



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, 2003**

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, 2003 amounted to approximately HK\$83,751,000.
- Loss attributable to shareholders for the year ended 30th June, 2003 amounted to approximately HK\$17,011,000.
- The Directors do not recommend the payment of a final dividend for the year ended 30th June, 2003.

RESULTS

The audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30th June, 2003 together with the comparative figures for the year ended 30th June, 2002 were as follows:

	Note	For the year ended 30th June 2003 HK\$'000	2002 HK\$'000
Turnover	2	83,751	67,452
Other revenue		23,924	22,466
Other net loss		(4)	(2,977)
		107,671	86,941
Direct costs and operating expenses		(96,336)	(114,162)
Selling and distribution costs		(14,971)	(18,341)
Administrative expenses		(9,501)	(13,376)
Loss from operations		(13,137)	(58,938)
Provision for impairment loss	3	(3,857)	(71,262)
Write off of inventories		—	(11,254)
		(16,994)	(141,454)
Finance costs	4	(18)	(21)
		(17,012)	(141,475)
Share of losses of jointly controlled entities		(13)	(23)
Loss from ordinary activities before taxation	4	(17,025)	(141,498)
Taxation	5	—	—
Loss from ordinary activities after taxation		(17,025)	(141,498)
Minority interests		14	5,058
Loss attributable to shareholders		(17,011)	(136,440)
Loss per share	7		
Basic		HK0.34 cent	HK2.73 cents

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 sale of goods to customers, revenue from Internet and telecommunications services, income from data centre and network services, and project consultancy and application service provider (“ASP”) service 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 telecommunications services
Business services	–	data centre and network
Building system services	–	project consultancy and application service provider
IT investments		

For the year ended 30th June, 2003

	Retailing HK\$'000	Business Services HK\$'000	Building System Services HK\$'000	IT Investments HK\$'000	Elimination HK\$'000	Consoli- dated HK\$'000
Turnover	75,103	1,567	7,081	—	—	83,751
Other revenue	1,602	2,558	15	—	—	4,175
Revenue from external customers	76,705	4,125	7,096	—	—	87,926
Inter-segment revenue	275	1,590	—	—	(1,865)	—
Total	76,980	5,715	7,096	—	(1,865)	87,926
Segment result	(14,177)	(17,016)	230	—	10	(30,953)
Interest income						18,995
Unallocated income net of expenses						(1,179)
Loss from operations						(13,137)
Provision for impairment loss	—	(3,857)	—	—	—	(3,857)
Write off of inventories	—	—	—	—	—	—
Finance costs						(16,994)
Share of losses of jointly controlled entities						(18)
Loss from ordinary activities before taxation						(17,012)
Taxation						(13)
Loss from ordinary activities after taxation						(17,025)
Minority interests						—
Loss attributable to shareholders						(17,025)
Minority interests						14
Loss attributable to shareholders						<u>(17,011)</u>
Depreciation for the year	5,777	5,088	189	—		
Impairment loss for the year	—	3,857	—	—		
Significant non-cash expenses (other than depreciation)	—	—	—	—		

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						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	—	—		

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	
	2003	2002
	HK\$'000	HK\$'000
Impairment loss on data centre and network equipment and facilities	3,857	60,260
Impairment loss on investment securities	—	11,002
	3,857	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	
	2003	2002
	HK\$'000	HK\$'000
Finance costs		
– interest expenses on bank overdrafts repayable on demand	18	21
Depreciation	11,086	22,511
Cost of inventories sold	19,818	24,743
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 the balance sheet date, the future realisation of which is uncertain.

6. DIVIDENDS

No dividend has been approved and paid by the Company for the year ended 30th June, 2003 (2002: HK\$Nil).

7. LOSS PER SHARE

The calculation of basic loss per share for the year ended 30th June, 2003 is based on the loss attributable to shareholders of HK\$17,011,000 (2002: HK\$136,440,000) and on the weighted average number of 5,000,000,000 (2002: 5,000,000,000) shares in issue during the year.

Diluted loss per share is not presented for the years ended 30th June, 2003 and 30th June, 2002 because there were no dilutive potential shares in existence during the years.

