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If you have sold or transferred all your shares in **Henderson Cyber Limited**, you should at once hand this circular to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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hendersoncyber

HENDERSON CYBER LIMITED

恒基數碼科技有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8023)

**CONNECTED AND
DISCLOSEABLE TRANSACTION
SALE OF INTEREST IN
COTECH INVESTMENT LIMITED**

* For identification purposes only

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors. Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM. The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM listed issuers.

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:

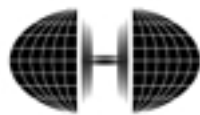
“assets ratio”	has the meaning ascribed to it under the GEM Listing Rules
“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of directors of the Company
“BVI”	British Virgin Islands
“Company”	Henderson Cyber Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“Completion”	the completion of the Sale and Purchase Agreement in accordance with its terms which took place on 29 June 2004
“consideration ratio”	has the meaning ascribed to it under the GEM Listing Rules
“Cotech”	Cotech Investment Limited, a company incorporated in the BVI
“Director(s)”	the directors of the Company
“Estar”	Estar Technology Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Cotech
“Fiber Profits”	Fiber Profits Limited, a company incorporated in the BVI, which had held 5,375,000 Shares, representing 5% of the entire issued share capital of Cotech, prior to Completion
“FTNS”	fixed telecommunications network services
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“JAVF”	Japan Asia Venture Fund, a venture capital fund registered in the Netherlands, which had held 3,010,000 Shares, representing 2.8% of the entire issued share capital of Cotech, prior to Completion
“Latest Practicable Date”	15 July 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“LFC”	local fixed carrier
“LMDS”	local multipoint distribution system
“Loan Consideration”	the consideration for the sale and purchase of the Startech Shareholder’s Loan, being an amount of HK\$6,224,783
“OFTA”	The Office of Telecommunications Authority
“percentage ratios”	has the meaning ascribed to it under the GEM Listing Rules
“Purchaser”	Wang Tack International Limited, a company incorporated in the BVI and wholly-owned by Towngas
“revenue ratio”	has the meaning ascribed to it under the GEM Listing Rules
“Sale and Purchase”	the sale of the Sale Shares by the Vendors and the purchase of the Sale Shares by the Purchaser; and the sale of the Startech Shareholder’s Loan by Startech and the purchase of the Startech Shareholder’s Loan by the Purchaser
“Sale and Purchase Agreement”	the agreement dated 28 June 2004 entered into by the Vendors and the Purchaser in relation to the Sale and Purchase
“Sale Shares”	107,500,000 Shares representing the entire issued share capital of Cotech
“SFO”	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
“Share(s)”	share(s) of HK\$1.00 each in the issued share capital of Cotech
“Share Consideration”	HK\$20,641, being the total consideration payable by the Purchaser to the Vendors for the purchase of the Sale Shares

DEFINITIONS

“Shareholders”	holders of the shares of HK\$0.10 each in the issued share capital of the Company
“Startech”	Startech Investment Limited, a company incorporated in the BVI and wholly-owned by the Company, which had held 99,115,000 Shares, representing 92.2% of the entire issued share capital of Cotech, prior to Completion
“Startech Sale Shares”	99,115,000 Shares held by Startech, representing 92.2% of the entire share capital of Cotech, prior to Completion
“Startech Share Consideration”	HK\$19,031, being the consideration payable by the Purchaser to Startech for the sale and purchase of the Startech Sale Shares
“Startech Shareholder’s Loan”	the shareholder’s loan in the amount of HK\$6,224,783 due and owing from Cotech to Startech as at 31 March 2004, which is unsecured, non-interest bearing and repayable on demand after one year from 31 March 2004
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	if a company controls the composition of the board of directors of another company, or controls more than half of the voting rights or holds more than half of the issued share capital of another company (excluding any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital), the second mentioned company is regarded as a subsidiary of the first mentioned company
“Towngas”	The Hong Kong and China Gas Company Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the main board of the Stock Exchange, which holds approximately 18.05% of the entire issued share capital of the Company as at the Latest Practicable Date
“Vendor(s)”	Startech, Fiber Profits and JAVF, the vendors of the Sale Shares, Startech being also the vendor of the Startech Shareholder’s Loan
“HK\$” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“%”	per cent.



