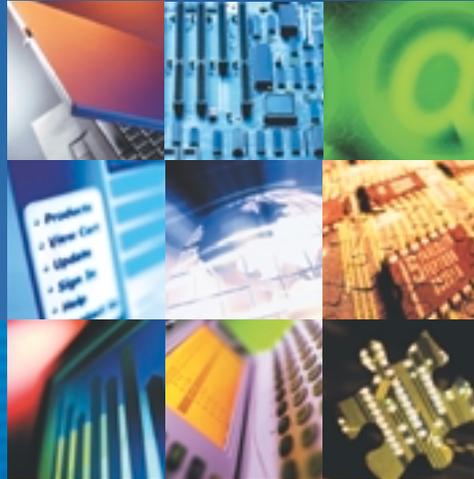




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HENDERSON CYBER LIMITED

(Incorporated in the Cayman Islands with limited liability)

恒基數碼科技有限公司*

(在開曼群島註冊成立的有限公司)

SECOND QUARTERLY REPORT

Period ended 31st December, 2004

第二季業績報告

截至 2004 年 12 月 31 日

* 僅供識別

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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

2nd QUARTERLY REPORT

To 31st December, 2004

SUMMARY OF RESULTS

- Turnover for the six months ended 31st December, 2004 amounted to approximately HK\$41,990,000.
- Net loss for the six months ended 31st December, 2004 amounted to approximately HK\$4,046,000.
- The Directors do not recommend the payment of a dividend for the six months ended 31st December, 2004.

CONDENSED INTERIM FINANCIAL STATEMENTS

Consolidated Profit and Loss Account – Unaudited

For the three months and the six months ended 31st December, 2004

	Note	Three months ended 31st December		Six months ended 31st December	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	2	20,092	21,700	41,990	42,962
Other revenue		4,018	2,994	7,432	6,159
Other net income/(loss)		3	(19)	3	(44)
		24,113	24,675	49,425	49,077
Direct costs and operating expenses		(18,627)	(23,461)	(40,258)	(47,567)
Selling and distribution costs		(4,713)	(4,299)	(9,375)	(8,315)
Administrative expenses		(1,749)	(2,226)	(3,829)	(4,796)
Loss from operations		(976)	(5,311)	(4,037)	(11,601)
Finance costs		—	(1)	(1)	(2)
Loss on disposal of investment securities		—	(788)	—	(788)
		(976)	(6,100)	(4,038)	(12,391)
Share of losses of jointly controlled entities		(6)	(4)	(8)	(8)
Loss from ordinary activities before taxation	3	(982)	(6,104)	(4,046)	(12,399)
Income tax	4	—	—	—	—
Loss from ordinary activities after taxation		(982)	(6,104)	(4,046)	(12,399)
Minority interests		—	68	—	1,280
Loss attributable to shareholders		(982)	(6,036)	(4,046)	(11,119)
Loss per share Basic	6	HK0.02 cent	HK0.12 cent	HK0.08 cent	HK0.22 cent

Consolidated Balance Sheet

At 31st December, 2004

	Note	At 31st December 2004 (Unaudited) HK\$'000	At 30th June 2004 (Audited) HK\$'000
Non-current assets			
Fixed assets	7	65,276	68,588
Interests in jointly controlled entities		57	44
Investment securities		7,558	7,558
Held-to-maturity security	8	11,465	11,699
		<u>84,356</u>	<u>87,889</u>
Current assets			
Held-to-maturity securities	8	—	41,096
Inventories		3,565	4,012
Accounts receivable, deposits and prepayments	9	52,690	16,144
Cash and cash equivalents	10	625,486	623,028
		<u>681,741</u>	<u>684,280</u>
Current liabilities			
Unsecured bank overdraft	10	254	—
Accounts payable and accrued expenses	11	9,870	12,150
		<u>10,124</u>	<u>12,150</u>
Net current assets		<u>671,617</u>	<u>672,130</u>
Net assets		<u>755,973</u>	<u>760,019</u>
Capital and reserves			
Share capital	12	500,000	500,000
Reserves	13	255,973	260,019
		<u>755,973</u>	<u>760,019</u>