8. RESERVES

	2003			2002	
	Capital reserve HK\$'000	Share premium HK\$'000	Profit and loss account HK\$'000	Total HK\$'000	Total HK\$'000
At 1st July	86,179	443,707	(232,725)	297,161	433,601
Capital surplus contributed by minority shareholders	546	—	—	546	—
Loss for the year	—	—	(17,011)	(17,011)	(136,440)
At 30th June	86,725	443,707	(249,736)	280,696	297,161

PROFIT & TURNOVER

The Group recorded turnover of HK\$83.8 million for the year ended 30th June, 2003, compared with HK\$67.5 million for the previous financial year. The Group's loss attributable to shareholders for the year ended 30th June, 2003 was HK\$17.0 million, compared with a loss of HK\$136.4 million for the previous financial year.

DIVIDENDS

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

BUSINESS REVIEW

The financial year ended 30th June, 2003 has presented challenging conditions for Henderson Cyber's businesses:

- Consumer Spending: While iCare has made every effort to adjust to challenging conditions, it has been difficult in an environment of weakened consumer spending.
- Business Spending: Henderson Data Centre ("HDC")'s and Eastar's business customers have been managing costs and reluctant to commit to IT expenditure during the financial year ended 30th June, 2003.
- Declining Property Market: Future Home's customers are developers and property managers who have been managing costs and reluctant to commit to IT expenditure during the financial year ended 30th June, 2003.
- Investments: Restraint was exercised in committing to further IT investments.

The main focus of the Group during the financial year ended 30th June, 2003 was to further refine and implement its strategies in the Internet services, data centre, high technology and network infrastructure businesses including its Local Fixed Carrier ("LFC") business. In light of the challenging conditions, the Group in refining its strategies sought to reduce expenses and preserve resources wherever possible.

During the financial year ended 30th June, 2003, the Group had 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 financial year ended 30th June, 2003 included:

- The number of Internet Service Provider (“ISP”) users (broadband and narrowband) has been growing at a satisfactory rate with the support of various promotion programs including:
 - The innovative iCare Broadband Zone within the MSN Live Channel targeting the online community.
 - Special offers to staff of Henderson Group and Towngas, users of iCare IDD, 750,000 Hotmail users in Hong Kong and targeted groups such as Hongkong.com, Mingpao.com, House 18.com, Bank of East Asia, Dah Sing Bank, email users of Sina.com, Cityline.com, Cyber Senior.org.hk, MOV3.com.
 - Ongoing monthly service fee waiver promotion targeting 1.5 million Towngas customers via Towngas bill insert, POP at Towngas Customer Centres and iCare Hotspots.
 - Ongoing retention effort to encourage customers to renew expired broadband and 56K ISP service plans.
 - Various up-selling programs to convert high-usage 56K ISP customers and Internet Content Provider (“ICP”) users to broadband service.
- The registered iCare1608 IDD telephone lines rose to over 210,000 as at 30th June, 2003. IDD usage has grown at a satisfactory rate during the financial year ended 30th June, 2003 as a result of the following activities:
 - Asian destination promotion was supported by:
 - Towngas bill insert reaching 1.5 million households.
 - Direct mail to selected customers.
 - POP program at Towngas Customer Centres and iCare Hotspots.
 - Online ads on the iCare website.
 - Joint promotions with Citibank, Bank of America and Dah Sing Bank.
 - Satisfactory growth in prepaid calling card sales was achieved as a result of attractive tariff promotion.
 - A successful prepaid calling card distribution drive launched in the quarter ended 30th September, 2002 has successfully increased the number of distribution points.
 - On-going retention and usage stimulation program targeting at commercial IDD customers was carried out resulting in increased commercial accounts and usage.