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HENDERSON CYBER LIMITED

恒基數碼科技有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8023)

Executive Directors:

Dr. Lee Shau Kee (*Chairman*)
Chan Wing Kin, Alfred
Lam Ko Yin, Colin
Lee Ka Kit
Lee Ka Shing
Yip Ying Chee, John
Douglas H. Moore

Independent Non-Executive Directors:

Dr. Li Kwok Po, David
Professor Ko Ping Keung
Woo Ka Biu, Jackson

Registered Office:

Scotia Centre, 4th Floor
P.O. Box 2804
George Town
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Cayman Islands

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Place of Business:*

6th Floor, World-Wide House
19 Des Voeux Road Central
Hong Kong

19 July 2004

To the Shareholders

Dear Sir or Madam,

**CONNECTED AND DISCLOSEABLE TRANSACTION
SALE OF INTEREST IN COTECH INVESTMENT LIMITED**

1. INTRODUCTION

The Board announced on 28 June 2004 that on the same date, Startech, a wholly-owned subsidiary of the Company, and other Vendors entered into the Sale and Purchase Agreement with the Purchaser pursuant to which (i) Startech and other Vendors agreed to sell the entire issued share capital of Cotech (including the Startech Sale Shares) to the Purchaser at the Share Consideration of HK\$20,641; and (ii) Startech agreed to sell to the Purchaser the Startech Shareholder's Loan due and owing from Cotech at the Loan Consideration of HK\$6,224,783; both of which were satisfied in cash at Completion.

* For identification purposes only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with details of the Sale and Purchase Agreement and other information as required by the GEM Listing Rules.

2. THE SALE AND PURCHASE AGREEMENT

Date of the Sale and Purchase Agreement

28 June 2004

Parties

Vendor: (a) Startech
(b) Fiber Profits
(c) JAVF

Purchaser: Wang Tack International Limited, a wholly-owned subsidiary of Towngas

The Sale and Purchase

Prior to Completion, Cotech was held as to 99,115,000 Shares (i.e. the Startech Sale Shares) by Startech (representing 92.2% of the entire issued share capital of Cotech), 5,375,000 Shares by Fiber Profits (representing 5.0% of the entire issued share capital of Cotech) and 3,010,000 Shares by JAVF (representing 2.8% of the entire issued share capital of Cotech). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Fiber Profits and JAVF (and their respective ultimate beneficial owners) are independent third parties not connected with any directors, chief executive, management shareholders or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates for the purpose of the GEM Listing Rules.

Pursuant to the Sale and Purchase Agreement:

- (i) each of the Vendors agreed to sell the respective number of Shares held by each of them to the Purchaser and the Purchaser agreed to purchase from the Vendors the entire issued share capital of Cotech. The consideration payable by the Purchaser to Startech, Fiber Profits and JAVF for the purchase of the respective number of Shares from each of them were HK\$19,031, HK\$1,032 and HK\$578 respectively; and
- (ii) Startech agreed to sell and the Purchaser agreed to purchase from Startech the benefits and interests of and in the Startech Shareholder's Loan at the consideration of HK\$6,224,783.

The Share Consideration (including the Startech Share Consideration) and the Loan Consideration were satisfied in cash at Completion by the Purchaser. Immediately prior to Completion, there were no outstanding shareholder's loan made by Fiber Profit or JAVF to Cotech.

The Share Consideration and the Loan Consideration

The Share Consideration payable by the Purchaser to the Vendors for the Sale Shares under the Sale and Purchase Agreement was HK\$20,641, and was determined with reference to the audited net tangible assets of Cotech as at 31 March 2004 which was HK\$20,641. The amount of the Startech Share Consideration represents the relevant amount of consideration proportional to Startech's shareholding in Cotech immediately prior to Completion.

The consideration payable by the Purchaser to Startech for the Startech Shareholder's Loan under the Sale and Purchase Agreement was HK\$6,224,783, which equaled to the amount of the Startech Shareholder's Loan owed by Cotech to Startech as at 31 March 2004 and immediately prior to Completion. The Startech Shareholder's Loan was unsecured and non-interest bearing and repayable on demand after one year from 31 March 2004.

Upon Completion, no gain or loss on disposal arose as the Startech Share Consideration was based on and equaled to Startech's share of the audited net tangible assets of Cotech as at 31 March 2004. The proceeds received by the Group from the sale of the Startech Sale Shares and the Startech Shareholder's Loan will be used for general working capital purpose of the Group but no specific use has been identified by the Group yet. The effect of the transaction on the earnings and assets and liabilities of the Company is immaterial.

