



hendersoncyber

HENDERSON CYBER LIMITED

恒基數碼科技有限公司*

(Incorporated in the Cayman Islands with limited liability)

HALF-YEARLY RESULTS ANNOUNCEMENT

For the six months ended 31st December, 2003

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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This 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 six months ended 31st December, 2003 amounted to approximately HK\$42,962,000.
- Net loss for the six months ended 31st December, 2003 amounted to approximately HK\$11,119,000.
- The Directors do not recommend the payment of a dividend for the six months ended 31st December, 2003.

CONDENSED INTERIM FINANCIAL STATEMENTS

Consolidated Profit and Loss Account – Unaudited

For the three months and the six months ended 31st December, 2003

	Note	Three months ended 31st December		Six months ended 31st December	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	2	21,700	21,640	42,962	39,407
Other revenue		2,994	6,088	6,159	12,069
Other net loss		(19)	—	(44)	—
		24,675	27,728	49,077	51,476
Direct costs and operating expenses		(23,461)	(24,881)	(47,567)	(47,537)
Selling and distribution costs		(4,299)	(3,330)	(8,315)	(7,699)
Administrative expenses		(2,226)	(2,581)	(4,796)	(5,022)
Loss from operations		(5,311)	(3,064)	(11,601)	(8,782)
Provision for impairment loss on data centre and network equipment and facilities		—	(3,857)	—	(3,857)
		(5,311)	(6,921)	(11,601)	(12,639)
Finance costs		(1)	(3)	(2)	(11)
Loss on disposal of investment securities		(788)	—	(788)	—
		(6,100)	(6,924)	(12,391)	(12,650)
Share of losses of jointly controlled entities		(4)	(4)	(8)	(7)
Loss from ordinary activities before taxation	3	(6,104)	(6,928)	(12,399)	(12,657)
Taxation	4	—	—	—	—
Loss from ordinary activities after taxation		(6,104)	(6,928)	(12,399)	(12,657)
Minority interests		68	(250)	1,280	(114)
Loss attributable to shareholders		(6,036)	(7,178)	(11,119)	(12,771)
Loss per share	6				
Basic		HK0.12 cent	HK0.14 cent	HK0.22 cent	HK0.26 cent

Consolidated Balance Sheet

At 31st December, 2003

	Note	At 31st December 2003 (Unaudited) HK\$'000	At 30th June 2003 (Audited) HK\$'000
Non-current assets			
Fixed assets	7	77,877	81,155
Interests in jointly controlled entities		30	30
Investment securities		7,558	51,558
Held-to-maturity securities	8	11,699	54,402
		97,164	187,145
Current assets			
Held-to-maturity securities	8	93,678	130,389
Other investment		1,321	656
Inventories		4,114	3,471
Accounts receivable, deposits and prepayments	9	13,495	51,139
Cash and cash equivalents	10	575,359	428,087
		687,967	613,742
Current liabilities			
Unsecured bank overdraft		—	586
Accounts payable and accrued expenses	11	16,124	19,164
		16,124	19,750
Net current assets		671,843	593,992
Total assets less current liabilities		769,007	781,137
Minority interests		(193)	(441)
Net assets		768,814	780,696
Capital and reserves			
Share capital	12	500,000	500,000
Reserves	13	268,814	280,696
		768,814	780,696

Consolidated Statement of Changes in Equity – Unaudited

For the six months ended 31st December, 2003

	Six months ended 31st December	
	2003	2002
	HK\$'000	HK\$'000
Shareholders' equity at 1st July	<u>780,696</u>	<u>797,161</u>
Capital surplus contributed by minority shareholders	<u>468</u>	<u>—</u>
Net gains and losses not recognised in the profit and loss account	468	—
Capital reserves realised upon disposal of investment securities	(1,231)	—
Loss for the period	<u>(11,119)</u>	<u>(12,771)</u>
	<u>(11,882)</u>	<u>(12,771)</u>
Shareholders' equity at 31st December	<u>768,814</u>	<u>784,390</u>

Condensed Consolidated Cash Flow Statement – Unaudited

For the six months ended 31st December, 2003

	Six months ended 31st December	
	2003	2002
	HK\$'000	HK\$'000
Net cash from / (used in) operating activities	25,785	(18,483)
Net cash from investing activities	121,240	10,230
Net cash from / (used in) financing activities	147,025	(8,253)
	1,498	(557)
Net increase / (decrease) in cash and cash equivalents	148,523	(8,810)
Cash and cash equivalents at 1st July	428,157	297,860
Cash and cash equivalents at 31st December	576,680	289,050

Notes to the Condensed Interim Financial Statements (Unaudited)

1. Basis of Preparation

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

The condensed interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and the disclosure requirements set out in Chapter 18 of The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The condensed interim accounts should be read in conjunction with the 2003 annual accounts.

