



hendersoncyber
HENDERSON CYBER LIMITED
恒基數碼科技有限公司*

(Incorporated in the Cayman Islands with limited liability)

RESULTS ANNOUNCEMENT
For the year ended 30th June, 2002

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

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This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* for identification purposes only

SUMMARY OF RESULTS

- Turnover for the year ended 30th June, 2002 amounted to approximately HK\$67,452,000.
- Net loss for the year ended 30th June, 2002 amounted to approximately HK\$136,440,000.
- The Directors do not recommend the payment of a final dividend for the year ended 30th June, 2002.

RESULTS

The audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30th June, 2002 together with the comparative figures for the year ended 30th June, 2001 were as follows:

		For the year ended 30th June	
	Note	2002 HK\$'000	2001 HK\$'000
Turnover	2	67,452	28,306
Other revenue		22,466	45,359
Other net loss		<u>(2,977)</u>	<u>(5)</u>
		86,941	73,660
Direct costs and operating expenses		<u>(114,162)</u>	<u>(98,376)</u>
Selling and distribution costs		<u>(18,341)</u>	<u>(32,114)</u>
Administrative expenses		<u>(13,376)</u>	<u>(17,062)</u>
Loss from operations		<u>(58,938)</u>	<u>(73,892)</u>
Provision for impairment loss	3	<u>(71,262)</u>	<u>—</u>
Write off of inventories		<u>(11,254)</u>	<u>(12,181)</u>
		<u>(141,454)</u>	<u>(86,073)</u>
Finance costs		<u>(21)</u>	<u>(15)</u>
		<u>(141,475)</u>	<u>(86,088)</u>
Share of losses of jointly controlled entities		<u>(23)</u>	<u>(10)</u>
Loss from ordinary activities before taxation	4	<u>(141,498)</u>	<u>(86,098)</u>
Taxation	5	<u>—</u>	<u>—</u>
Loss from ordinary activities after taxation		<u>(141,498)</u>	<u>(86,098)</u>
Minority interests		<u>5,058</u>	<u>1,841</u>
Loss attributable to shareholders		<u><u>(136,440)</u></u>	<u><u>(84,257)</u></u>
Loss per share	7		
Basic		<u><u>HK2.73 cents</u></u>	<u><u>HK1.69 cents</u></u>

NOTES:

1. BASIS OF PREPARATION

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

2. SEGMENTAL INFORMATION

Turnover represents the sales value of goods sold to customers, revenue from Internet and telecommunication services, income from data centre and network services, and project consultancy and application service provider (“ASP”) services income earned during the year.

Segmental information is presented in respect of the Group’s business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group’s internal financial reporting.

Business segments

The Group comprises the following main business segments:

Retailing – goods, Internet and telecommunication services

Business services – data centre and network

Building system services – project consultancy and application service provider

IT investments

For the year ended 30th June, 2002

	Retailing HK\$'000	Business Services HK\$'000	Building System Services HK\$'000	IT Investments HK\$'000	Elimination HK\$'000	Consoli- dated HK\$'000
Turnover	62,435	1,967	3,050	—	—	67,452
Other revenue	63	393	—	—	—	456
Revenue from external customers	62,498	2,360	3,050	—	—	67,908
Inter-segment revenue	100	1,306	—	—	(1,406)	—
Total	62,598	3,666	3,050	—	(1,406)	67,908
Segment result	(35,493)	(44,829)	(1,338)	—	(40)	(81,700)
Interest income from held-to-maturity securities and bank deposits						22,010
Unallocated income net of expenses						752
Loss from operations						(58,938)
Provision for impairment loss	(7,882)	(52,378)	—	(11,002)		(71,262)
Write off of inventories	(11,254)	—	—	—		(11,254)
Finance costs						(21)
Share of losses of jointly controlled entities						(23)
Loss from ordinary activities before taxation						(141,498)
Taxation						—
Loss from ordinary activities after taxation						(141,498)
Minority interests						5,058
Loss attributable to shareholders						(136,440)
Depreciation for the year	9,181	12,399	142	—		
Impairment loss for the year	7,882	52,378	—	11,002		
Significant non-cash expenses (other than depreciation)	12,781	2,751	—	—		