Upon Completion, the Company ceased to hold any interest in Cotech, which ceased to be a subsidiary of the Company.

Completion

Completion of the Sale and Purchase took place on 29 June 2004.

3. CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION

Towngas is a substantial shareholder holding approximately 18.05% of the entire issued share capital of the Company as at the Latest Practicable Date. The Purchaser, which is wholly-owned by Towngas, is an associate of Towngas and thus a connected person of the Company within the meaning of the GEM Listing Rules. The sale of the Startech Sale Shares and the Startech Shareholder's Loan by Startech to the Purchaser therefore constitutes a connected transaction of the Company for the purpose of the GEM Listing Rules. Since, in respect of the aggregate amount of the Startech Share Consideration and the Loan Consideration payable by the Purchaser to Startech for the Startech Sale Shares and the Startech Shareholder's Loan, each of the "assets ratio", "consideration ratio" and the "revenue ratio" for connected transaction purposes is less than 2.5%, the sale of the Startech Sale Shares and the Startech Shareholder's Loan by Startech to the Purchaser is a connected transaction within Rule 20.32 of the GEM Listing Rules and the Company is only subject to the reporting and announcement requirements

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under Rules 20.45 to 20.47 of the GEM Listing Rules. The Company is exempt from independent shareholders' approval requirements under the GEM Listing Rules. Further, in applying Rule 19.20 of the GEM Listing Rules, the costs of sales (as an alternative to net profit and gross profit) of Cotech exceeds 5% of the costs of sales of the Company for the year ended 30 June 2003 and therefore, the transaction becomes a discloseable transaction of the Company for the purposes of Rule 19.08 of the GEM Listing Rules.

4. INFORMATION ON COTECH AND EASTAR

Cotech

Cotech was incorporated in the BVI on 7 July 1999. Immediately prior to Completion, it had an authorised share capital of HK\$110,000,000 divided into 110,000,000 shares of HK\$1.00 each and the issued share capital of Cotech was HK\$107,500,000. The only asset of Cotech immediately prior to Completion was its wholly-owned subsidiary, Eastar. Based on Cotech's audited financial statements, the consolidated net losses before taxation and extraordinary items of Cotech for the years ended 30 June 2002 and 2003 and the nine months ended 31 March 2004 were approximately HK\$64.85 million, HK\$13.3 million and HK\$3.5 million respectively. There were no tax provisions required and extraordinary items for the years ended 30 June 2002 and 2003 nor for the nine months ended 31 March 2004.

Eastar

Eastar is a company limited by shares and was incorporated in Hong Kong on 20 September 1999. Immediately prior to Completion, it had an authorised share capital of HK\$35,000,000 divided into 35,000,000 shares of HK\$1.00 each, all of which were issued and owned by Cotech. The principal activity of Eastar immediately prior to Completion was the provision of local FTNS. Based on Eastar's audited financial statements, Eastar had net operating losses of HK\$64.82 million, HK\$13.28 million and HK\$3.49 million for the years ended 30 June 2002 and 2003 and the nine months ended 31 March 2004 respectively. There were no tax provisions required and extraordinary items for the years ended 30 June 2002 and 2003 nor for the nine months ended 31 March 2004.

5. INFORMATION ON THE GROUP AND THE PURCHASER

The principal business activities of the Group are internet services, merchandising services, data centre services, intelligent building services and IT investments.

The principal business activity of the Purchaser is information technology investment and the principal business activities of Towngas are the production, distribution and marketing of gas and related activities, telecommunications and investment holding.

6. REASONS FOR THE SALE OF EASTAR

Operating at a loss

Eastar was awarded a local wireless FTNS licence by OFTA in February 2000 to operate a LMDS-based broadband communications network. The licence has an initial term of 15 years from 16 February 2000 subject to an extension of a further 15 years with the approval of OFTA.

The LMDS technology as an alternative solution to fibre or copper for last mile coverage was not a success. The original licence awarded in February 2000 was for a local wireless FTNS by means of the LMDS technology which telecommunications operators are not using extensively, and the supplier to Eastar's LMDS network had discontinued to provide LMDS-based equipment and maintenance and back-up services. High capital costs and a general preference in the market for fibre connections instead of radio connections have limited the scope of LMDS. In addition, the key suppliers of LMDS equipment for Eastar decided to stop their productions and support services because of the downturn in worldwide demand.