The principal accounting policies adopted in the condensed interim financial statements are consistent with those followed in the 2003 annual accounts, except for the following revised SSAP which is effective and has been adopted for the first time in preparation of the current period’s condensed consolidated financial statements:

SSAP 12 (Revised) : “Income taxes”

On the adoption of the SSAP 12 (Revised) “Income taxes”, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

In previous years, deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future. Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt. The adoption of the SSAP 12 (Revised) represents a change in accounting policy, which has been applied retrospectively.

2. Segmental Information

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

Business segments:

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

For the six months ended 31st December, 2003

	Retailing HK\$'000	Business services HK\$'000	Building system services HK\$'000	IT Investments HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Turnover	40,999	1,052	911	—	—	42,962
Other revenue	50	1,042	—	—	—	1,092
Revenue from external customers	41,049	2,094	911	—	—	44,054
Inter-segment revenue	118	370	—	—	(488)	—
Total	41,167	2,464	911	—	(488)	44,054
Segment result	(7,467)	(7,143)	(814)	—	(278)	(15,702)
Interest income from held-to-maturity securities and bank deposits						2,474
Unallocated income net of expenses						1,627
Loss from operations						(11,601)
Provision for impairment loss on data centre and network equipment and facilities						—
Finance costs						(2)
Loss on disposal of investment securities	—	—	—	(788)	—	(788)
Share of losses of jointly controlled entities						(8)
Loss from ordinary activities before taxation						(12,399)
Taxation						—
Loss from ordinary activities after taxation						(12,399)
Minority interests						1,280
Loss attributable to shareholders						(11,119)

2. Segmental Information (Cont'd)

For the six months ended 31st December, 2002

	Retailing HK\$'000	Business services HK\$'000	Building system services HK\$'000	IT Investments HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Turnover	35,690	821	2,896	—	—	39,407
Other revenue	134	1,090	—	—	—	1,224
Revenue from external customers	35,824	1,911	2,896	—	—	40,631
Inter-segment revenue	154	845	—	—	(999)	—
Total	<u>35,978</u>	<u>2,756</u>	<u>2,896</u>	<u>—</u>	<u>(999)</u>	<u>40,631</u>
Segment result	(9,249)	(9,149)	(70)	—	(54)	(18,522)
Interest income from held-to- maturity securities and bank deposits						10,845
Unallocated income net of expenses						<u>(1,105)</u>
Loss from operations						(8,782)
Provision for impairment loss on data centre and network equipment and facilities	—	(3,857)	—	—	—	<u>(3,857)</u>
Finance costs						(12,639)
Loss on disposal of investment securities						(11)
						<u>—</u>
						(12,650)
Share of losses of jointly controlled entities						<u>(7)</u>
Loss from ordinary activities before taxation						(12,657)
Taxation						<u>—</u>
Loss from ordinary activities after taxation						(12,657)
Minority interests						<u>(114)</u>
Loss attributable to shareholders						<u><u>(12,771)</u></u>

(b) No geographical analysis is shown as the activities of the Group during the six months ended 31st December, 2003 and 31st December, 2002 were mainly carried out in Hong Kong.

3. Loss from Ordinary Activities before Taxation

Loss from ordinary activities before taxation is arrived at after charging:

	Three months ended 31st December		Six months ended 31st December	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Finance costs				
- interest expenses on bank overdrafts repayable on demand	1	3	2	11
Depreciation	3,081	2,881	5,982	5,617
Cost of inventories sold	<u>6,784</u>	<u>4,363</u>	<u>12,897</u>	<u>9,503</u>

4. Taxation

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

The Group recognised deferred tax assets to the extent of its deferred tax liabilities arising from any taxable temporary differences in the same period. Accordingly, there is no deferred taxation effect on the results of the Group for the current and prior periods.

5. Interim Dividend

No dividend has been approved and paid by the Company for the six months ended 31st December, 2003 (2002: HK\$Nil).

6. Loss per Share

The calculation of basic loss per share for the three months and the six months ended 31st December, 2003 is based on the loss attributable to shareholders of HK\$6,036,000 and HK\$11,119,000 (2002: HK\$7,178,000 and HK\$12,771,000) respectively and on the weighted average number of 5,000,000,000 and 5,000,000,000 (2002: 5,000,000,000 and 5,000,000,000) shares respectively in issue during the periods.

Diluted loss per share is not presented for the three months and the six months ended 31st December, 2003 and 31st December, 2002 because there were no dilutive potential shares in existence during the periods.

7. Fixed Assets

During the six months ended 31st December, 2003, the Group had additions to data centre and network equipment and facilities in the amounts of HK\$2,334,000.