For the year ended 30th June, 2001

	Retailing HK\$'000	Business Services HK\$'000	Building System Services HK\$'000	IT Investments HK\$'000	Elimination HK\$'000	Consoli- dated HK\$'000
Turnover	22,419	354	5,390	143	—	28,306
Other revenue	45	473	—	—	—	518
Revenue from external customers	22,464	827	5,390	143	—	28,824
Inter-segment revenue	3	289	—	—	(292)	—
Total	22,467	1,116	5,390	143	(292)	28,824
Segment result	(71,318)	(45,075)	(868)	143	(34)	(117,152)
Interest income from bank deposits						44,841
Unallocated expenses						(1,581)
Loss from operations						(73,892)
Write off of inventories	(12,181)					(12,181)
Finance costs						(15)
Share of losses of jointly controlled entities						(10)
Loss from ordinary activities before taxation						(86,098)
Taxation						—
Loss from ordinary activities after taxation						(86,098)
Minority interests						1,841
Loss attributable to shareholders						(84,257)
Depreciation for the year	7,435	9,461	52	—		
Significant non-cash expenses (other than depreciation)	12,181	—	—	—		

No geographical analysis is shown as the activities of the Group during the current and prior years were mainly carried out in Hong Kong.

3. PROVISION FOR IMPAIRMENT LOSS

	For the year ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Impairment loss on data centre and network equipment and facilities	60,260	—
Impairment loss on investment securities	11,002	—
	71,262	—

4. LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

Loss from ordinary activities before taxation is arrived at after charging/(crediting):

	For the year ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Finance costs		
– interest expenses on bank overdrafts repayable on demand	21	15
Depreciation	22,511	17,281
Cost of inventories sold	24,743	5,718
Gain on disposal of held-to-maturity securities	(2,285)	—

5. TAXATION

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

No provision for deferred taxation has been made as the Group has a net potential deferred tax asset at 30th June, 2002, the future realisation of which is uncertain.

6. DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 30th June, 2002 (2001: HK\$Nil).

7. LOSS PER SHARE

The calculation of basic loss per share for the year ended 30th June, 2002 is based on the loss attributable to shareholders of HK\$136,440,000 (2001: HK\$84,257,000) and on the weighted average number of 5,000,000,000 (2001: 4,975,342,465) shares in issue during the year. The weighted average number of shares for the prior year has been adjusted for the effect of capitalisation issue following the initial public offering of the Company's shares.

Diluted loss per share is not presented for the years ended 30th June, 2002 and 30th June, 2001 because there were no dilutive potential shares in existence during the years.

8. COMPARATIVE FIGURES

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

PROFIT & TURNOVER

The Group recorded turnover of HK\$67.5 million for the year ended 30th June, 2002, compared with HK\$28.3 million for the previous financial year. The Group's loss attributable to shareholders for the year ended 30th June, 2002 was HK\$136.4 million, compared with a loss of HK\$84.3 million for the previous financial year.

DIVIDENDS

The Board does not recommend the payment of a final dividend.

BUSINESS REVIEW

For the financial year ended 30th June, 2002, turnover of the Group was recorded at HK\$67.5 million and showed an increase of 1.4 times over that registered in the previous financial year mainly as a result of the substantial increase shown in the retailing segment of the Group's business. Other revenue, mainly represented by interest income from deposits and debt securities, was recorded at a lower level and amounted to HK\$22.5 million as compared with HK\$45.4 million registered in the previous financial year due to the significant fall in interest rates during the year under review. Direct costs and operational expenses of HK\$145.9 million was recorded in the financial year under review which was slightly lower than the HK\$147.6 million figure registered in the previous financial year.

In accordance with the announcement of Office of Telecommunications Authority ("OFTA") on 11th January, 2002 to fully liberalize the local Fixed Telecommunications Network Services ("FTNS") market and to waive the performance commitments of existing FTNS licensees that will be due in 2003, the Group has completed a restructuring exercise during the year under review.

For the financial year under review, the loss attributable to shareholders of the Group was recorded at HK\$136.4 million as compared with the corresponding loss figure of HK\$84.3 million shown in the previous financial year. The loss attributable to shareholders included a loss of HK\$58.9 million from operations (being less than the operating loss of HK\$73.9 million in the previous financial year), a write off of inventories in the amount of HK\$11.3 million as well as a HK\$71.3 million provision for impairment loss in respect of data centre and network facilities and IT investments.

The Group is in a very strong and liquid financial position whilst contingent liabilities have been kept at a relatively low level. Cash holdings of HK\$297.9 million and investment-grade debt securities in the amount of HK\$364.0 million were held by the Group as at the end of the financial year under review. The Group has no outstanding in bank borrowings and assets of the Group had not been charged to any third parties. Alongside with the down-sizing of the Group's business services segment, capital commitments of the Group recorded a sharp decrease to HK\$1.4 million as at the end of the financial year under review as compared with HK\$9.2 million registered in the previous financial year. The Group had no significant disposals or acquisitions of subsidiaries and affiliated companies during the past financial year. The core operations of the Group remain to be not exposed to any significant foreign exchange rate risks.