As a term of its licence, Eastar was required to fulfil certain performance milestones by specified dates, for which Eastar had satisfied the requirements. Eastar had invested a total of HK\$52.6 million in network equipment and facilities, of which a provision for impairment loss of HK\$40.1 million had been made as LMDS equipment becomes obsolete. As at 30 June 2003, Eastar had accumulated losses of approximately HK\$103.9 million. Since the end of 2001, Eastar had downsized its operations by suspending the network rollout of LMDS sites while the evaluation of more cost effective technologies was being pursued.

Poor future prospects

Eastar had been assessing the viability of proceeding with further investment in its LFC business, having successfully applied to OFTA for an amendment of the wireless FTNS licence to a FTNS licence in 2002. Eastar had recently conducted a full review of the LFC business assessing its market positioning, product offering, pricing trends and customer uptake. Deregulation has resulted in significant price reduction in the past few years in the international call and bandwidth markets. Similar downward pricing trend is expected to extend to the local loop wholesale market targeted by Eastar. A substantial portion of the Group's financial resources would have been required to develop the business of Eastar to a level that could bring profit to the Group.

On this premise, any further substantial investment in Eastar would have entailed the following risks and uncertainties:-

- the uncertain payback period for investment in the business currently conducted by Eastar due to intense price and product competition in the industry;

LETTER FROM THE BOARD

- the risks associated with the fast changing nature of the development of the telecommunication industry, such as the risks of pre-mature obsolescence. Such risks may have resulted in significant write-offs in the accounts of the Group; and
- since Eastar had not yet developed a sizeable customer base in the telecommunication industry, more time and costs would have been required to develop the business currently conducted by Eastar to acquire the market share in the industry and thus to achieve the optimal economy of scale.

Given the conditions and prospects of the market and without further substantial investment, the Directors believe that Eastar would not develop into a profitable business.

Lack of other buyers in market

It was difficult to find other buyers in the market willing to pay a premium to acquire Eastar, especially given that Eastar does not have a large customer base and most of its capital equipment has been or will be written off as obsolete. There is no restriction on the number of applicants for FTNS licences and no premium is payable for the licences.

Given the above, the Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

7. GENERAL

Your attention is also drawn to the information set out in the appendix to this circular.

By order of the Board
John Yip Ying Chee
Secretary

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:-

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Ordinary Shares (unless otherwise specified)

Long Position

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Cyber Limited	Lee Chau Kee	1	173,898		4,244,996,094		4,245,169,992	84.90
	Lee Ka Kit	1				4,244,996,094	4,244,996,094	84.90
	Lee Ka Shing	1				4,244,996,094	4,244,996,094	84.90
	Lam Ko Yin, Colin	2	55				55	0.00
Henderson Land Development Company Limited	Lee Chau Kee	3			1,122,938,300		1,122,938,300	61.88
	Lee Ka Kit	3				1,122,938,300	1,122,938,300	61.88
	Lee Ka Shing	3				1,122,938,300	1,122,938,300	61.88
	Woo Ka Biu, Jackson	4		2,000			2,000	0.00
	Chan Wing Kin, Alfred	5	32,000				32,000	0.00
Henderson Investment Limited	Lee Chau Kee	6	34,779,936		2,075,859,007		2,110,638,943	74.92
	Lee Ka Kit	6				2,075,859,007	2,075,859,007	73.68
	Lee Ka Shing	6				2,075,859,007	2,075,859,007	73.68

APPENDIX
GENERAL INFORMATION

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson China Holdings Limited	Lee Shau Kee	7			325,133,977		325,133,977	65.32
	Lee Ka Kit	7				325,133,977	325,133,977	65.32
	Lee Ka Shing	7				325,133,977	325,133,977	65.32
	Woo Ka Biu, Jackson	8	544,802				544,802	0.11
Henderson Development Limited	Lee Shau Kee	9			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Shau Kee	10			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Shau Kee	11	35,000,000 (Non-voting Deferred Shares)		15,000,000 (Non-voting Deferred Shares)		50,000,000 (Non-voting Deferred Shares)	100.00
	Lee Ka Kit	9				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	10				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	11				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	9				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	10				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	11				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
China Investment Group Limited	Woo Ka Biu, Jackson	12			16,000		16,000	5.33
Henfield Properties Limited	Lee Ka Kit	13			4,000	6,000	10,000	100.00
Heyield Estate Limited	Lee Shau Kee	14			100		100	100.00
	Lee Ka Kit	14				100	100	100.00
	Lee Ka Shing	14				100	100	100.00
Pettystar Investment Limited	Lee Shau Kee	15			3,240		3,240	80.00
	Lee Ka Kit	15				3,240	3,240	80.00
	Lee Ka Shing	15				3,240	3,240	80.00
Shellson International Limited	Lee Ka Kit	16			25	75	100	100.00

