



hendersoncyber

HENDERSON CYBER LIMITED

恒基數碼科技有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8023)

**RESULTS ANNOUNCEMENT
For the year ended 30th June, 2004**

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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, 2004 amounted to approximately HK\$87,341,000.
- Loss attributable to shareholders for the year ended 30th June, 2004 amounted to approximately HK\$17,818,000.
- The Directors do not recommend the payment of a final dividend for the year ended 30th June, 2004.

RESULTS

The audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30th June, 2004 together with the comparative figures for the year ended 30th June, 2003 were as follows:

	Note	For the year ended 30th June	
		2004 HK\$'000	2003 HK\$'000
Turnover	2	87,341	83,751
Other revenue		11,714	23,924
Other net loss		(51)	(4)
		99,004	107,671
Direct costs and operating expenses		(93,416)	(96,336)
Selling and distribution costs		(17,265)	(14,971)
Administrative expenses		(8,726)	(9,501)
Loss from operations		(20,403)	(13,137)
Provision for impairment loss on data centre and network equipment and facilities		—	(3,857)
		(20,403)	(16,994)
Finance costs	3	(6)	(18)
Loss on disposal of investment securities		(788)	—
Release of capital surplus contributed by minority shareholders upon disposal of subsidiaries		2,096	—
		(19,101)	(17,012)
Share of losses of jointly controlled entities		(14)	(13)
Loss from ordinary activities before taxation	3	(19,115)	(17,025)
Income tax	4	—	—
Loss from ordinary activities after taxation		(19,115)	(17,025)
Minority interests		1,297	14
Loss attributable to shareholders		(17,818)	(17,011)
Loss per share	6		
Basic		HK0.36 cent	HK0.34 cent

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 Institute of Certified Public Accountants (“HKICPA”).

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, network and Internet
Building system services	–	project consultancy and ASP
IT investments		

For the year ended 30th June, 2004

	Retailing HK\$'000	Business services HK\$'000	Building system services HK\$'000	IT investments HK\$'000	Elimination HK\$'000	Consoli- dated HK\$'000
Turnover	83,297	2,289	1,755	—	—	87,341
Other revenue	87	2,149	—	—	—	2,236
Revenue from external customers	83,384	4,438	1,755	—	—	89,577
Inter-segment revenue	239	955	—	—	(1,194)	—
Total	83,623	5,393	1,755	—	(1,194)	89,577
Segment result	(14,128)	(12,358)	(1,598)	—	—	(28,084)
Interest income						6,885
Unallocated income net of expenses						796
Loss from operations						(20,403)
Provision for impairment loss on data centre and network equipment and facilities	—	—	—	—	—	—
Finance costs						(6)
Loss on disposal of investment securities	—	—	—	(788)	—	(788)
Release of capital surplus contributed by minority shareholders upon disposal of subsidiaries	—	2,096	—	—	—	2,096
Share of losses of jointly controlled entities						(14)
Loss from ordinary activities before taxation						(19,115)
Income tax						—
Loss from ordinary activities after taxation						(19,115)
Minority interests						1,297
Loss attributable to shareholders						(17,818)
Depreciation for the year	7,028	4,907	138	—		
Impairment loss for the year	—	—	—	—		

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 on data centre and network equipment and facilities	—	(3,857)	—	—	—	(3,857)
Finance costs						(18)
Loss on disposal of investment securities	—	—	—	—	—	—
Release of capital surplus contributed by minority shareholders upon disposal of subsidiaries	—	—	—	—	—	—
Share of losses of jointly controlled entities						(13)
Loss from ordinary activities before taxation						(17,025)
Income tax						—
Loss from ordinary activities after taxation						(17,025)
Minority interests						14
Loss attributable to shareholders						(17,011)
Depreciation for the year	5,777	5,088	189	—		
Impairment loss for the year	—	3,857	—	—		

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. LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	For the year ended 30th June	
	2004	2003
	HK\$'000	HK\$'000
Finance costs		
– interest expenses on bank overdrafts repayable on demand	<u>6</u>	<u>18</u>
Depreciation	12,104	11,086
Cost of inventories sold	28,247	19,818
Dividend income from other investment	<u>(2,593)</u>	<u>(656)</u>

4. INCOME TAX

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

In the current year, the Group adopted, for the first time, Statement of Standard Accounting Practice 12 (Revised) “Income Taxes” issued by the HKICPA. During the current and prior years, the Group recognised deferred tax assets to the extent of its deferred tax liabilities arising from any taxable temporary differences in the same year. Accordingly, there is no deferred taxation effect on the results of the Group.