8. Held-to-Maturity Securities

	At 31st December 2003		At 30th June 2003	
	HK\$'000 Non-current	HK\$'000 Current	HK\$'000 Non-current	HK\$'000 Current
Debt securities				
Listed outside Hong Kong	11,699	—	11,699	—
Unlisted	—	93,678	42,703	130,389
	<u>11,699</u>	<u>93,678</u>	<u>54,402</u>	<u>130,389</u>
Market value of listed securities	<u>12,542</u>	<u>—</u>	<u>11,443</u>	<u>—</u>

9. Accounts Receivable, Deposits and Prepayments

(a)

	At 31st December 2003 HK\$'000	At 30th June 2003 HK\$'000
Trade receivable	7,130	6,866
Other receivables, deposits and prepayments	<u>6,365</u>	<u>44,273</u>
	<u>13,495</u>	<u>51,139</u>

At 31st December, 2003, included in the accounts receivable, deposits and prepayments are amounts due from fellow subsidiaries of HK\$915,000 (at 30th June, 2003: HK\$970,000) and deposits paid to fellow subsidiaries of HK\$2,722,000 (at 30th June, 2003: HK\$2,713,000).

9. Accounts Receivable, Deposits and Prepayments (Cont'd)

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

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

	At 31st December 2003 HK\$'000	At 30th June 2003 HK\$'000
Under 1 month overdue	4,662	4,960
More than 1 month overdue but less than 3 months overdue	1,515	1,384
More than 3 months overdue but less than 6 months overdue	499	472
More than 6 months overdue	454	50
	<u>7,130</u>	<u>6,866</u>

10. Cash and Cash Equivalents

	At 31st December 2003 HK\$'000	At 30th June 2003 HK\$'000
Deposits with banks	568,521	424,999
Cash at bank and in hand	6,838	3,088
	<u>575,359</u>	<u>428,087</u>

11. Accounts Payable and Accrued Expenses

(a)

	At 31st December 2003 HK\$'000	At 30th June 2003 HK\$'000
Trade payable	7,853	11,846
Other payables and accrued expenses	8,271	7,318
	<u>16,124</u>	<u>19,164</u>

At 31st December, 2003, included in the accounts payable and accrued expenses, are amounts due to intermediate holding company and fellow subsidiaries of HK\$3,703,000 and HK\$12,000 (at 30th June, 2003: HK\$630,000 and HK\$16,000) respectively.

11. Accounts Payable and Accrued Expenses (Cont'd)

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

	At 31st December 2003 HK\$'000	At 30th June 2003 HK\$'000
Due within 1 month and on demand	7,853	11,331
Due after 1 month but within 3 months	—	112
Due after 3 months but within 6 months	—	403
	<u>7,853</u>	<u>11,846</u>

12. Share Capital

	Number of shares		Nominal value	
	At 31st December 2003 '000	At 30th June 2003 '000	At 31st December 2003 HK\$'000	At 30th June 2003 HK\$'000
Authorised Ordinary shares of HK\$0.1 each	<u>10,000,000</u>	<u>10,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid Ordinary shares of HK\$0.1 each	<u>5,000,000</u>	<u>5,000,000</u>	<u>500,000</u>	<u>500,000</u>

13. Reserves

	Capital reserve HK\$'000	Share Premium HK\$'000	Profit and loss account HK\$'000	Total HK\$'000
At 1st July, 2002	86,179	443,707	(232,725)	297,161
Loss for the period	—	—	(12,771)	(12,771)
At 31st December, 2002	<u>86,179</u>	<u>443,707</u>	<u>(245,496)</u>	<u>284,390</u>
At 1st July, 2003	86,725	443,707	(249,736)	280,696
Capital surplus contributed by minority shareholders	468	—	—	468
Capital reserves realised upon disposal of investment securities	(1,231)	—	—	(1,231)
Loss for the period	—	—	(11,119)	(11,119)
At 31st December, 2003	<u>85,962</u>	<u>443,707</u>	<u>(260,855)</u>	<u>268,814</u>

14. Commitments

(a) Capital commitments

At 31st December, 2003, the Group had capital commitments contracted but not provided for in the accounts in respect of system development costs amounting to HK\$276,000 (at 30th June, 2003: HK\$907,000).

(b) Operating leases commitments

At 31st December, 2003, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Properties		Telecommunications network facilities	
	At 31st December 2003 HK\$'000	At 30th June 2003 HK\$'000	At 31st December 2003 HK\$'000	At 30th June 2003 HK\$'000
Within 1 year	1,852	1,721	2,067	3,502
After 1 year but within 5 years	1,252	693	—	155
	<u>3,104</u>	<u>2,414</u>	<u>2,067</u>	<u>3,657</u>

15. Contingent Liabilities

(a) As at 31st December, 2003, there were guarantees given by the Company to banks in respect of banking facilities extended to certain subsidiaries. Of these facilities, HK\$330,000 (at 30th June, 2003: HK\$369,000) were utilised by the subsidiaries as at 31st December, 2003.

