



**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, 2005**

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

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\* for identification purposes only

## SUMMARY OF RESULTS

- Turnover for the year ended 30th June, 2005 amounted to approximately HK\$83,842,000.
- Loss attributable to shareholders for the year ended 30th June, 2005 amounted to approximately HK\$4,096,000.
- The Directors do not recommend the payment of a final dividend for the year ended 30th June, 2005.

## RESULTS

### CONSOLIDATED PROFIT AND LOSS ACCOUNT - AUDITED

		For the year ended 30th June	
	Note	2005 HK\$'000	2004 HK\$'000
Turnover	2	<b>83,842</b>	87,341
Other revenue		<b>17,516</b>	11,714
Other net loss		<b>(42)</b>	(51)
		<b>101,316</b>	99,004
Direct costs and operating expenses		<b>(79,136)</b>	(93,416)
Selling and distribution costs		<b>(18,913)</b>	(17,265)
Administrative expenses		<b>(7,344)</b>	(8,726)
Loss from operations		<b>(4,077)</b>	(20,403)
Finance costs	3	<b>(5)</b>	(6)
Loss on disposal of investment securities		—	(788)
Release of capital surplus contributed by minority shareholders upon disposal of subsidiaries		—	2,096
		<b>(4,082)</b>	(19,101)
Share of losses of jointly controlled entities		<b>(14)</b>	(14)
Loss from ordinary activities before taxation	3	<b>(4,096)</b>	(19,115)
Income tax	4	—	—
Loss from ordinary activities after taxation		<b>(4,096)</b>	(19,115)
Minority interests		—	1,297
Loss attributable to shareholders		<b>(4,096)</b>	(17,818)
Loss per share	6		
Basic		<b>HK0.08 cent</b>	HK0.36 cent

## CONSOLIDATED BALANCE SHEET - AUDITED

		As at 30th June	
	Note	2005 HK\$'000	2004 HK\$'000
Non-current assets			
Fixed assets		<b>59,785</b>	68,588
Interests in jointly controlled entities		<b>37</b>	44
Investment securities		<b>7,558</b>	7,558
Held-to-maturity securities		<b>11,465</b>	11,699
		<b>78,845</b>	87,889
Current assets			
Held-to-maturity securities		—	41,096
Inventories		<b>2,774</b>	4,012
Accounts receivable, deposits and prepayments	7	<b>10,310</b>	16,144
Cash and cash equivalents		<b>674,522</b>	623,028
		<b>687,606</b>	684,280
Current liabilities			
Unsecured bank overdraft		<b>213</b>	—
Accounts payable and accrued expenses	8	<b>10,315</b>	12,150
		<b>10,528</b>	12,150
Net current assets		<b>677,078</b>	672,130
Net assets		<b>755,923</b>	760,019
Capital and reserves			
Share capital		<b>500,000</b>	500,000
Reserves	9	<b>255,923</b>	260,019
		<b>755,923</b>	760,019

## NOTES:

### 1. Basis of Preparation

The principal accounting policies adopted in preparing the audited consolidated accounts of the Group conform with all applicable Hong Kong Financial Reporting Standards (which include all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively, “new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005 and would be therefore effective for the Group’s accounts for the year ending 30th June, 2006.

The Group has not early adopted these new HKFRSs in the accounts for the year ended 30th June, 2005. The Group has already made an assessment of the impact of these new HKFRSs and concluded that the adoption of these new HKFRSs would not have a significant impact on its results of operations and financial position.