5. DIVIDENDS

No dividend has been approved and paid by the Company for the year ended 30th June, 2004 (2003: HK\$Nil).

6. LOSS PER SHARE

The calculation of basic loss per share for the year ended 30th June, 2004 is based on the loss attributable to shareholders of HK\$17,818,000 (2003: HK\$17,011,000) and on the weighted average number of 5,000,000,000 (2003: 5,000,000,000) shares in issue during the year.

Diluted loss per share is not presented for the years ended 30th June, 2004 and 30th June, 2003 because there were no dilutive potential shares in existence during the years.

7. RESERVES

	2004			2003	
	Capital reserve HK\$'000	Share premium HK\$'000	Profit and loss account HK\$'000	Total HK\$'000	Total HK\$'000
At 1st July	86,725	443,707	(249,736)	280,696	297,161
Capital surplus contributed by minority shareholders	468	—	—	468	546
Capital reserves realised upon disposal of investment securities	(1,231)	—	—	(1,231)	—
Release of capital surplus contributed by minority shareholders upon disposal of subsidiaries	(2,096)	—	—	(2,096)	—
Loss for the year	—	—	(17,818)	(17,818)	(17,011)
At 30th June	83,866	443,707	(267,554)	260,019	280,696

PROFIT & TURNOVER

The Group recorded turnover of HK\$87.3 million for the year ended 30th June, 2004, compared with HK\$83.8 million for the previous financial year. The Group's loss attributable to shareholders for the year ended 30th June, 2004 was HK\$17.8 million compared with a loss of HK\$17.0 million for the previous financial year.

DIVIDENDS

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

BUSINESS REVIEW

The main focus of the Group during the financial year ended 30th June, 2004 was to further implement its strategies in the Internet services, data centre, high technology and network infrastructure businesses including its Local Fixed Carrier ("LFC") business. 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 financial year ended 30th June, 2004 included:

Internet Access Services:

Active acquisition and retention of Internet Service Provider ("ISP") users (broadband & narrowband) continued with the support of the following marketing and promotion activities:

- On-going tariff waiver promotion and tariff plans bundled with premiums were introduced and supported by magazine advertising, China Gas bill insert reaching 1.5 million households, POP program at Towngas Customer Centres and iCare Hotspots and online advertisements.
- Co-operation program with partners such as Wing Lung Bank to acquire customers.
- Introduction of value-added services such as Fax@ease service.
- On-going retention program to minimize churn.
- Various up-selling programs to upgrade 56K ISP customers and Internet Content Provider ("ICP") users to broadband service.

International Direct Dialing Services:

Despite fierce price competition, the number of registered iCare1608 IDD telephone lines reached 330,000 as of 30th June 2004 and usage was stimulated by the following marketing and promotion activities:

- Special program targeting at China Gas customers offered monthly free minutes to encourage registration and usage. The program was supported by outdoor advertising, China Gas bill insert reaching 1.5 million households, POP program at Towngas Customer Centres and iCare Hotspots and online advertisements.
- On-going retention and reactivation program.
- Co-operation program with partners such as Manhattan Card Company Limited and Bank of America to acquire customers. Prepaid calling card sales was stimulated by the following programs:
 - Introduction of prepaid cards targeting at niche markets;
 - Tariff promotion;
 - Distribution drive.

e-Commerce and Merchandising Services:

- During the year under review, iCare cooperated with Roadshow, a subsidiary of Kowloon Motor Bus Company (KMB), to promote and sell specially offered merchandises from iCare in KMB buses via their on-board TV infotainment system. iCare also cooperated separately with Bank of East Asia credit card and Manhattan credit card to promote the sales of iCare merchandises through their statement inserts. The responses were satisfactory.
- Apart from the effective sales channels of the iCare shopping website and the customer service hotline, the iCare Hotspots also expanded from 5 to 10 during the financial year ended 30th June, 2004. Altogether, there are 3 shops in Kowloon, 3 shops in Hong Kong Island and 4 shops in the New Territories. Customers can do their purchases or get after-sales services through any of the 3 channels (iCare portal, customer hotline and iCare Hotspots) and experience the true “click and mortar” approach in shopping.
- Top sales products during the year included Compaq Presario personal computers, Hitachi and Midea air conditioners, Samsung and Panasonic refrigerators, Sony Wega TV sets, digital cameras, MP3 players, air coolers, air heaters, water filtered vacuum cleaners, clothes steamers, steam cleaning devices, slimming belts, facial ionizers, foot and body massagers, massage chairs, wireless phones, etc.
- The membership base of iCare’s frequent shopper club, iCare Club, grew to over 28,000 by the end of June 2004. During the financial year, several loyalty promotion activities were carried out including sending gift coupons to members in Christmas and New Year time, lucky draw for member shoppers and free gifts for member purchases, etc.