(b) As at 31st December, 2003, a subsidiary of the Group had contingent liabilities in respect of certain guarantees issued by a bank on behalf of the subsidiary amounting to HK\$878,000 (as 30th June, 2003: HK\$878,000)

16. Material Related Party Transactions

The Group had the following material transactions with related parties during the six months ended 31st December, 2003:

- (a) Licence fees payable to fellow subsidiaries in respect of the rights for the Group to install network equipment relating to the provision of local wireless Fixed Telecommunications Network Services (“FTNS”) in buildings developed, owned and/or managed by the fellow subsidiaries amounted to HK\$174,000 (the corresponding period in 2002: HK\$388,000). Related deposits of HK\$156,000 have been paid by the Group as at 31st December, 2003 (at 30th June, 2003: HK\$212,000).
- (b) Income from certain fellow subsidiaries and affiliated company for provision of high technology infrastructure design and consultancy services amounted to HK\$40,000 (the corresponding period in 2002: income from provision of high technology infrastructure design and consultancy services to properties developed, owned and/or managed by fellow subsidiaries of the Group amounted to HK\$1,225,000).
- (c) Supporting service charges paid to an affiliated company of the Group at reimbursement costs amounted to HK\$301,000 (the corresponding period in 2002: HK\$431,000).
- (d) Service fees paid to a fellow subsidiary for provision of legal, secretarial, accounting, computer and other related services and the use of office equipment at reimbursement costs amounted to HK\$500,000 (the corresponding period in 2002: HK\$500,000).
- (e) No service fee income was received from fellow subsidiaries in respect of provision of software system support services (the corresponding period in 2002: service fees received in respect of provision of software system support services to properties developed or managed by certain fellow subsidiaries amounted to HK\$1,026,000).
- (f) As at 31st December, 2003, there was a rental deposit of HK\$2,515,000 (at 30th June, 2003: HK\$2,515,000) with a fellow subsidiary in respect of a building to be developed by the fellow subsidiary which will be leased to the Group. The construction of the building has not yet been completed as at 31st December, 2003.
- (g) Sale of goods to certain fellow subsidiaries and affiliated companies of the Group amounted to HK\$2,394,000 (the corresponding period in 2002: HK\$3,557,000).
- (h) Staff costs were reimbursed from an affiliated company of the Group in the amount of HK\$633,000 (the corresponding period in 2002: HK\$253,000), based on the costs incurred for sharing of administrative services.
- (i) No agency service fee was received from any affiliated company of the Group (the corresponding period in 2002: HK\$387,000).
- (j) No service fee was received from any affiliated company of the Group for the provision of website design and production services (the corresponding period in 2002: HK\$900,000).
- (k) No service fee was received from any affiliated company of the Group for the provision of printouts design, editing and production services (the corresponding period in 2002: HK\$600,000).

16. Material Related Party Transactions (Cont'd)

- (l) No marketing cost was reimbursed from any affiliated company of the Group for joint promotion of the image and branding of affiliated company and subsidiary of the Group (the corresponding period in 2002: HK\$950,000).
- (m) Payment to an affiliated company of the Group for costs of office space and utilities in the amount of HK\$168,000 (the corresponding period in 2002: HK\$384,000).
- (n) The amount due to intermediate holding company and amounts due from / (to) fellow subsidiaries at 31st December, 2003 and 30th June, 2003 are shown in note 9 and note 11.

17. Comparative Figures

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

PROFIT & TURNOVER

The Group recorded turnover of HK\$43.0 million for the six months ended 31st December, 2003, compared with HK\$39.4 million for the six months ended 31st December, 2002. The Group's loss attributable to shareholders for the six months ended 31st December, 2003 was HK\$11.1 million, compared with a loss of HK\$12.8 million of the corresponding period in the previous year.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31st December, 2003.

BUSINESS REVIEW

The main focus of the Group during the quarter ended 31st December, 2003 was to further implement its strategies in the Internet services, data centre, high technology and network infrastructure business. In light of the challenging conditions faced by the businesses of the Group, the Group in refining its strategies sought to reduce expenses and preserve resources wherever possible.

iCare

iCare's major achievements during the quarter ended 31st December, 2003 included:

- The number of Internet Service Provider ("ISP") users (broadband and narrowband) has been growing steadily with the support of various promotion programs during the period.
- A new bundled offer giving out free Nintendo Gameboy Advance SP, MP3 player or digital camera with 18-month broadband service plans was introduced to drive subscription to broadband service. The program was supported by:
 - Towngas bill insert reaching 1.5 million households.
 - Online promotion targeting MSN and Hotmail users in Hong Kong.
 - Email promotion targeting iCare members.
 - Mail drop to flats that are managed by Well Born Real Estate Management Limited.
 - Joint promotion with Manhattan Card, ETNET and Roadshow Club.
- Ongoing retention effort encouraging customers to renew expiring broadband and 56K ISP service plans continued via telemarketing. This had gained good response from the existing customers.
- Fax@ease, the value-added service to provide fax in and fax out service, was promoted via various promotion programs. The customer acquisition rate was satisfactory.