### 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, 2005**

	Retailing HK\$'000	Business services HK\$'000	Building system services HK\$'000	IT investments HK\$'000	Elimination HK\$'000	Consoli- dated HK\$'000
Turnover	<b>79,090</b>	<b>2,693</b>	<b>2,059</b>	—	—	<b>83,842</b>
Other revenue	<b>30</b>	<b>1,929</b>	—	—	—	<b>1,959</b>
Revenue from external customers	<b>79,120</b>	<b>4,622</b>	<b>2,059</b>	—	—	<b>85,801</b>
Inter-segment revenue	<b>229</b>	<b>1,058</b>	—	—	<b>(1,287)</b>	—
Total	<b>79,349</b>	<b>5,680</b>	<b>2,059</b>	—	<b>(1,287)</b>	<b>85,801</b>
Segment result	<b>(8,468)</b>	<b>(7,856)</b>	<b>(1,423)</b>	—	<b>134</b>	<b>(17,613)</b>
Interest income						<b>15,433</b>
Unallocated income net of expenses						<b>(1,897)</b>
Loss from operations						<b>(4,077)</b>
Finance costs						<b>(5)</b>
Loss on disposal of investment securities	—	—	—	—	—	—
Release of capital surplus contributed by minority shareholders upon disposal of subsidiaries	—	—	—	—	—	—
						<b>(4,082)</b>
Share of losses of jointly controlled entities						<b>(14)</b>
Loss from ordinary activities before taxation						<b>(4,096)</b>
Income tax						—
Loss from ordinary activities after taxation						<b>(4,096)</b>
Minority interests						—
Loss attributable to shareholders						<b>(4,096)</b>
Depreciation for the year	<b>7,713</b>	<b>4,539</b>	<b>123</b>	—		
Segment assets	<b>21,346</b>	<b>50,361</b>	<b>752</b>	<b>7,558</b>	<b>(271)</b>	<b>79,746</b>
Interests in jointly controlled entities						<b>37</b>
Unallocated assets						<b>686,668</b>
Total assets						<b>766,451</b>
Segment liabilities	<b>(7,578)</b>	<b>(1,110)</b>	<b>(189)</b>	—	—	<b>(8,877)</b>
Unallocated liabilities						<b>(1,651)</b>
Total liabilities						<b>(10,528)</b>
Capital expenditure incurred during the year	<b>3,464</b>	<b>154</b>	<b>26</b>	—		

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	<u>83,623</u>	<u>5,393</u>	<u>1,755</u>	<u>—</u>	<u>(1,194)</u>	<u>89,577</u>
Segment result	(14,128)	(12,358)	(1,598)	—	—	(28,084)
Interest income						6,885
Unallocated income net of expenses						796
Loss from operations						<u>(20,403)</u>
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	—	—	—	<u>2,096</u>
						<u>(19,101)</u>
Share of losses of jointly controlled entities						<u>(14)</u>
Loss from ordinary activities before taxation						(19,115)
Income tax						—
Loss from ordinary activities after taxation						<u>(19,115)</u>
Minority interests						<u>1,297</u>
Loss attributable to shareholders						<u><u>(17,818)</u></u>
Depreciation for the year	<u>7,028</u>	<u>4,907</u>	<u>138</u>	<u>—</u>		
Segment assets	26,165	54,443	1,138	7,558	(73)	89,231
Interests in jointly controlled entities						44
Unallocated assets						682,894
Total assets						<u>772,169</u>
Segment liabilities	(7,859)	(1,044)	(201)	—	8	(9,096)
Unallocated liabilities						<u>(3,054)</u>
Total liabilities						<u><u>(12,150)</u></u>
Capital expenditure incurred during the year	<u>4,276</u>	<u>45</u>	<u>18</u>	<u>—</u>		

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	
	2005	2004
	HK\$'000	HK\$'000
Finance costs		
– interest expenses on bank overdrafts repayable on demand	<u>5</u>	<u>6</u>
Depreciation	12,399	12,104
Cost of inventories sold	30,269	28,247
Dividend income from other investments	<u>—</u>	<u>(2,593)</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.

### 5. Dividends

No dividend has been approved and paid by the Company for the year ended 30th June, 2005 (2004: HK\$Nil).

### 6. Loss per Share

The calculation of basic loss per share for the year ended 30th June, 2005 is based on the loss attributable to shareholders of HK\$4,096,000 (2004: HK\$17,818,000) and on the weighted average number of 5,000,000,000 (2004: 5,000,000,000) shares in issue during the year.

Diluted loss per share is not presented for the years ended 30th June, 2005 and 30th June, 2004 because there were no dilutive potential shares in existence during the years.