Consolidated Statement of Changes in Equity – Unaudited

For the six months ended 31st December, 2004

	Six months ended 31st December	
	2004 HK\$'000	2003 HK\$'000
Shareholders' equity at 1st July	760,019	780,696
Capital surplus contributed by minority shareholders	—	468
Net gains and losses not recognised in the profit and loss account	—	468
Capital reserve realised upon disposal of investment securities	—	(1,231)
Loss for the period	(4,046)	(11,119)
	(4,046)	(11,882)
Shareholders' equity at 31st December	755,973	768,814

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Condensed Consolidated Cash Flow Statement – Unaudited

For the six months ended 31st December, 2004

	Six months ended 31st December	
	2004 HK\$'000	2003 HK\$'000
Net cash from operating activities	550	25,785
Net cash from investing activities	1,655	121,240
	2,205	147,025
Net cash (used in)/from financing activities	(1)	1,498
Net increase in cash and cash equivalents	2,204	148,523
Cash and cash equivalents at 1st July	623,028	428,157
Cash and cash equivalents at 31st December	625,232	576,680

Notes to the Condensed Interim Financial Statements (Unaudited)

1 Basis of Preparation

These condensed interim financial statements are unaudited, but have been reviewed by KPMG in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), except that they have only reviewed the figures in respect of the three months ended 31st December, 2004 and of the six months ended 31st December, 2004, and did not review the comparatives for the three months ended 31st December, 2003 and for the six months ended 31st December, 2003. KPMG’s independent review report to the Board of Directors is included on page 30.

The condensed interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the HKICPA 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 accounting policies adopted in the condensed interim financial statements are consistent with those followed in the 2004 annual accounts. The condensed interim financial statements should be read in conjunction with the 2004 annual accounts.

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, network and Internet
- Building system services - project consultancy and application service provider
- IT investments

For the six months ended 31st December, 2004

	Retailing HK\$'000	Business services HK\$'000	Building system services HK\$'000	IT investments HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Turnover	40,016	1,167	807	—	—	41,990
Other revenue	23	1,081	—	—	—	1,104
Revenue from						
external customers	40,039	2,248	807	—	—	43,094
Inter-segment revenue	119	516	—	—	(635)	—
Total	40,158	2,764	807	—	(635)	43,094
Segment result	(4,601)	(3,672)	(793)	—	34	(9,032)
Interest income						6,206
Unallocated income net of expenses						(1,211)
Loss from operations						(4,037)
Finance costs						(1)
Loss on disposal of investment securities						—
						(4,038)
Share of losses of jointly controlled entities						(8)
Loss from ordinary activities before taxation						(4,046)
Income tax						—
Loss from ordinary activities after taxation						(4,046)
Minority interests						—
Loss attributable to shareholders						(4,046)

2 Segmental Information (Cont'd)

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						2,474
Unallocated income net of expenses						1,627
Loss from operations						(11,601)
Finance costs						(2)
Loss on disposal of investment securities	—	—	—	(788)	—	(788)
						(12,391)
Share of losses of jointly controlled entities						(8)
Loss from ordinary activities before taxation						(12,399)
Income tax						—
Loss from ordinary activities after taxation						(12,399)
Minority interests						1,280
Loss attributable to shareholders						(11,119)

(b) No geographical analysis is shown as the activities of the Group during the six months ended 31st December, 2004 and 31st December, 2003 were mainly carried out in Hong Kong.

2nd QUARTERLY REPORT

To 31st December, 2004

3 Loss from Ordinary Activities before Taxation

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

	Three months ended		Six months ended	
	31st December		31st December	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance costs				
- interest expenses on bank overdraft repayable on demand	—	1	1	2
Depreciation	3,151	3,081	6,241	5,982
Cost of inventories sold	6,635	6,784	14,433	12,897

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cyberlimited**4 Income Tax**

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

5 Interim Dividend

No dividend has been approved and paid by the Company for the six months ended 31st December, 2004 (2003: HK\$Nil).