- The registered iCare1608 IDD telephone lines rose to over 260,000 as at the end of December, 2003. IDD usage was supported by US/Canada tariff promotion programs via:
 - Towngas bill insert reaching 1.5 million households.
 - Direct mail program.
 - POP program at Towngas Customer Centers and iCare Hotspots.
- Special promotional rates were offered to selected customers for reactivation through direct mail.
- A new prepaid calling card, “Mobile Card” was launched in December 2003 with unique one-stage dialling feature, offering special rate for calls from mobile phone.
- Promotion giving out “Lucky Pocket” containing discount coupons from various merchants with any purchase of iCare1608 prepaid IDD calling card was launched to boost sales.
- The iCare Internet-on-TV Set-Top Box (the “STB”) subscribers, ISP users, Internet Content Provider (“ICP”) users and IDD subscribers grew to a total of about 358,000 by the end of December, 2003.
- In addition to iCare’s coupon redemption program via Towngas’ bill inserts, a product promotion leaflet was inserted into the Manhattan credit card statements to promote selected iCare merchandises. Manhattan credit card holders could purchase those products at special prices in iCare Hotspots by redeeming the specified bonus points from their credit card accounts.
- Top sales products during the period included Sony Wega television sets and 5.1 audio system, Samsung digital video camera, BenQ MP3 players, Infinxx 8 poly ring-tones wireless phone, Bionaire humidifier, Omron blood pressure gauge, Bearmax steam cleaning equipment, ultrasonic jewellery cleaners, popcorn machine, Cotteen bedding sets, anodised cook sets, etc.
- To increase the reach of our retail outlets to our customers, a new iCare Hotspot was opened in December 2003 in The Westwood shopping center locating in Kennedy Town. Together with the existing ones, iCare now has 3 Hotspots in Hong Kong Island, 4 Hotspots in the New Territories and 1 Hotspot in the Kowloon Peninsula.
- The membership base of iCare’s frequent shopper club, iCare Club, grew to over 18,000 in the end of December 2003. During the period, a Christmas gift cash coupon of HK\$30 was sent to all club members to attract their visits to the Hotspots for gift purchase. The response was satisfactory and the subsequent regular promotional activity helped to increase the loyalty of the club members.
- Total revenue for the quarter ended 31st December, 2003 was HK\$20.9 million. In comparison, the total revenue for the quarter ended 31st December, 2002 was HK\$19.4 million.

Henderson Data Centre (“HDC”)

HDC’s major achievements during the quarter ended 31st December, 2003 included:

- Introduced a new supplier of internet bandwidth for better price performance.
- Changed to a new supplier of ATM and Fast Ethernet links for higher cost efficiency.
- Conducted a trial of cache engine for better utilization of internet bandwidth.
- Signed independent reselling agreements with 3 reseller agents to enhance the sales channels for HDC.
- Continued to focus on cost management and efficiency improvement.
- Total revenue for the quarter ended 31st December, 2003 was HK\$0.6 million. In comparison, the total revenue for the quarter ended 31st December, 2002 was HK\$0.5 million.

Eastar

Eastar’s major achievements during the quarter ended 31st December, 2003 included:

- Formed the view that its Local Fixed Carrier business was not viable after a serious evaluation study.
- Continued with the implementation of blockwiring projects in some selective property sites of Henderson Group.
- Total revenue for the quarter ended 31st December, 2003 was HK\$0.1 million. In comparison, the total revenue for the quarter ended 31st December, 2002 was HK\$0.5 million.

Future Home

Future Home’s major achievements during the quarter ended 31st December, 2003 included:

- Commenced development of the idHOME System which includes Property Management System, Customer Relationship Management System, Facilities Booking System and information broadcast through TV for one of the Henderson Group estates managed by Well Born Real Estate Management Limited.
- Continued development of Contract Management System and Asset Management System for Well Born Real Estate Management Limited.
- Continued with the discussions with Well Born Real Estate Management Limited to apply the Remote Monitoring System.
- Installed Access Control System with smart card and image verification facility in one of the Henderson Group estates managed by Well Born Real Estate Management Limited.
- Commenced preliminary discussions with Megastrength Security Services Company Limited and Hang Yick Properties Management Limited to apply an attendance management system.

- Obtained new maintenance contracts of the Car Park Management System for three of the Henderson Group estates managed by Well Born Real Estate Management Limited.
- Total revenue for the quarter ended 31st December, 2003 was HK\$0.5 million. In comparison, the total revenue for the quarter ended 31st December, 2002 was HK\$2.1 million.

IT Investments

IT Investments reviewed a number of opportunities during the quarter ended 31st December, 2003 but did not proceed with any investments. IT Investments disposed of its approximately 11.54% interest in Adsale Broadnet Company Limited and its approximately 4.76% interest in Roctec Technology Limited during the quarter ended 31st December, 2003.

PROSPECTS

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 China Gas.

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 China Gas 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 iCare 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.

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 which HDC continues to face, it will continue to optimize the operational efficiency and to explore cost-effective sales channels with respect to the revenue-generation potential.

Eastar

With regard to intense price and product competition, risk of fast changing technologies and cost and time to acquire sufficient market share to achieve the necessary critical mass for an economically viable operation, Eastar has decided not to proceed with any further substantial investment in its Local Fixed Carrier and Internet Service Provider businesses. Eastar will therefore consider various options available to it.

Future Home

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

Future Home will focus on the development, installation and promotion of the idHOME system, smart card system, car park management system, estate management system and attendance and access control system for Henderson Group developments and is exploring opportunities to provide these systems to other customers.