The main focus of the Group during the financial year ended 30th June, 2002 was to further implement its strategies in the Internet services, data centre, high technology and network infrastructure businesses and to undertake a strategic review of its local wireless FTNS business.

iCare

iCare's major achievements during the financial year ended 30th June, 2002 included:

- iCare's new broadband service was launched in May 2002 providing 1.5 megabits per second ("M"), 3M and 6M services, unlimited access, multiple log-on and 100 megabytes per user mailbox.
- iCare IDD service, iCare1608, has acquired over 27,000 customers with over 50,000 telephone lines registered since its launch in December 2001. The encouraging responses were achieved by a range of promotion campaigns including Chinese New Year promotion, IDD roaming service, joint promotions with business partners such as Citibank, Dah Sing Bank, MSN and Hotmail to offer HK\$50 free iCare IDD usage. The cross selling programme at Towngas's Customer Service Hotline continued its success in promoting iCare IDD service. Over 6,000 new customers were acquired through new move-in and regular safety inspections performed by Towngas technicians.
- Continued with the marketing campaigns of Internet Service Provider ("ISP") service by introducing a new HK\$38 monthly plan in May 2002 in order to attract low usage ISP users and to retain customers.
- The iCare Internet-on-TV Set-Top Box ("STB") subscribers, ISP users, Internet Content Provider ("ICP") users, broadband users and IDD subscribers continuously grew at a healthy pace to a total of over 220,000 as at 30th June, 2002.
- New content has been introduced to iCare's website including special feature on cash management, festive attractions and events and "Mystery Garden" featuring interesting topics such as fortune telling, interpretation of dreams and lucky gifts to bring fun and enjoyment to viewers.
- The clicks and bricks strategy was further developed by building upon the success of the first iCare Hot Spot in Causeway Bay. Three more Hot Spots were opened during the financial year ended 30th June, 2002 in Tsuen Wan, Tsim Sha Tsui and Tseung Kwan O in December 2001, March 2002 and June 2002 respectively. iCare Hot Spots served as effective display centres and direct retail outlets for iCare's products and telecom services and has continued to generate encouraging growth during the year.

- The direct marketing channel has proved to be an effective means to generate revenue. Popular merchandise includes PCs, TVs, DVDs, speaker sets, digital cameras, LCD monitors, air conditioners, bedding sets and other household items.
- Total revenue for the financial year ended 30th June, 2002 was HK\$62.7 million. In comparison, the total revenue for the prior financial year was HK\$22.9 million.

Henderson Data Centre (“HDC”)

HDC’s major achievements during the financial year ended 30th June, 2002 included:

- Continuing with marketing campaigns to increase the occupancy of the data centre at Well Tech Centre (“Well Tech”) including co-marketing with Henderson Group’s companies and cross selling to Eastar’s customer base.
- Enhancing value-added services including:
 - Tier 2 International IP transit services targeted at ICP’s and ISP’s.
 - Web based groupware, such as iOffice, to increase office communication and productivity.
 - Remote visual monitoring over the Internet with web cam.
 - Bandwidth management system to increase service flexibility.
 - Network security, communication applications and automation.
- Merged network and technical operations with Eastar to better serve customers and to maximize utilization of resources.
- Increased market coverage with external resources by developing channel sales and value-added resellers to sell data centre services.
- Improved the cost efficiency of international Internet bandwidth.
- Enhanced the reliability of the core network by introducing better failure protections to satisfy customer demands.
- Introduced more advanced security measures to prevent network hacking and intrusion.
- Enhanced network routing and load balancing measures for better service quality.
- Commenced a trial test for the new trouble ticketing and service record system for better customer care.
- Continued to focus on cost management and efficiency improvement.

- Total revenue for the financial year ended 30th June, 2002 was HK\$3.3 million. In comparison, the total revenue for the prior financial year was HK\$0.9 million.

