	
Software	6	
Advertising	29	
HDC	46	
Eastar		
Acquisition of telecommunications network infrastructure	45	
Acquisition of distribution equipment	3	
Blockwiring	—	
Future Home	6	
IT Investments	6	
Investment in Debt Securities	368	
Other capital expenditure	8	
Working capital	43	605
Cash at Bank		289

The Internet, telecommunications and high technology industries in which the Group is engaged continue to face a challenging environment. Accordingly the Group will continue to adopt a cautious approach to further commitments of capital while assessing opportunities in Hong Kong and Greater China.

To 31st December, 2002

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

As at 31st December, 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
Henderson Land Development Company Limited	Lee Shau Kee				1,122,938,300 (Note 1)	1,122,938,300
	Woo Ka Biu, Jackson		2,000			2,000
Henderson Investment Limited	Lee Shau Kee	34,779,936			2,075,859,007 (Note 6)	2,110,638,943
Henderson China Holdings Limited	Lee Shau Kee				325,133,977 (Note 13)	325,133,977
	Woo Ka Biu, Jackson	544,802				544,802
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	3,226,174			2,157,017,776 (Note 8)	2,160,243,950
	Li Kwok Po, David	10,964,082				10,964,082
	Chan Wing Kin, Alfred	102,825 (Note 5)				102,825

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
China Investment Group Limited	Woo Ka Bui, Jackson			16,000 (Note 9)		16,000
Henfield Properties Limited	Lee Ka Kit			4,000 (Note 9)		4,000
Shellson International Limited	Lee Ka Kit			25 (Note 9)		25

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 1,117,143,200 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.
- 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, 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, 2002	Number of share options granted during the period	Number of share options outstanding at 31st December, 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, 2002	Number of share options granted during the period	Aggregate number of share options outstanding at 31st December, 2002
28/06/2000	1,250,000	—	1,250,000

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, 2002	Number of share options granted during the period	Number of share options lapsed during the period	Aggregate number of share options outstanding at 31st December, 2002
28/06/2000	14,500,000	—	100,000	14,400,000

Subject to the terms and conditions of the Option Plan, each of the above Directors, employees and other participants will be entitled to exercise at the price of HK\$1.25 per share (i) 30 per cent. of the share options so granted at any time after the expiry of 12 months from 14th July, 2000, (ii) a further 30 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, 2002	Number of share options granted during the period	Aggregate number of share options outstanding at 31st December, 2002
04/10/2000	100,000	—	100,000

Subject to the terms and conditions of the Share Option Scheme, the employee of the Company will be entitled to exercise at the price of HK\$0.89 per share (i) 30 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 30 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.

To 31st December, 2002

As at 31st December, 2002, share options for a total of 27,650,000 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 per cent. 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	3	1,250,000
Other participants	42	14,400,000
	<u>54</u>	<u>27,650,000</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 six months ended 31st December, 2002.

(ii) Options to subscribe for shares in associated corporation

As at 31st December, 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 December, 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.

COMPETING INTERESTS

Newspeed Technology Limited, a wholly-owned subsidiary of Henderson Investment Limited, the Company’s holding company, has a 8.9 per cent. 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 six months ended 31st December, 2002, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The Audit Committee was established on 25th May, 2000 and reports to the Board of Directors. The members of the Audit Committee are Dr. Li Kwok Po, David, Professor Ko Ping Keung and Mr. Woo Ka Biu, Jackson, all of whom are Independent Non-executive 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 Second Quarterly Report for the six months ended 31st December, 2002.

BOARD PRACTICES AND PROCEDURES

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 throughout the period.

By Order of the Board

Lee Shau Kee

Chairman

Hong Kong, 13th February, 2003