IT Investments

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Liquidity, financial resources and capital structure

As at 31st December, 2003, shareholder's funds of the Group amounted to HK\$768.8 million, representing a slight decrease from the corresponding figure recorded as at 30th June, 2003, after accounting for HK\$11.1 million loss attributable to shareholders that was incurred during the six-month period under review.

As at the end of December, 2003, current assets of the Group amounted to approximately HK\$688 million which was represented by HK\$575.4 million in bank deposits as well as cash in hand and HK\$93.7 million in investment-grade debt securities which have remaining life to maturity of less than one year. The Group's other current assets recorded at 31st December, 2003 mainly comprised HK\$4.1 million in inventories and HK\$13.5 million in accounts receivable, deposits and prepayments, showing an increase of 18.5% and a decrease of 73.6% when compared to their respective levels recorded as at the end of June, 2003. The drop in accounts receivable, deposits and prepayments recorded as at the end of the current period under review resulted mainly from the redemption of certain investment-grade debt securities which matured right before the end of the previous financial year and were reclassified as account receivables as at the end of June, 2003 when such debt securities were pending regular settlement. Current liabilities of the Group decreased by 18.4% and amounted to HK\$16.1 million as compared to those recorded as at the end of June, 2003. The Group maintained a financially liquid position with net current assets recorded at HK\$671.8 million showing an increase of 13.1% as compared with that recorded as at 30th June, 2003. In addition, the Group still held HK\$11.7 million in investment-grade debt securities with remaining life to maturity of longer than one year as at 31st December, 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 six-month period under review, the Group's debt securities holdings were reduced by 43.0% to HK\$105.4 million as at 31st December, 2003 when compared to that recorded as at 30th June, 2003. Other than holding the above-mentioned debt securities, the Group did not make further investments of any significant amount during the period under review.

Material acquisitions and disposals of subsidiaries and affiliated companies

During the six-month period ended 31st December, 2003, the Group recorded an aggregate loss of approximately HK\$0.8 million after the disposal of holdings of approximately 11.54% interest in Adsale Broadnet Company Limited and approximately 4.76% interest in Roctec Technology Limited. Other than these disposals, the Group had not made any other significant disposals or acquisitions of subsidiaries and affiliated companies during the period under review.

Segmental information

Business Turnover

For the six months ended 31st December, 2003, total turnover of the Group amounted to approximately HK\$43 million representing an increase of 9% as compared to HK\$39.4 million that was recorded during the corresponding six-month period ended 31st December, 2002. Approximately HK\$41 million or approximately 95.4% of this turnover amount was generated from the Retailing segment representing an increase of 14.9% over that recorded in the corresponding period in the previous financial year for the corresponding segment as a result of the continuous success of the marketing strategy implemented by iCare. Turnover of the Business Services segment also increased by 28.1% to around HK\$1.1 million during the six-month period under review as compared to that registered in the corresponding period of the previous financial year. Turnover of the Building System Services segment was reduced by 68.5% to HK\$0.9 million for the six-month period under review as compared to that shown in the corresponding period of the previous financial year mainly as a result of the reduced number of systems design work undertaken by Future Home.

Operating Results

For the six-month period under review, the loss attributable to shareholders of the Group was recorded at approximately HK\$11.1 million, representing a reduction of 12.9% in loss as compared with the corresponding loss figure of HK\$12.8 million shown in the corresponding period of the previous financial year. The loss attributable to shareholders was mainly accounted for by loss from operations that amounted to HK\$11.6 million, representing an increase of 32.1% when compared to HK\$8.8 million that was registered in the corresponding period of the previous financial year. No provision for impairment loss on the assets of the company was made in the six-month period under review whereas a provision for impairment loss that amounted to HK\$3.9 million was made in respect of data centre and network equipment and facilities in the corresponding period of the previous financial year.

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\$15.7 million for the six-month period under review, representing an improvement of 15.2% as compared to the corresponding consolidated loss figure of HK\$18.5 million registered in the six-month period of the previous financial year. Except for the Building System Services segment which recorded an increase in loss from HK\$70,000 to HK\$814,000, the loss recorded in the Retailing and Business Services segments was reduced by 19.3% and 21.9% respectively during the same period under review. Direct costs and operating expenses were recorded at HK\$47.6 million in the six-month period under review and were maintained at more or less the same level when compared to the corresponding figure registered in the same period of the previous financial year. Interest income from bank deposits and held-to-maturity securities showed a decrease of 77.2% as compared to that registered in the corresponding period of the previous financial year and was recorded at approximately HK\$2.5 million mainly as a result of the Group's reduced investments in debt securities and the low interest rate environment during the period under review. Selling, distribution and administrative costs were recorded at HK\$13.1 million in the six-month period under review, showing a slight increase of 3.1% when compared to the corresponding figure of HK\$12.7 million registered in the six-month period of the previous financial year.