## 7. Accounts Receivable, Deposits and Prepayments

	As at 30th June	
	2005	2004
	HK\$'000	HK\$'000
Trade receivables	4,560	4,913
Other receivables, deposits and prepayments	5,750	11,231
	<b>10,310</b>	<b>16,144</b>

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

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

	As at 30th June	
	2005	2004
	HK\$'000	HK\$'000
Under 1 month overdue	3,931	3,897
More than 1 month overdue but less than 3 months overdue	291	670
More than 3 months overdue but less than 6 months overdue	176	135
More than 6 months overdue	162	211
	<b>4,560</b>	<b>4,913</b>

## 8. Accounts Payable and Accrued Expenses

	As at 30th June	
	2005	2004
	HK\$'000	HK\$'000
Trade payables	5,971	5,083
Other payables and accrued expenses	4,344	7,067
	<b>10,315</b>	<b>12,150</b>

The ageing analysis of the trade payables is as follows:

	As at 30th June	
	2005	2004
	HK\$'000	HK\$'000
Due within 1 month and on demand	5,971	5,083
Due after 1 month but within 3 months	—	—
Due after 3 months but within 6 months	—	—
	<b>5,971</b>	<b>5,083</b>



## 9. Reserves

	Capital reserve HK\$'000	Share premium HK\$'000	Profit and loss account HK\$'000	Total HK\$'000
At 1st July, 2003	86,725	443,707	(249,736)	280,696
Capital surplus contributed by minority shareholders	468	—	—	468
Capital reserve 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)
At 30th June, 2004	83,866	443,707	(267,554)	260,019
At 1st July, 2004	<b>83,866</b>	<b>443,707</b>	<b>(267,554)</b>	<b>260,019</b>
Loss for the year	—	—	<b>(4,096)</b>	<b>(4,096)</b>
At 30th June, 2005	<b>83,866</b>	<b>443,707</b>	<b>(271,650)</b>	<b>255,923</b>

## **PROFIT & TURNOVER**

The Group recorded turnover of HK\$83.8 million for the year ended 30th June, 2005, compared with HK\$87.3 million for the previous financial year. The Group's loss attributable to shareholders for the year ended 30th June, 2005 was HK\$4.1 million compared with a loss of HK\$17.8 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, 2005 was to further implement its strategies in Internet services, data centre, high technology and network infrastructure businesses. 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, 2005 included:

#### *Internet Access Services:*

Acquisition and retention of Internet Service Provider ("ISP") users (both broadband & narrowband) continued with the support of the following marketing and promotional activities:

- Introduction and promotion of attractive pricing service plans with flexible contracts via magazine advertising, China Gas bill inserts reaching 1.5 million households, POP programs at Towngas Customer Centres and iCare Hotspots and online advertisements.
- Channel partner programs with partners such as Cathay Pacific Hong Kong, BEA Credit Card, HKedCity, and Salvation Army to boost customers.
- Launch of a new value-added service, Fixed IP Address Service.
- On-going retention program via telemarketing to minimize churn.
- Up-selling programs to upgrade narrowband ISP customers and Internet Content Provider ("ICP") users to broadband service.

#### *International Direct Dialing Services:*

Despite ongoing fierce market competition, the number of registered iCare1608 IDD telephone lines reached 358,000 as of 30th June, 2005. Usage was stimulated by the following marketing and promotion activities:

- Broad-base promotion via China Gas bill inserts, offering special rate for selected destinations such as Macau and Thailand to increase acquisition and stimulate usage, and supported by POP program at Towngas Customer Centres and iCare Hotspots and online advertisement.

- On-going retention and reactivation program for Asian countries, China, US, Canada, Australia and UK to retain and reactivate customers.
- Channel partner programs with partners such as Cathay Pacific Hong Kong and BEA Credit Card to acquire customers and stimulate usage in selected countries.

*e-Commerce and Merchandising Services:*

A number of initiatives were undertaken which included:

- iCare, cooperating with Henderson Club, a newly established community with target customers who are residents of properties managed by Henderson Group, to promote and sell specially offered merchandise from iCare to members of Henderson Club via their regular newsletter and also continuously promoting iCare through China Gas bill inserts.
- Expanding iCare Hotspots to a total of 11 during the financial year ended 30th June, 2005 (as well as continuing to utilize effective sales channels such as the iCare shopping website and customer service hotline), making 4 shops in Kowloon, 3 on Hong Kong Island and 4 in the New Territories. Customers can purchase and obtain after-sales services through the iCare portal, customer hotline and iCare Hotspots to experience a “click and mortar” shopping approach resulting in satisfactory promotion of iCare merchandise as reflected from growth in customer loyalty.
- Sale of products such as Compaq Presario personal computers, Hitachi and Midea air conditioners, Samsung and Hitachi refrigerators, Sony Wega TV sets, Nikon digital cameras, MP3 players, mobile phones, 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, home exercise appliances like the magnetic bicycle.
- Growth of membership base of iCare’s frequent shopper club, iCare Club, to over 55,000 by the end of June 2005, aided by several loyalty promotion activities such as sending out cash coupons to members during Christmas and New Year, promoting a lucky draw for member shoppers and offering free gifts with member purchases.