6 Loss per Share

The calculation of basic loss per share for the three months and the six months ended 31st December, 2004 is based on the loss attributable to shareholders of HK\$982,000 and HK\$4,046,000 (2003: HK\$6,036,000 and HK\$11,119,000) respectively and on the weighted average number of 5,000,000,000 and 5,000,000,000 (2003: 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, 2004 and 31st December, 2003 because there were no dilutive potential shares in existence during the periods.

7 Fixed Assets

During the six months ended 31st December, 2004, the Group had additions to data centre equipment and facilities in the amounts of HK\$2,214,000.

8 Held-to-Maturity Securities

	At 31st December 2004		At 30th June 2004	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Non-current	Current	Non-current	Current
Debt securities				
Listed outside Hong Kong	11,465	—	11,699	—
Unlisted	—	—	—	41,096
	<u>11,465</u>	<u>—</u>	<u>11,699</u>	<u>41,096</u>
Market value of listed securities	<u>11,505</u>	<u>—</u>	<u>11,936</u>	<u>—</u>

9 Accounts Receivable, Deposits and Prepayments

(a)

	At 31st December 2004 HK\$'000	At 30th June 2004 HK\$'000
Trade receivable	4,349	4,913
Other receivables, deposits and prepayments	48,341	11,231
	<u>52,690</u>	<u>16,144</u>

At 31st December, 2004, included in the accounts receivable, deposits and prepayments, are amounts due from fellow subsidiaries of HK\$156,000 (at 30th June, 2004: HK\$558,000) and deposits paid to fellow subsidiaries of HK\$2,686,000 (at 30th June, 2004: HK\$2,687,000).

(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 the trade receivable (net of provision for bad debts) is as follows:

	At 31st December 2004 HK\$'000	At 30th June 2004 HK\$'000
Under 1 month overdue	3,599	3,897
More than 1 month overdue but less than 3 months overdue	356	670
More than 3 months overdue but less than 6 months overdue	295	135
More than 6 months overdue	99	211
	<u>4,349</u>	<u>4,913</u>

10 Cash and Cash Equivalents

	At 31st December 2004 HK\$'000	At 30th June 2004 HK\$'000
Deposits with banks	621,330	616,728
Cash at bank and in hand	4,156	6,300
Cash and cash equivalents in the balance sheet	625,486	623,028
Unsecured bank overdraft	(254)	—
Cash and cash equivalents in the cash flow statement	625,232	623,028

11 Accounts Payable and Accrued Expenses

(a)

	At 31st December 2004 HK\$'000	At 30th June 2004 HK\$'000
Trade payable	6,380	5,083
Other payables and accrued expenses	3,490	7,067
	9,870	12,150

At 31st December, 2004, included in the accounts payable and accrued expenses, are amounts due to intermediate holding company and fellow subsidiaries of HK\$286,000 and HK\$44,000 (at 30th June, 2004: HK\$2,436,000 and HK\$22,000) respectively.

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

	At 31st December 2004 HK\$'000	At 30th June 2004 HK\$'000
Due within 1 month and on demand	6,380	5,083

12 Share Capital

	Number of shares		Nominal value	
	At 31st December 2004 '000	At 30th June 2004 '000	At 31st December 2004 HK\$'000	At 30th June 2004 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, 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)
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>
At 1st July, 2004	83,866	443,707	(267,554)	260,019
Loss for the period	—	—	(4,046)	(4,046)
At 31st December, 2004	<u>83,866</u>	<u>443,707</u>	<u>(271,600)</u>	<u>255,973</u>

14 Commitments

(a) Capital commitments

At 31st December, 2004, the Group had capital commitments contracted but not provided for in the accounts in respect of system development costs amounting to HK\$390,000 (at 30th June, 2004: HK\$850,000).

(b) Operating leases commitments

At 31st December, 2004, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Properties		Telecommunications network facilities	
	At 31st December 2004 HK\$'000	At 30th June 2004 HK\$'000	At 31st December 2004 HK\$'000	At 30th June 2004 HK\$'000
Within 1 year	1,808	2,235	1,617	2,476
After 1 year but within 5 years	517	1,181	—	252
	<u>2,325</u>	<u>3,416</u>	<u>1,617</u>	<u>2,728</u>

15 Contingent Liabilities

(a) As at 31st December, 2004, 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, 2004: HK\$330,000) was utilised by a subsidiary as at 31st December, 2004.