Employees

The number of employees of the Group increased to 110 as at 31st December, 2003 as compared to 102 recorded as at 30th June, 2003. The staff cost incurred in the six-month period under review amounted to approximately HK\$13.8 million which was almost the same as that incurred in the corresponding period of the previous financial year, demonstrating the Group's continuous effort made 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\$0.3 million as at the end of the six-month period under review representing a slight reduction as compared to the corresponding figure of HK\$0.9 million registered as at 30th June, 2003.

Gearing ratio

As the Group did not record any bank borrowings outstanding as at 31st December, 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, 2003.

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\$105.4 million in investment-grade debt securities and an equivalent of approximately HK\$531.7 million in bank deposits held by the Group as at 31st December, 2003, were denominated in U.S. Dollars and no arrangement was made to hedge the associated exchange rate risks.

Contingent liabilities

As at 31st December, 2003, contingent liabilities of the Group amounted to HK\$1.2 million which consisted of guarantees given by the Group to banks in respect of banking facilities extended to certain subsidiaries of the Group. Such figure was maintained at a level that was similar to the corresponding figure that was registered as at 30th June, 2003.

The Group will continue to monitor its capital expenditure and control its operating costs prudently while constantly seeking more cost effective capital investment plans. The financial resources in hand are adequate to meet the ongoing operational and capital expenditure needs of the Group.

USE OF PROCEEDS OF IPO

Of the total net proceeds of approximately HK\$894 million raised from the initial public offering on 14th July, 2000, approximately HK\$198.8 million had been used up to 30th June, 2003. During the period ended 31st December, 2003, further amount of HK\$2.7 million was used for iCare hardware, HK\$1.9 million was used for iCare advertising, HK\$1.9 million was used for Eastar's telecommunication network infrastructure and HK\$1 million was used for Future Home's ongoing business operations. The amount unutilised as at 31st December, 2003 was HK\$687.7 million represented by net bank balances of HK\$575.4 million, investment in debt securities of HK\$105.4 million and working capital of HK\$6.9 million.

DISCLOSURE OF INTERESTS

Directors' Interests in Shares

As at 31st December, 2003, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the GEM Listing Rules 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		55				55	0.00
Henderson Land Development Company Limited	Lee Chau Kee	2			1,122,938,300		1,122,938,300	61.88
	Lee Ka Kit	2			1,122,938,300		1,122,938,300	61.88
	Lee Ka Shing	2			1,122,938,300		1,122,938,300	61.88
	Woo Ka Biu, Jackson	3		2,000			2,000	0.00
Henderson Investment Limited	Lee Chau Kee	4	34,779,936		2,075,859,007		2,110,638,943	74.92
	Lee Ka Kit	4			2,075,859,007		2,075,859,007	73.68
	Lee Ka Shing	4			2,075,859,007		2,075,859,007	73.68
Henderson China Holdings Limited	Lee Chau Kee	5			325,133,977		325,133,977	65.45
	Lee Ka Kit	5			325,133,977		325,133,977	65.45
	Lee Ka Shing	5			325,133,977		325,133,977	65.45
	Woo Ka Biu, Jackson		544,802				544,802	0.11

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

Long Position

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Development Limited	Lee Shau Kee	6			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Shau Kee	7			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Shau Kee	8	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	6				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	7				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	8				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	6				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	7				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	8				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
Angelfield Investment Limited	Lam Ko Yin, Colin	9			1		1	50.00
China Investment Group Limited	Woo Ka Biu, Jackson	10			16,000		16,000	5.33
Henfield Properties Limited	Lee Ka Kit	11			4,000	6,000	10,000	100.00

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

Long Position

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Heyield Estate Limited	Lee Chau Kee	12			100		100	100.00
	Lee Ka Kit	12				100	100	100.00
	Lee Ka Shing	12				100	100	100.00
Pettystar Investment Limited	Lee Chau Kee	13			3,240		3,240	80.00
	Lee Ka Kit	13				3,240	3,240	80.00
	Lee Ka Shing	13				3,240	3,240	80.00
Shellson International Limited	Lee Ka Kit	14			25	75	100	100.00

Save as disclosed above, none of the Directors or Chief Executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

(i) Options to subscribe for shares in the Company

As at 31st December, 2003, the following Directors of the Company had interests in options to subscribe for shares in the Company which were granted on 28th June, 2000 at the consideration of HK\$1.00 for each grant of options under the Pre-IPO Share Option Plan of the Company (the "Option Plan"):

Name of Director	Number of share options at 1st July, 2003	Number of share options exercised during the period	Number of share options granted during the period	Number of share options lapsed during the period	Number of share options outstanding at 31st December, 2003
Dr. Lee Chau Kee	2,400,000	—	—	—	2,400,000
Chan Wing Kin, Alfred	1,200,000	—	—	—	1,200,000
Lam Ko Yin, Colin	1,200,000	—	—	—	1,200,000
Lee Ka Kit	1,200,000	—	—	—	1,200,000
Lee Ka Shing	1,200,000	—	—	—	1,200,000
Yip Ying Chee, John	1,200,000	—	—	—	1,200,000
Dr. Li Kwok Po, David	1,200,000	—	—	—	1,200,000
Professor Ko Ping Keung	1,200,000	—	—	—	1,200,000
Douglas H. Moore	1,200,000	—	—	—	1,200,000