Subscribers and Revenue:

- The iCare Internet-on-TV Set-Top Box (“STB”) subscribers, ISP users, ICP users, IDD subscribers and iCare Club members grew to a total of about 407,000 by the end of June, 2004.
- Total revenue for the financial year ended 30th June, 2004 was HK\$83.6 million, an increase of 8.6% over the previous year.

Henderson Data Centre (“HDC”)

HDC’s major achievements during the financial year ended 30th June, 2004 included:

- Commenced the implementation of an energy saving program for chiller plant and lighting.
- Commenced a feasibility study on partnership with external vendor to provide call centre solution.
- Commenced an evaluation on IP PABX and feasibility study to provide telephony service via the broadband network to commercial customer.
- Commenced negotiation with a service provider to offer tele-conferencing service to commercial customer.
- Continued to focus on cost management and efficiency improvement.
- Total revenue for the financial year ended 30th June, 2004 was HK\$2.6 million. In comparison, the total revenue for the prior financial year was HK\$1.9 million.

Eastar

Eastar’s major achievements during the financial year ended 30th June, 2004 included:

- Continued with the implementation of blockwiring projects in some selective property sites of Henderson Group.
- Total revenue for the financial year ended 30th June, 2004 was HK\$0.8 million. In comparison, the total revenue for the prior financial year was HK\$2.4 million.

The Group has assessed the prospects of its fixed telecommunications network services business and believes that without substantial investment Eastar will not develop into a profitable business. Accordingly, the Group’s interest in Eastar was sold to Wang Tack International Limited, a wholly-owned subsidiary of The Hong Kong and China Gas Company Limited, on 29th June, 2004.

Future Home

Future Home's major achievements during the financial year ended 30th June, 2004 included:

- Continued 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.
- Completed installation of the Remote Monitoring System for one of the Henderson Group estates managed by Well Born Real Estate Management Limited.
- 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.
- Prepared a contract of the attendance management system for Megastrength Security Services Company Limited.
- Continued network design and server enhancement for one of the Henderson Group estates managed by Well Born Real Estate Management Limited.
- Obtained new maintenance contracts of the Car Park Management System for four of the Henderson Group estates managed by Well Born Real Estate Management Limited.
- On-going evaluation on hardware component of Home Automation System, Access Control System and Car Park Management System.
- Total revenue for the financial year ended 30th June, 2004 was HK\$1.8 million. In comparison, the total revenue for the prior financial year was HK\$7.1 million.

IT Investments

IT Investments reviewed a number of opportunities during the financial year ended 30th June, 2004 but did not proceed with any additional 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 year ended 30th June, 2004.

PROSPECTS

The overall economic climate has shown improvement during the financial year ended 30th June, 2004 and shows signs of continuing improvement 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, 2005 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 for 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 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 operation efficiency, to develop new services and to explore cost-effective sales channels with respect to the revenue-generation potential.

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 systems, estate management system, attendance and access control system and home automation 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 Audited Accounts of Henderson Cyber Limited and their accompanying notes.

Liquidity, financial resources and capital structure

As at 30th June, 2004, shareholders' funds of the Group amounted to HK\$760.0 million, representing a slight decrease from the corresponding figure recorded as at 30th June, 2003, after accounting for HK\$17.8 million in loss attributable to shareholders that was incurred during the financial year under review.

As at the end of June, 2004, current assets of the Group amounted to HK\$684.3 million which was represented by HK\$623.0 million in cash holdings and HK\$41.1 million in investment-grade debt securities which have remaining life to maturity of less than one year. The Group's other current assets recorded as at 30th June, 2004 mainly comprised HK\$4.0 million in inventories and HK\$16.1 million in accounts receivable, deposits and prepayments, showing an increase of 15.6% and a decrease of 68.4% respectively when compared to the levels recorded as at the end of June, 2003. The higher level of accounts receivable, deposits and prepayments recorded as at 30th June, 2003 compared to that recorded as at 30th June, 2004 was mainly due to the redemption of certain investment-grade debt securities which matured right before the end of June, 2003 and gave rise to the reclassification of the relevant debt securities as accounts receivable as at the end of June, 2003 when such debt securities were pending regular settlement. Current liabilities of the Group decreased by 38.5% and amounted to HK\$12.2 million as at 30th June, 2004 as compared to the level recorded as at 30th June, 2003, mainly as a result of a 36.6% reduction in accounts payable and accrued expenses. The Group maintained a financially liquid position with net current assets recorded at HK\$672.1 million as at 30th June, 2004 showing an increase of 13.2% 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 longer than one year as at 30th June, 2004.