*Subscribers and Revenue:*

- 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 451,000 by the end of June 2005.
- Total revenue for the financial year ended 30th June, 2005 was HK\$79.3 million. In comparison, the total revenue for the prior financial year was HK\$83.6 million.

***Henderson Data Centre (“HDC”)***

HDC’s major achievements during the financial year ended 30th June, 2005 included:

- Energy Saving Project to obtain significant saving on electricity expense.
- Continued the Internet Transit Service.
- Customer acquisition for data centre services.

- Launched the System Integration Service.
- Launched the Anti-Spam Email Service.
- Joined the partnership program of Microsoft as a registered member.
- Commenced feasibility study on Intelligent Home Service.
- Continued to focus on cost management and efficiency improvement.
- Total revenue for the financial year ended 30th June, 2005 was HK\$3.8 million. In comparison, the total revenue for the prior financial year was HK\$2.6 million.

### ***Future Home***

Future Home's major achievements during the financial year ended 30th June, 2005 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.
- Continued network design and server enhancement for one of the Henderson Group estates managed by Well Born Real Estate Management Limited.
- On-going evaluation of hardware component of Home Automation System, Access Control System and Car Park Management System.
- Obtained new maintenance contracts of the Car Park Management System for Henderson Group estates.
- Total revenue for the financial year ended 30th June, 2005 was HK\$2.1 million. In comparison, the total revenue for the prior financial year was HK\$1.8 million.

### ***IT Investments***

IT Investments reviewed a number of opportunities during the financial year ended 30th June, 2005 but did not proceed with any investments.

## **PROSPECTS**

The Group will remain cautious in the implementation of its strategies during the financial year ending 30th June, 2006 due to an 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 may 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 exploring 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 Henderson Group and China Gas 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 as follows:

- By continuing to seek growth while achieving satisfactory margins via its website, direct marketing channels and Hotspots, with respect to distribution of goods.
- By continuing to develop market share in broadband services while achieving satisfactory margins and retain ISP customers, with respect to Internet services.
- By seeking to continue the growth of iCare1608, with respect to telecommunication services.
- By selectively expanding the breadth of infotainment and e-commerce offerings on its portal site so as to ensure the rich content and desirable offerings continue in popularity 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, 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, 2005, shareholder's funds of the Group amounted to HK\$755.9 million, representing a slight decrease from the corresponding figure recorded as at 30th June, 2004, after accounting for HK\$4.1 million in loss attributable to shareholders that was incurred during the financial year under review.

As at the end of June, 2005, current assets of the Group amounted to HK\$687.6 million which was mainly represented by HK\$674.5 million in cash holdings. The Group's other current assets recorded as at 30th June, 2005 comprised HK\$2.8 million in inventories and HK\$10.3 million in accounts receivable, deposits and prepayments, showing respective decrease of 30.9% and 36.1% when compared to the levels recorded as at the end of June, 2004. Current liabilities of the Group amounted to HK\$10.5 million as at 30th June, 2005, representing a decrease of 13.3% as compared to the level recorded as at the end of June, 2004, mainly as a result of a 15.1% reduction in accounts payable and accrued expenses. The Group maintained a financially liquid position with net current assets recorded at HK\$677.1 million as at 30th June, 2005, showing a slight increase when compared to that recorded as at the end of previous financial year. In addition, the Group still held HK\$11.5 million in investment-grade debt securities with remaining life to maturity longer than one year as at 30th June, 2005.

### **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 amounted to HK\$11.5 million as at 30th June, 2005, representing a decrease of 78.3% as compared to that recorded as at 30th June, 2004. 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**

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, 2005, total turnover of the Group amounted to approximately HK\$83.8 million, representing a decrease of 4.0% as compared to HK\$87.3 million that was recorded in the previous financial year. Approximately HK\$79.1 million was generated from the Retailing segment operated through iCare and this showed a decrease of 5.1% from that recorded in the previous financial year generated from the same segment. Turnover of the Business Services segment increased by 17.6% to around HK\$2.7 million during the financial year under review as compared to that registered in the previous financial year. Turnover of the Building System Services segment also increased by 17.3% to HK\$2.1 million for the current financial year as compared to that shown in the previous financial year.