(b) As at 31st December, 2004, 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\$378,000 (at 30th June, 2004: 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, 2004:

- (a) As at 31st December, 2004, there was a rental deposit of HK\$2,515,000 (at 30th June, 2004: 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, 2004.
- (b) Supporting service charges paid to an affiliated company of the Group at reimbursement costs amounted to HK\$173,000 (the corresponding period in 2003: HK\$301,000).
- (c) 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\$300,000 (the corresponding period in 2003: HK\$500,000).
- (d) Income from provision of data centre services to certain fellow subsidiaries and affiliated companies of the Group amounted to HK\$435,000 (the corresponding period in 2003: HK\$195,000).
- (e) Income from provision of Internet services to certain fellow subsidiaries and affiliated companies of the Group amounted to HK\$351,000 (the corresponding period in 2003: HK\$89,000).
- (f) Sale of goods to certain fellow subsidiaries and affiliated companies of the Group amounted to HK\$6,000 (the corresponding period in 2003: HK\$2,394,000).
- (g) Staff costs were reimbursed from an affiliated company of the Group in the amount of HK\$447,000 (the corresponding period in 2003: HK\$633,000), based on the costs incurred for sharing of administrative services.
- (h) Payment to certain fellow subsidiaries of the Group for leasing of properties amounted to HK\$366,000 (the corresponding period in 2003: HK\$294,000).

PROFIT & TURNOVER

The Group recorded turnover of HK\$42.0 million for the six months ended 31st December, 2004, compared with HK\$43.0 million for the six months ended 31st December, 2003. The Group's loss attributable to shareholders for the six months ended 31st December, 2004 was HK\$4.0 million, compared with a loss of HK\$11.1 million for 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, 2004.

BUSINESS REVIEW

The main focus of the Group during the quarter ended 31st December, 2004 was to further implement its strategies in the 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 quarter ended 31st December, 2004 included:

Internet Access Services:

In order to timely react to the aggressive selling from the double-or-triple-play operators in the market, aggressive acquisition with attractive offers and retention programs via telemarketing were launched during the period, with the following marketing and promotion activities:

- New service plan promotion for broadband service was launched with the support of online advertising, China Gas bill inserts reaching 1.5 million households, direct mailing to targeted non-Towngas coverage estates, POP program at Towngas Customer Centres and iCare Hotspots. Attractive tariff plans with or without premium gifts were introduced. A new value-added service, Fixed IP Address Service, was also launched to increase revenue per broadband customer.
- Aggressive retention offers with or without premium gifts were launched to encourage customer contracts renewal and to minimize churn.

International Direct Dialling-Services:

The number of registered iCare1608 IDD telephone lines reached 351,000 as of 31st December, 2004. Customer acquisition and retention were supported by the following marketing and promotion activities:

- Special tariff promotion for Asian countries and selected less-competitive destinations such as Macau, Spain, Belgium, and New Zealand was offered in acquisition and retention. The program was supported by China Gas bill inserts reaching 1.5 million households, online advertising, and POP program at Towngas Customer Centres and iCare Hotspots.
- On-going retention program by offering attractive tariff for Asian countries and China was promoted to inactive customers through direct marketing.

e-Commerce and Merchandising Services:

Due to the recovery of the retail market and the increasing popularity of iCare's chain shops (iCare Hotspots), coupon redemption program and the iCare shopping website (iCare.com.hk), iCare has achieved satisfactory results from the e-Commerce and Merchandising business during the period. Details of accomplishments are as follows:

- The coupon redemption program continued to demonstrate popularity and attracted strong purchases. Top sales products during the period included 3M polarizing lamp, Sony Wega Television set, Hyundai and JNC LCD television sets, Panasonic digital camera, Samsung video camera, Life Easy massage chair, Easy Health foot massager, Teed cross trainer, Steam King pressurized steam cleaner, Innotec ceramic heater, Steamfast clothes steamer, MP3 players of various brand names, etc.
- In order to increase the popularity of iCare's e-commerce channel (iCare.com.hk), the shopping website was revamped to enrich the content and to increase the ease of product search by the customers.
- The membership base of iCare's frequent shopper club, iCare Club, grew to over 38,000 by the end of December 2004. During the period, a HK\$30 cash coupon was sent to every iCare Club member for their purchases during the Christmas and New Year holiday period. The program attracted many member purchases which accounted for about 30% of Hotspot's sales during that period.