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

(i) Lapsed options to subscribe for shares in the Company

The following Directors of the Company had interests in options to subscribe for shares in the Company which were granted on 28 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") and which options lapsed on 14 July 2004:

Name of Director	Number of share options outstanding
Dr. Lee Shau Kee	2,400,000
Chan Wing Kin, Alfred	1,200,000
Lam Ko Yin, Colin	1,200,000
Lee Ka Kit	1,200,000
Lee Ka Shing	1,200,000
Yip Ying Chee, John	1,200,000
Dr. Li Kwok Po, David	1,200,000
Professor Ko Ping Keung	1,200,000
Douglas H. Moore	1,200,000

Subject to the terms and conditions of the Option Plan, each of the above Directors, had been 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 14 July 2000, (ii) a further 30 per cent. of the share options so granted at any time after the expiry of 24 months from 14 July 2000 and (iii) the remaining share options at any time after the expiry of 36 months from 14 July 2000 and, in each case, not later than four years from 14 July 2000.

(ii) Options to subscribe for shares in associated corporation

As at the Latest Practicable Date, 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
Lam Ko Yin, Colin	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.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interests and short positions of persons (not being Directors or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long Position

Name of Company	Number of shares in which interested	%
Technology Capitalization Limited (<i>Note 1</i>)	902,700,000	18.05
Towngas Investment Company Limited (<i>Note 1</i>)	902,700,000	18.05
The Hong Kong and China Gas Company Limited (<i>Note 1</i>)	902,700,000	18.05
Felix Technology Limited (<i>Note 1</i>)	3,333,213,616	66.67
Best Selection Investments Limited (<i>Note 1</i>)	3,333,213,616	66.67
Henderson Investment Limited (<i>Note 1</i>)	4,235,913,616	84.72
Henderson Land Development Company Limited (<i>Note 1</i>)	4,244,968,019	84.90
Henderson Development Limited (<i>Note 1</i>)	4,244,968,019	84.90
Rimmer (Cayman) Limited (<i>Note 1</i>)	4,244,996,094	84.90
Riddick (Cayman) Limited (<i>Note 1</i>)	4,244,996,094	84.90
Hopkins (Cayman) Limited (<i>Note 1</i>)	4,244,996,094	84.90

Notes:

- Of these shares, Dr. Lee Shau Kee was the beneficial owner of 173,898 shares, and for the remaining 4,244,996,094 shares, (i) 902,700,000 shares were owned by Technology Capitalization Limited, a wholly-owned subsidiary of Towngas Investment Company Limited which was 100% held by The Hong Kong and China Gas Company Limited ("China Gas") which in turn was 36.72% held by Henderson Investment Limited ("HI"); (ii) 3,333,213,616 shares were owned by Felix Technology Limited, a wholly-owned subsidiary of Best Selection Investments Limited which was 100% held by HI which in turn was 73.48% held by Henderson Land Development Company Limited ("HL"); (iii) 4,014,271 shares, 1,816,644 shares, 1,714,027 shares, 1,086,250 shares and 423,211 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which was 100% held by HL which in turn was 61.87% held by Henderson Development Limited ("HD"); and (iv) 28,075 shares were owned by Fu Sang Company Limited ("Fu Sang").

Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of HD and Fu Sang. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr. Lee Shau Kee. Dr. Lee Shau Kee was taken to be interested in these shares by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.