Eastar

Eastar's major achievements during the financial year ended 30th June, 2002 included:

- Implemented new technologies such as wireless Local Area Network ("LAN"), virtual private network ("VPN") and firewall services.
- Launched value-added services such as bandwidth monitoring, managed firewall, VPN and International Private Leased Circuit ("IPLC").
- Entered into agreement regarding the usage of blockwiring with New World Telephone and agreements with Wharf New T&T and Hutchison Global Crossing are in process.
- Achieved synergies with various members of the Group including:
 - Collaborated with iCare to launch residential Internet broadband services.
 - Collaborated with Future Home to cross sell Internet broadband access services to some property management companies.
 - Commenced a joint marketing programme with HDC targeting Small-and-Medium Enterprises ("SMEs") and system integration companies.
- Received approval from OFTA on the extension of milestone deadlines to 15th February, 2003 for the second phase network rollout.
- Completed the first stage evaluation of alternative technologies for the second phase network rollout.
- Commenced the preparation for the second phase network rollout.
- Submitted an application to OFTA to convert the wireless FTNS licence to a Local Fixed Carrier ("LFC") licence.
- Submitted an application to OFTA to assign the frequency band at 5.8/5.9 GHz for the second phase network rollout.
- Continued with the implementation of blockwiring projects in some selective property sites of Henderson Group.
- Total revenue for the financial year ended 30th June, 2002 was HK\$1.3 million. In comparison, the total revenue for the prior financial year was HK\$0.5 million.

Future Home

Future Home's major achievements during the financial year ended 30th June, 2002 included:

- Installed Car Park Management System in three Henderson Group estates and has commenced installation in another four Henderson Group estates.
- Implemented Customer Relationship Management System and Smart Card System in a number of Henderson Group estates.
- Installed Attendance and Access Control System with smart card and image verification facility to four construction sites of E Man Construction Company Limited. The system was also introduced to Heng Tat Construction Company Limited, Heng Shung Construction Company Limited and Heng Lai Construction Company Limited.
- Completed the implementation of IT network infrastructure and upgrade for Well Born Real Estate Management Limited.
- Completed the design of IT network infrastructure and upgrade for Goodwill Management Limited.
- Completed the initial study of IT network infrastructure and upgrade for Hang Yick Properties Management Limited.
- Implemented the idHOME System which includes Property Management System, Customer Relationship Management System, Facilities Booking System and information broadcast through TV to over ten thousand households managed by Well Born Real Estate Management Limited.
- Commenced to design and develop an attendance management system to Well Born Real Estate Management Limited and Hang Yick Properties Management Limited.
- Commenced to design and develop a payroll and attendance system to Megastrength Security Services Company Limited.
- Obtained contracts to provide a smart card access control system to three Henderson Group estates.
- Completed the network infrastructure upgrade for Megastrength Security Services Company Limited.
- Total revenue for the financial year ended 30th June, 2002 was HK\$3 million. In comparison, the total revenue for the prior financial year was HK\$5.4 million.

IT Investments

- IT Investments reviewed a number of opportunities during the financial year ended 30th June, 2002 but did not proceed with any investments.

PROSPECTS

The Group has been actively implementing its strategies during the financial year ended 30th June, 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 both STB subscribers and 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 with respect to the revenue-generation potential and 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 provide competitive advantages.

OFTA's amendment of the wireless FTNS licence to an LFC licence on 26th July, 2002 is a positive development which occurred subsequent to the financial year ended 30th June, 2002.

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 the opportunities to provide these systems to other customers.

IT Investments

IT Investments will continue to look for sound investment opportunities in companies with attractive valuations, good growth potential, sound management and products or services where there is a synergy with the Group's activities.

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 year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTEREST OF SPONSOR

As notified by the Company's retained sponsor, The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), an associate (as defined in Note 3 to Rule 6.35 of the GEM Listing Rules) of HSBC held 50,152,000 shares (representing approximately 1 per cent. of the issued share capital of the Company) as at 30th June, 2002.

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

Save for the above, HSBC has no other interest in the Company as at 30th June, 2002.

AUDIT COMMITTEE

The Company has established an Audit Committee on 25th May, 2000 which then comprised two Independent Non-executive Directors, Dr. Li Kwok Po, David and Professor Ko Ping Keung, and reports to the Board of Directors. Mr. Woo Ka Biu, Jackson, an Independent Non-executive Director, was appointed an additional member of the Audit Committee on 13th September, 2002.

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 annual report and accounts, half-yearly report and quarterly reports of the Group for the financial year under review and Audit Committee meetings were held in May 2002 and September 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 year.

By Order of the Board
Lee Shau Kee
Chairman

Hong Kong, 18th September, 2002

This announcement will remain on the GEM website on the “Latest Company Announcements” page for at least 7 days from the day of its posting and on the Company’s website at www.hendersoncyber.com.