- The iCare Internet-on-TV Set-Top Box (the “STB”) subscribers, ISP users, ICP users and IDD subscribers grew to a total of about 326,000 by 30th June, 2003.
- The number of iCare Hotspots increased from 4 to 5 during the financial year ended 30th June, 2003. The iCare Hotspots are conveniently located in Causeway Bay, Quarry Bay, Tseung Kwan O, Tsuen Wan and Shatin.
- The iCare shopping website and the customer hotline continued to serve as effective sales channels for those customers who prefer to purchase through electronic means.
- iCare’s B2C merchandising business was able to make rapid adjustments and offer products in response to the outbreak of Severe Acute Respiratory Syndrome (SARS). Strong sales in the health and cleaning product categories were registered including titanium dioxide (TiO₂) electric fans and air purifiers and steam cleaning equipment, Amcor kaltan mosquito killer and automatic operated dust bins.
- Other products which achieved satisfactory sales during the financial year ended 30th June, 2003 included IBM Thinkpad notebook, Kodak digital camera and photo printer, OTO Accugizer and foot massager, Samsung video camera, Omron blood pressure monitor and ear thermometer, Steam Fast iron steamer, Puricom water filter, Cotton bedding sets, Italian dining sets, Sony Wega television sets, Innotech water-filtered vacuum cleaners, steam cleaners, GE/DECT phones, Yukiko facial ionizers, Samsung DVDs and VCRs, Fujifilm Finepix digital camera, Superior leg slimmer, Rival ice-cream maker, Hitachi and Midea air conditioner, etc.
- The membership of iCare’s frequent shopper club, iCare Club, grew to around 7,000 in end June 2003. Quarterly newsletters were sent to the members to update them on new products and promotions. A talk on magnetic wave therapy was organized in April 2003 with good response from members and a lot of health care and beauty products were sold during the event.
- Total revenue for the financial year ended 30th June, 2003 was HK\$77.0 million, an increase of 22.8% over the previous year. iCare narrowed its loss by HK\$40.5 million as compared with the previous year.

HDC

HDC’s major achievements during the financial year ended 30th June, 2003 included:

- Continued the initiative to work with independent reseller agents to enhance the sales channels for HDC.
- Continued with the co-marketing effort with Henderson Group’s companies to generate more customers for HDC.
- Continued to focus on cost management and efficiency improvement including:
 - Obtained supply of international internet bandwidth at a more economical cost.
 - Reconfigured the ATM connections for higher cost efficiency on the uses of local and international internet bandwidth.
 - Obtained supply of ATM and Fast Ethernet links at a more economical cost.

- Conducted a joint study with iCare to improve the utilization of the broadband internet access links provided by PCCW.
- Reduced maintenance costs of facilities through renegotiation with suppliers.
- Total revenue for the financial year ended 30th June, 2003 was HK\$1.9 million. In comparison, the total revenue for the prior financial year was HK\$3.3 million.

Eastar

Eastar's major achievements during the financial year ended 30th June, 2003 included:

- Received approval from Office of Telecommunications Authority (“OFTA”) to convert the wireless FTNS licence to an LFC licence.
- Received the frequency assignment at 5.8/5.9 GHz from OFTA.
- Completed the second phase network rollout to meet the milestone commitments to OFTA and received “Certificate of Completion”.
- Continued to focus on cost management and efficiency improvement including:
 - Reconfigured the backhaul links to wireless hub sites.
 - Modify the frequency allocations and site facilities of the broadband wireless access system for better performance.
 - Conducted a joint study with iCare in serving commercial customers by means of broadband wireless system.
- Concluded several agreements on virtual ISP services.
- Received a Block Licence from The Lands Department for installation of duct system on unleased Government land.
- Commenced the applications of road opening permits with Highways Department for cable laying.
- Continued with the implementation of blockwiring projects in some selective property sites of Henderson Group.
- Total revenue for the financial year ended 30th June, 2003 was HK\$2.4 million. In comparison, the total revenue for the prior financial year was HK\$1.3 million.

Future Home

Future Home's major achievements during the financial year ended 30th June, 2003 included:

- Installed private broadband infrastructure at forty-four management offices of Hang Yick Properties Management Limited.
- Installed Car Park Management System in four Henderson Group estates.
- Installed a traffic control system in a Henderson Group estate.
- Installed Attendance and Access Control System with smart card and image verification facility in five construction sites 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 two estates.
- Installed an attendance management system in a Henderson Group estate managed by Well Born Real Estate Management Limited.
- Installed a payroll and attendance system for Megastrength Security Services Company Limited.
- Installed a smart card access control system in a Henderson Group estate.
- Completed installation of a Closed Circuit Television ("CCTV") system in a Henderson Group estate.
- Total revenue for the financial year ended 30th June, 2003 was HK\$7.1 million. In comparison, the total revenue for the prior financial year was HK\$3 million.