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 financial year under review, debt securities were reduced by 71.4% and amounted to HK\$52.8 million as at 30th June, 2004 as compared to that recorded as at 30th June, 2003. Other than the above-mentioned investments, the Group did not make other investments in any significant amount during the financial year under review.

Material acquisitions and disposals of subsidiaries and affiliated companies

During the financial year under review, the Group recorded an aggregate loss of approximately HK\$0.8 million after the disposal of approximately 11.54% interest in Adsale Broadnet Company Limited and approximately 4.76% interest in Roctec Technology Limited. During the second half of the financial year under review, the Group further disposed of its entire interest in Cotech Investment Limited, with no gain or loss arising from this transaction. The only asset of Cotech Investment Limited is its wholly-owned subsidiary, Eastar Technology Limited, whose principal business is the provision of local fixed telecommunications network services.

Other than these disposals, the Group had not made any significant acquisitions or disposals of subsidiaries and affiliated companies during the financial year under review.

Segmental information

Business Turnover

For the year ended 30th June, 2004, total turnover of the Group amounted to approximately HK\$87.3 million representing an increase of 4.3% as compared to HK\$83.8 million that was recorded in the previous financial year. Approximately HK\$83.3 million was generated from the Retailing segment operated through iCare and this showed an increase of 10.9% over that recorded in the previous financial year generated from the same segment. Turnover of the Business Services segment also increased by 46.1% to around HK\$2.3 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 reduced by 75.2% to HK\$1.8 million for the financial year under review as compared to that shown in the previous financial year mainly as a result of the reduced number of systems design work undertaken by Future Home.

Operating Results

For the financial year under review, the loss attributable to shareholders of the Group was recorded at approximately HK\$17.8 million, representing a 4.7% increase as compared with the corresponding loss figure of HK\$17.0 million shown in the previous financial year. The loss attributable to shareholders included a loss of HK\$20.4 million from operations, compared with HK\$13.1 million in loss from operations registered in the previous financial year. No provision for impairment loss on the assets of the Group was made in the financial year under review, whereas a provision for impairment loss that amounted to HK\$3.9 million in respect of data centre and network equipment and facilities was made in 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\$28.1 million for the financial year under review, representing a decrease of 9.3% as compared to the corresponding consolidated loss figure of HK\$31.0 million registered in the previous financial year. For each of the Retailing, Business Services, and Building System Services segments, segmental results were recorded at a loss of HK\$14.1 million, a loss of HK\$12.4 million, and a loss of HK\$1.6 million respectively during the financial year under review. Direct costs and operating expenses of HK\$93.4 million were recorded in the financial year under review and showed a decrease of 3.0% 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 63.8% as compared to that registered in the previous financial year and these were recorded at HK\$6.9 million reflecting the Group's reduced investments in debt securities during the financial year under review. Selling, distribution and administrative costs were recorded at HK\$26.0 million in the financial year under review, showing an increase of 6.2% compared to the corresponding figure of HK\$24.5 million registered in the previous financial year.

Employees

The number of employees of the Group increased to 111 as at 30th June, 2004 as compared to 102 recorded as at 30th June, 2003 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 slightly by 1.9% to HK\$26.5 million as compared with HK\$27.0 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 year under review.

Future plans for material investments or capital assets

Capital commitments of the Group was recorded at HK\$0.85 million as at the end of the financial year under review representing a reduction of 6.3% as compared to the corresponding figure of HK\$0.91 million registered as at 30th June, 2003.

Gearing ratio

As the Group did not record any bank borrowings outstanding as at 30th June, 2004, 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. An equivalent of HK\$52.8 million in investment-grade debt securities and an equivalent of approximately HK\$623.0 million in bank deposits held by the Group as at 30th June, 2004 are mainly denominated in U.S. Dollars and no arrangement has been made to hedge the associated exchange rate risks.

Contingent liabilities

As at the end of the financial year under review, 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 represented a 3.1% decrease to the corresponding figure registered as at 30th June, 2003.

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

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 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, 2004.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in rules 5.34 to 5.45 of the GEM Listing Rules throughout the year.

By Order of the Board
Lee Shau Kee
Chairman

Hong Kong, 16th September, 2004

As at the date of this announcement, the Board comprises: (1) executive directors: Lee Shau Kee (Chairman), Alfred Chan Wing Kin, Colin Lam Ko Yin, Lee Ka Kit, Lee Ka Shing, John Yip Ying Chee and Douglas H. Moore; and (2) independent non-executive directors: David Li Kwok Po, Ko Ping Keung and Jackson Woo Ka Biu.

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