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

Date of Grant	Aggregate number of share options at 1st July, 2003	Number of share options exercised during the period	Number of share options granted during the period	Number of share options lapsed during the period	Aggregate number of share options outstanding at 31st December, 2003
28/06/2000	1,850,000	—	—	—	1,850,000

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

Date of Grant	Aggregate number of share options at 1st July, 2003	Number of share options exercised during the period	Number of share options granted during the period	Number of share options lapsed during the period	Aggregate number of share options outstanding at 31st December, 2003
28/06/2000	13,800,000	—	—	150,000	13,650,000

Subject to the terms and conditions of the Option Plan, each of the above Directors, employees and other participants will be entitled to exercise at the price of HK\$1.25 per share (i) 30 per cent. of the share options so granted at any time after the expiry of 12 months from 14th July, 2000, (ii) a further 30 per cent. of the share options so granted at any time after the expiry of 24 months from 14th July, 2000 and (iii) the remaining share options at any time after the expiry of 36 months from 14th July, 2000 and, in each case, not later than four years from 14th July, 2000.

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

Date of Grant	Aggregate number of share options at 1st July, 2003	Number of share options exercised during the period	Number of share options granted during the period	Number of share options lapsed during the period	Aggregate number of share options outstanding at 31st December, 2003
04/10/2000	100,000	—	—	—	100,000

Subject to the terms and conditions of the Share Option Scheme, the employee of the Company will be entitled to exercise at the price of HK\$0.89 per share (i) 30 per cent. of the share options so granted at any time after the expiry of 12 months from 16th October, 2000 (the date of acceptance of the share options), (ii) a further 30 per cent. of the share options so granted at any time after the expiry of 24 months from 16th October, 2000 and (iii) the remaining share options at any time after the expiry of 36 months from 16th October, 2000 and, in each case, not later than four years from 16th October, 2000.

As at 31st December, 2003, share options for a total of 27,500,000 shares in the Company under the Option Plan and 100,000 shares in the Company under the Share Option Scheme remained outstanding, representing in aggregate approximately 0.6 per cent. of the existing issued share capital of the Company. These share options were granted to the following categories of grantees:

<u>Categories of Grantees</u>	<u>Number of Grantees</u>	<u>Number of share options</u>
<u>Option Plan</u>		
Directors	9	12,000,000
Employees	4	1,850,000
Other participants	<u>39</u>	<u>13,650,000</u>
	<u>52</u>	<u>27,500,000</u>
<u>Share Option Scheme</u>		
Employee	<u>1</u>	<u>100,000</u>

Save as disclosed above, no share options under the Option Plan and the Share Option Scheme had been granted, exercised, cancelled or lapsed during the six months ended 31st December, 2003.

(ii) Options to subscribe for shares in associated corporation

As at 31st December, 2003, 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:

<u>Name of Director</u>	<u>Number of share options</u>	<u>Exercisable Period</u>
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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December, 2003, the interests and short positions of every person, other than Directors 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 Positions

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

Notes:

- 1 Of these 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 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.
- 3 These shares were owned by the wife of Mr. Woo Ka Biu, Jackson.
- 4 Of these 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 2 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.
- 5 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 2 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.
- 6 These shares were held by Hopkins as trustee of the Unit Trust.
- 7 These shares were held by Hopkins as trustee of the Unit Trust.
- 8 These 15,000,000 shares were owned by Fu Sang.
- 9 The 1 share was held by Flourish Land Company Limited which was 99% owned by Mr. Lam Ko Yin, Colin.
- 10 These shares were held by Pearl Assets Limited which was 60% owned by Mr. Woo Ka Biu, Jackson.
- 11 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.
- 12 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.

- 13** 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.
- 14** 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 Andco Limited which was wholly-owned by HC.

COMPETING INTERESTS

Newspeed Technology Limited, a wholly-owned subsidiary of Henderson Investment Limited, the Company's holding company, had a 8.9 per cent. interest in iLink Holdings Limited ("iLink") until the privatisation of iLink in December 2003. The businesses of iLink include the operation of data centres in Hong Kong.

Save as disclosed above, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 31st December, 2003, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee was established on 25th May, 2000 and reports to the Board of Directors. The members of the Audit Committee are Dr. Li Kwok Po, David, Professor Ko Ping Keung and Mr. Woo Ka Biu, Jackson, all of whom are Independent Non-executive Directors. The written terms of reference include the authority and duties of the Audit Committee and amongst its principal duties are the review and supervision of the Company's financial reporting process and internal control procedures. The Audit Committee members have reviewed the Second Quarterly Report for the six months ended 31st December, 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 period.

By Order of the Board
Lee Shau Kee
Chairman

Hong Kong, 12th February, 2004

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.