## *Operating Results*

For the financial year under review, the loss attributable to shareholders of the Group was recorded at approximately HK\$4.1 million, representing a 77.0% decrease as compared with the corresponding loss figure of HK\$17.8 million shown in the previous financial year. The loss attributable to shareholders was mainly attributable to a loss of HK\$4.1 million from operations, compared with HK\$20.4 million in loss from operations registered 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\$17.6 million for the financial year under review, representing a decrease of 37.3% as compared to the corresponding consolidated loss figure of HK\$28.1 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\$8.5 million, a loss of HK\$7.9 million, and a loss of HK\$1.4 million respectively during the financial year under review. Direct costs and operating expenses of HK\$79.1 million were recorded in the financial year under review and showed a decrease of 15.3% as compared to the corresponding figure registered in the previous financial year. Interest income from held-to-maturity securities and bank deposits were recorded at HK\$15.3 million, showed an increase of 123.2% as compared to that registered in the previous financial year. Selling, distribution and administrative costs were recorded at HK\$26.3 million in the financial year under review, showing an increase of 1.0% compared to the corresponding figure of HK\$26.0 million registered in the previous financial year.

## **Employees**

The number of employees of the Group decreased to 103 as at 30th June, 2005 as compared to 111 recorded as at 30th June, 2004. The staff cost incurred in the current financial year decreased by 22.0% to HK\$20.7 million as compared with HK\$26.5 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. 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\$0.27 million as at the end of the financial year under review representing a reduction of 68.4% as compared to the corresponding figure of HK\$0.85 million registered as at 30th June, 2004.

## **Gearing ratio**

The Group recorded bank borrowings of HK\$0.2 million as at 30th June, 2005, compared to cash holdings of HK\$674.5 million. 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, 2004.



## **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\$11.5 million investment-grade debt securities and an equivalent of approximately HK\$647.1 million in bank deposits held by the Group as at 30th June, 2005 are 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\$0.7 million which was composed 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 41.4% decrease to the corresponding figure that was registered as at 30th June, 2004.

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.

## **OTHER INFORMATION**

### **Competing Interests**

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.

### **Subsequent Event**

Henderson Land Development Company Limited, Henderson Investment Limited (“Henderson Investment”), The Hong Kong and China Gas Company Limited (“China Gas”) and the Company issued a joint announcement on 16th August, 2005 regarding a proposed privatisation of the Company by Henderson Investment and China Gas involving the cancellation and extinguishment of shares (other than those indirectly held by Henderson Investment and China Gas) in the Company at the cancellation price of HK\$0.42 in cash per share. At present, Henderson Investment has a 66.67% equity interest and China Gas has an 18.05% equity interest in the Company respectively. If the privatisation becomes effective, the Company will be indirectly owned by Henderson Investment as to approximately 78.69% and China Gas as to approximately 21.31%.

### **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. The Hon. Sir David Li Kwok Po, Independent Non-executive Director, Professor Ko Ping Keung, Independent Non-executive Director and Mr. Woo Ka Biu, Jackson, Non-executive Director. 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, 2005.

## **Corporate Governance**

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 which were in force until 1st January, 2005.

As rules 5.34 to 5.45 of the GEM Listing Rules incorporated amendments in relation to the Code on Corporate Governance Practices (the “CGP Code”) which became effective on 1st January, 2005 subject to the transitional arrangements, the Company has been taking action to follow the code provisions set out in the CGP Code.

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the “Code”). Having made specific enquiry, the Company confirmed that all Directors have complied with the required standard as set out in the Code.

By Order of the Board  
**Lee Shau Kee**  
Chairman

Hong Kong, 16th September, 2005

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; (2) non-executive director: Jackson Woo Ka Biu; and (3) independent non-executive directors: David Li Kwok Po, Ko Ping Keung and Leung Yuk Kwong.

This Announcement will remain on the “Latest Company Announcements” page of the GEM website for at least 7 days from the day of its posting and on the Company’s website at [www.hendersoncyber.com](http://www.hendersoncyber.com).