Subscribers and Revenue:

- The iCare Internet-on-TV Set-Top Box ("STB") subscribers, Internet Service Provider ("ISP") users, Internet Content provider ("ICP") users, IDD registered accounts and iCare Club members grew to a total of over 430,000 by the end of December 2004.
- Total revenue for the quarter ended 31st December, 2004 was HK\$19.2 million. In comparison, the total revenue for the quarter ended 31st December, 2003 was HK\$20.9 million.

Henderson Data Centre ("HDC")

HDC's major achievements during the quarter ended 31st December, 2004 included:

- The completion of Energy Saving Project enabled 20% saving on monthly electricity expense.
- Started to offer System Integration Service and first project was under implementation.
- Signed a reseller agreement with a teleconferencing service provider to offer voice and videoconference service.
- Started a feasibility study on Intelligent Home Service.
- Joined the partnership program of Microsoft as a registered member.
- Continued to focus on cost management and efficiency improvement.
- Total revenue for the quarter ended 31st December, 2004 was HK\$0.9 million. In comparison, the total revenue for the quarter ended 31st December, 2003 was HK\$0.6 million.

Future Home

Future Home's major achievements during the quarter ended 31st December, 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.
- Continued network design and server enhancement for one 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 quarter ended 31st December, 2004 was HK\$0.4 million. In comparison, the total revenue for the quarter ended 31st December, 2003 was HK\$0.5 million.

IT Investments

IT Investments reviewed a number of opportunities during the quarter ended 31st December, 2004 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, 2005 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 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 Hotspots, 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, 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 Unaudited Condensed Interim Financial Statements of Henderson Cyber Limited and their accompanying notes.

Liquidity, financial resources and capital structure

As at 31st December, 2004, shareholders' funds of the Group amounted to HK\$756 million, representing a slight decrease from the corresponding figure recorded as at 30th June, 2004, after accounting for HK\$4.0 million in loss attributable to shareholders that was incurred during the six-month period under review.

As at the end of December, 2004, current assets of the Group amounted to HK\$681.7 million which was mainly represented by HK\$625.5 million in cash holdings. The Group's other current assets recorded as at 31st December, 2004 mainly comprised HK\$3.6 million in inventories and HK\$52.7 million in accounts receivable, deposits and prepayments, showing a decrease of 11.1% and an increase of 226.4% respectively when compared to the levels recorded as at the end of June, 2004. The substantially higher level of accounts receivable, deposits and prepayments recorded as at 31st December, 2004 compared to that recorded as at 30th June, 2004 was mainly due to the redemption of certain investment-grade debt securities which matured before the end of December, 2004, with such cash balance temporarily placed with securities firm. Current liabilities of the Group decreased by 16.7% and amounted to HK\$10.1 million as at 31st December, 2004 as compared to the level recorded as at 30th June, 2004, mainly as a result of a 18.8% reduction in accounts payable and accrued expenses. The Group maintained a financially liquid position with net current assets recorded at HK\$671.6 million as at 31st December, 2004, showing a slight decrease of 0.1% as compared with that recorded as at 30th June, 2004. 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 31st December, 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 six-month period under review, debt securities were reduced by 78.3% and amounted to HK\$11.5 million as at 31st December, 2004 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 six-month period under review.