2. Mr. Lam Ko Yin, Colin was the beneficial owner of these shares.
3. Of these shares, (i) 570,743,800 shares were owned by HD; (ii) 7,092,000 shares and 870,100 shares were respectively owned by Sandra Investment Limited and Mightygarden Limited, both of which were wholly-owned subsidiaries of HD; (iii) 222,045,300 shares, 145,090,000 shares, 61,302,000 shares, 55,000,000 shares and 55,000,000 shares were respectively owned by Believegood Limited, Cameron Enterprise Inc., Prosglass Investment Limited, Fancy Eye Limited and Spreadral Limited, all of which were wholly-owned subsidiaries of Glorious Asia S.A. which in turn was 100% held by HD; (iv) 5,602,600 shares were owned by Superfun Enterprises Limited, a wholly-owned subsidiary of China Gas which was 36.72% held by HI. HI was 73.48% held by HL which in turn was 61.87% held by HD; and (v) 192,500 shares were owned by Fu Sang. Dr. Lee Shau Kee was taken to be interested in China Gas, HD and Fu Sang as set out in Note 1 and HL by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.
4. These shares were owned by the wife of Mr. Woo Ka Biu, Jackson.
5. Mr. Chan Wing Kin, Alfred was the beneficial owner of these shares.
6. Of these shares, Dr. Lee Shau Kee was the beneficial owner of 34,779,936 shares, and for the remaining 2,075,859,007 shares, (i) 802,854,200 shares, 602,168,418 shares, 363,328,900 shares, 217,250,000 shares and 84,642,341 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which in turn was 100% held by HL; and (ii) 5,615,148 shares were owned by Fu Sang. Dr. Lee Shau Kee was taken to be interested in HL and Fu Sang as set out in Notes 1 and 3 and HI by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.
7. Of these shares, 175,000,000 shares, 75,233,977 shares and 74,900,000 shares were respectively owned by Primeford Investment Limited, Timsland Limited and Quantum Overseas Limited, all of which were wholly-owned subsidiaries of Brightland Enterprises Limited which in turn was 100% held by HL. Dr. Lee Shau Kee was taken to be interested in HL as set out in Note 3 and Henderson China Holdings Limited ("HC") by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.
8. Mr. Woo Ka Biu, Jackson was the beneficial owner of these shares.
9. These shares were held by Hopkins as trustee of the Unit Trust.
10. These shares were held by Hopkins as trustee of the Unit Trust.
11. Of these shares, Dr. Lee Shau Kee was the beneficial owner of 35,000,000 shares, and the remaining 15,000,000 shares were owned by Fu Sang.
12. These shares were held by Pearl Assets Limited which was 60% owned by Mr. Woo Ka Biu, Jackson.
13. Of these shares, (i) 4,000 shares were owned by Applecross Limited which was wholly-owned by Mr. Lee Ka Kit, and (ii) 6,000 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andcoe Limited which was wholly-owned by HC.
14. Of these shares, (i) 80 shares were owned by Tactwin Development Limited, a wholly-owned subsidiary of HL; (ii) 10 shares were owned by Henderson Finance Company Limited, a wholly-owned

subsidiary of HD; and (iii) 5 shares each were owned by Perfect Bright Properties Inc. and Furnline Limited, both of which were wholly-owned subsidiaries of Jetwin International Limited. Triton (Cayman) Limited as trustee of a unit trust owned all the issued share capital of Jetwin International Limited. Triumph (Cayman) Limited and Victory (Cayman) Limited, as trustees of respective discretionary trusts, held units in the unit trust. The entire issued share capital of Triton (Cayman) Limited, Triumph (Cayman) Limited and Victory (Cayman) Limited were owned by Dr. Lee Shau Kee who was taken to be interested in such shares by virtue of the SFO. As discretionary beneficiaries of the discretionary trusts holding units in such unit trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in such shares by virtue of the SFO.

15. Of these shares, (i) 3,038 shares were owned by HL; and (ii) 202 shares were owned by Allied Best Investment Limited which was 50% held by each of Perfect Bright Properties Inc. and Furnline Limited, both of which were wholly-owned subsidiaries of Jetwin International Limited.
16. Of these shares, (i) 25 shares were owned by Shine King International Limited which was wholly-owned by Mr. Lee Ka Kit, and (ii) 75 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andcoe Limited which was wholly-owned by HC.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any substantial shareholders' interest or short positions representing 5% or more of the Company's issued share capital.

4. DIRECTORS' SERVICE CONTRACTS

Each of Mr. Chan Wing Kin, Alfred, Mr. Lam Ko Yin, Colin and Mr. Yip Ying Chee, John, executive Directors, has entered into a service contract with the Company. Each service contract, until and unless terminated by not less than two months' notice in writing served by either party on the other, is of an initial term of three years commencing from 1 April 2000 and shall continue thereafter. Each of the above Directors is entitled to such management bonus as the Board may approve without limitation but shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of management bonus payable to himself.