IT Investments

IT Investments major achievements during the financial year ended 30th June, 2003 included:

- Increased its stake in Googol Technology (HK) Limited from approximately 11.02% to approximately 11.81% as at 30th June, 2003 by further subscription of shares at a cash consideration of HK\$1.5 million in February 2003.
- Reviewed a number of opportunities during the financial year ended 30th June, 2003 but did not proceed with any additional investments.

PROSPECTS

The overall economic climate shows some signs of stabilising or even improving during the coming year. However, in spite of cautious optimism on the outlook for the general economy, the Group will remain cautious in the implementation of its strategies during the financial year ending 30th June, 2004 due to a more uncertain outlook for the existing businesses of the Group.

The Internet, telecommunication and high technology industries are dynamic, fast changing, subject to intense competition and often require large capital investments. The Group must be flexible and versatile in order to respond to such changes but must also ensure that such businesses are sustainable and attractive.

The Group will seek to integrate its existing businesses where such integration contributes to a sustainable and attractive business. If the return is too uncertain or distant, integration of the existing businesses will not be an objective.

The Group has been and will continue to explore 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 to 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 broadband services and retain ISP customers.
- With respect to telecommunication services, iCare will seek to continue with the encouraging growth of iCare1608.
- 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.

In spite of the difficult conditions facing retailers in Hong Kong during the financial year ended 30th June, 2003, we are cautiously optimistic 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

In light of the challenging operating environment faced during the financial year ended 30th June, 2003, HDC will continue to optimize operational efficiency and explore cost-effective sales channels with respect revenue-generation potential.

Eastar

Eastar will continue to assess the viability of proceeding with any further substantial investment in its LFC business having regard to:

- Intense price and product competition, and thus a long payback period.
- The risks of fast changing technologies, and thus the possibility of extraordinary write-offs due to pre-mature obsolescence.
- Uneconomical operation unless a sizeable customer base is developed, and thus the costs and time to acquire market share.

Should Eastar conclude that any further substantial investment is viable, Eastar considers that cost benefit and time efficiency can be achieved by combining both wireless and wireline technologies for future service delivery. Partnering with affiliated entities and leveraging on available resources within Henderson Group will maximize efficiencies.

Future Home

Future Home will continue to provide IT infrastructure consolidation and upgrade for companies in the Henderson Group but will focus on providing systems to customers outside of the Henderson Group in the future. Future Home will focus on the development, installation and promotion of the idHOME system, smart card system, car park management systems and attendance and access control systems.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

The following comments should be read in conjunction with the Audited Accounts of Henderson Cyber Limited and their accompanying notes.

Liquidity, financial resources and capital structure

As at 30th June, 2003, shareholder's funds of the Group amounted to HK\$780.7 million, representing a slight decrease from the corresponding figure recorded as at 30th June, 2002, after accounting for HK\$17.0 million loss attributable to shareholders that was incurred during the current financial year.

As at the end of June, 2003, current assets of the Group amounted to HK\$613.7 million which was represented by HK\$428.1 million in cash and cash equivalents and HK\$130.4 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 30th June, 2003 mainly comprised HK\$3.5 million in inventories and HK\$51.1 million in accounts receivable, deposits and prepayments, showing an increase of 9.4% and 206.0% when compared to their respective levels recorded as at the end of June, 2002. A substantial rise in accounts receivable, deposits and prepayments was recorded as at the end of the current financial year mainly due to certain investment-grade debt securities that matured just prior to the financial year-end date and these were reclassified as account receivables as such debt securities were pending settlement in the usual manner. Current liabilities of the Group amounted to HK\$19.8 million, representing an increase of 13.8% as compared to those recorded as at the end of June, 2002 comprising HK\$19.2 million in accounts payable and accrued expenses and HK\$0.6 million in unsecured bank overdrafts. The Group maintained a financially liquid position with net current assets recorded at HK\$594.0 million showing an increase of 14.9% as compared with that recorded as at 30th June, 2002. In addition, the Group still held HK\$54.4 million in investment-grade debt securities with remaining life to maturity longer than one year as at 30th June, 2003.