The office of each of the independent non-executive Directors was extended for a further term of two years from 1 January 2004 to 31 December 2005.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group is engaged in any litigation or arbitration of material importance and no litigation or arbitration or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any member of the Group.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors, the management shareholders of the Company (as defined in the GEM Listing Rules) nor their respective associates had any interest in a business that competes or may compete with the business of the Group.

7. MATERIAL INTEREST

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group since 30 June 2003 (being the date to which the latest audited financial statements of the Group were made up), or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. NO MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2003, being the date to which the latest audited financial statements of the Group were made up.

9. GENERAL

- (a) The registered office of the Company is situated at Scotia Centre, 4th Floor, P.O.Box 2804, George Town, Grand Cayman, Cayman Islands. The head office and principal place of business of the Company is situated at 6th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong.
- (b) The Company's Hong Kong branch share registrar and transfer office is Computershare Hong Kong Investor Services Limited, which is situated at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The qualified accountant of the Company is Ms. Wong Sau Yan, *M.B.A., F.C.C.A., F.H.K.S.A.*
- (d) The compliance officer and company secretary of the Company is Mr. John Yip Ying Chee, *LL.B., F.C.I.S.*, who is one of the executive Directors.

- (e) The audit committee of the Company comprises Dr. Li Kwok Po, David, Professor Ko Ping Keung and Mr. Woo Ka Biu, Jackson, all of whom are independent non-executive Directors. Amongst the principal duties of the audit committee are the review and supervision of the Company's financial reporting process and internal control procedures.

Dr. LI Kwok Po, David, *G.B.S., M.A., Hon. LL.D. (Cantab), Hon. D.Soc.Sc., F.C.A., F.H.K.S.A., F.C.I.B., F.H.K.I.B., F.B.C.S., F.C.I.Arb., J.P.*, was appointed to the Board of Directors of Towngas in 1984. He was appointed a Director of the Company in April 2000. He is the Chairman and Chief Executive of The Bank of East Asia, Limited, Chairman of The Chinese Banks' Association, Limited and Chairman of the Hong Kong Management Association. Dr. Li is also a director of PCCW Limited, San Miguel Brewery Hong Kong Limited, SCMP Group Limited, The Hongkong and Shanghai Hotels, Limited and the Mandatory Provident Fund Schemes Authority. He is currently a member of the Banking Advisory Committee, the Exchange Fund Advisory Committee and the Land Fund Advisory Committee.

Professor KO Ping Keung, *Ph.D., F.I.E.E.E., F.H.K.I.E., J.P.*, holds a Bachelor of Science (Honours) degree from the University of Hong Kong, a Doctor of Philosophy degree and a Master of Science degree from the University of California at Berkeley. He is an Adjunct Professor of University of California at Berkeley and Beijing University and Professor of Electrical & Electronic Engineering and the former Dean of the School of Engineering of The Hong Kong University of Science and Technology. He was the Vice Chairman of Electrical Engineering and Computer Science Department of the University of California at Berkeley in 1991 - 1993 and a member of Technical staff, Bell Labs, Holmdel, in 1982 - 1984. He was appointed a Director of the Company in April 2000. Professor Ko is also a director of Cycom Technology Limited.

WOO Ka Biu, Jackson, *MA(Oxon)*, was appointed a Director of the Company in September 2002. He is a director of N M Rothschild & Sons (Hong Kong) Limited ("Rothschild"). He holds a MA degree in Jurisprudence from the Oxford University and is a qualified solicitor in England and Wales, Hong Kong and Australia. Prior to joining Rothschild, Mr. Woo was a partner in the corporate finance department of Woo, Kwan, Lee & Lo and is now a consultant of Woo, Kwan, Lee & Lo. Mr. Woo is the son of Sir Po-shing Woo. Since July 2000, he has been an Alternate Director to Sir Po-shing Woo, an independent non-executive director for both Henderson Land Development Company Limited and Henderson Investment Limited.

- (f) In any event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the office of Messrs. Woo, Kwan, Lee & Lo at 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong up to and including 3 August 2004:

- (a) the Sale and Purchase Agreement; and
- (b) the service contracts referred to the section headed "Directors' service contracts" in this appendix.