Significant investments

Investment-grade debt securities were held by the Group mainly for the purpose of enhancing treasury investment yield. As some of the debt securities matured during the current financial year, debt securities holdings amounted to HK\$184.8 million as at 30th June, 2003, representing a reduction of 49.2% as compared to that recorded as at 30th June, 2002. In addition, the Group increased its stake in Googol Technology (HK) Limited from approximately 11.02% to approximately 11.81% as at 30th June, 2003 by further subscription of shares for a cash consideration of HK\$1.5 million in February 2003. Other than the above-mentioned investments, the Group did not make other investments of any significant amount during the current financial year.

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 current financial year.

Segmental information

Business Turnover

For the year ended 30th June, 2003, total turnover of the Group amounted to approximately HK\$83.8 million representing an increase of 24.1% as compared to HK\$67.5 million that was recorded in the previous financial year. 89.6% of the total turnover amount, which amounted to approximately HK\$75.1 million was generated from the Retailing segment representing an increase of 20.4% over that recorded in the previous financial year for the same segment as a result of the successful 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 reduced by 20% to around HK\$1.6 million during the financial year under review as compared to that registered in the previous financial year. Turnover of the Building System Services segment was recorded at HK\$7.1 million for the current financial year, showing substantial increase as compared to that shown in the previous financial year mainly as a result of the increased number of various management and control systems installed in Henderson Group developments by Future Home.

Operating Results

For the financial year under review, the loss attributable to shareholders of the Group was recorded at approximately HK\$17.0 million, representing a substantial reduction of 87.5% in loss as compared with the corresponding loss figure of HK\$136.4 million shown in the previous financial year. The loss attributable to shareholders included a loss of HK\$13.1 million from operations (which was reduced by 77.8% when compared to the corresponding loss figure of HK\$58.9 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\$31.0 million for the financial year under review, representing a reduction of 62.1% as compared to the corresponding consolidated loss figure of HK\$81.7 million registered in the previous financial year. For each of the Retailing, Business Services, and Building System Services segments during the financial year under review, the segmental results were recorded at a loss of HK\$14.2 million, a loss of HK\$17.0 million, and a profit of HK\$0.2 million respectively during the financial year under review. Direct costs and operating expenses of HK\$96.3 million were recorded in the financial year under review and showed a decrease of 15.7% as compared to the corresponding figure registered in the previous financial year. Interest income from held-to-maturity securities and bank deposits showed a decrease of 13.6% as compared to that registered in the corresponding period of the previous financial year and was recorded at HK\$19.0 million resulting from the continuously low interest rates environment in the financial year under review. Selling, distribution and administrative costs were recorded at HK\$24.5 million under the current financial year, a reduction of 22.7% compared to the corresponding figure of HK\$31.7 million registered in the previous financial year mainly as a result of the Group's successful efforts made on improvement in its operating efficiency and cost control.

Employees

The number of employees of the Group increased to 102 as at 30th June, 2003 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 telecommunications services. The staff cost incurred in the current financial year decreased by 22.6% to HK\$27.0 million as compared with HK\$34.9 million incurred in 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\$0.9 million as at the end of the financial year under review representing a reduction of 35.7% as compared to the corresponding figure of HK\$1.4 million registered as at 30th June, 2002.

Gearing ratio

Although the Group recorded bank borrowings of HK\$0.6 million as at 30th June, 2003, 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\$184.8 million investment-grade debt securities and an equivalent of approximately HK\$410.1 million in bank deposits held by the Group as at 30th June, 2003 are denominated in U.S. Dollars and no arrangement has been made to hedge the associated exchange rate risks.

Contingent liabilities

In support of the banking facilities extended to the Group, the Company and a subsidiary of the Group had given guarantees to commercial banks and as at the balance sheet date, the total amount of contingent liabilities relating to the utilized portions of such banking facilities summed up to HK\$1.2 million. This represented a substantial decrease in the amount of contingent liabilities of the Group that was recorded as at 30th June, 2002 since contingent liabilities in respect of a performance bond guarantee in the amount of HK\$12.0 million issued on behalf of a subsidiary of the Group was no longer required.

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.

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 Yearly Report for the year ended 30th June, 2003.

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, 16th September, 2003

This Announcement will remain on the "Latest Company Announcements" page of the GEM website for at least 7 days from the day of its posting and on the Company's website at www.hendersoncyber.com.