Segmental information

Business Turnover

For the six-month period ended 31st December, 2004, total turnover of the Group amounted to approximately HK\$42.0 million representing a decrease of 2.3% as compared to HK\$43.0 million that was recorded in the corresponding period of the previous financial year. Approximately HK\$40.0 million was generated from the Retailing segment operated through iCare and this showed a decrease of 2.4% over that recorded in the corresponding period of the previous financial year generated from the same segment. Turnover of the Business Services segment increased by 10.9% to around HK\$1.2 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 11.4% to HK\$0.8 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\$4.0 million, representing a 63.6% decrease as compared with the corresponding loss figure of HK\$11.1 million shown in the corresponding period of the previous financial year. The loss attributable to shareholders included a loss of HK\$4.0 million from operations, compared with HK\$11.6 million in loss from operations registered 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\$9.0 million for the six-month period under review, representing a decrease of 42.5% as compared to consolidated loss figure of HK\$15.7 million registered in the corresponding period of 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\$4.6 million, a loss of HK\$3.7 million, and a loss of HK\$0.8 million respectively during the six-month period under review. Direct costs and operating expenses of HK\$40.3 million were recorded in the six-month period under review and showed a decrease of 15.4% as compared to figure registered in the corresponding period of the previous financial year. Interest income from held-to-maturity securities and bank deposits showed an increase of 151.5% as compared to that registered in the corresponding period of the previous financial year and these were recorded at HK\$6.2 million during the six-month period under review. Selling, distribution and administrative costs were recorded at HK\$13.2 million in the six-month period under review, showing an increase of 0.7% compared to HK\$13.1 million registered in the corresponding period of the previous financial year.

Employees

The number of employees of the Group decreased to 105 as at 31st December, 2004 as compared to 111 recorded as at 30th June, 2004. The staff cost incurred in the current six-month period decreased by 19.6% to HK\$11.1 million as compared with HK\$13.8 million incurred in the corresponding period of 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 six-month period under review.

Future plans for material investments or capital assets

Capital commitments of the Group was recorded at HK\$0.39 million as at the end of the six-month period under review, representing a reduction of 54.1% 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\$0.3 million as at 31st December, 2004, compared to cash holdings of HK\$625.5 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. An equivalent of HK\$11.5 million in investment-grade debt securities and an equivalent of approximately HK\$595.5 million in bank deposits held by the Group as at 31st December, 2004 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 six-month period under review, contingent liabilities of the Group amounted to HK\$0.7 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 41.4% decrease to the figure 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.

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\$207.5 million had been used up to 30th June, 2004. During the period ended 31st December, 2004, further amount of HK\$1.0 million was used for iCare hardware, HK\$1.9 million was used for iCare software and HK\$0.8 million was used for iCare advertising. The amount unutilised as at 31st December, 2004 was HK\$682.8 million, represented by net bank balances and cash in hand of HK\$625.2 million, investment in debt securities of HK\$11.5 million and working capital of HK\$46.1 million.

DISCLOSURE OF INTERESTS

Directors' Interests in Shares

As at 31st December, 2004, 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 pursuant to the GEM Listing Rules were as follows:

Ordinary Shares (unless otherwise specified)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Cyber Limited	Lee Shau 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	2	55				55	0.00
Henderson Land Development Company Limited	Lee Shau Kee	3			1,122,938,300		1,122,938,300	61.88
	Lee Ka Kit	3				1,122,938,300	1,122,938,300	61.88
	Lee Ka Shing	3				1,122,938,300	1,122,938,300	61.88
	Woo Ka Biu, Jackson	4		2,000			2,000	0.00
	Chan Wing Kin, Alfred	5	32,000				32,000	0.00
Henderson Investment Limited	Lee Shau Kee	6	34,779,936		2,075,859,007		2,110,638,943	74.92
	Lee Ka Kit	6				2,075,859,007	2,075,859,007	73.68
	Lee Ka Shing	6				2,075,859,007	2,075,859,007	73.68
	Leung Yuk Kwong	7	310				310	0.00
Henderson China Holdings Limited	Lee Shau Kee	8			325,133,977		325,133,977	65.32
	Lee Ka Kit	8				325,133,977	325,133,977	65.32
	Lee Ka Shing	8				325,133,977	325,133,977	65.32
	Woo Ka Biu, Jackson	9	544,802				544,802	0.11

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To 31st December, 2004

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

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Development Limited	Lee Chau Kee	10			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Chau Kee	11			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Chau Kee	12	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	10				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	11				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	12				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	10				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	11				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	12				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
China Investment Group Limited	Woo Ka Biu, Jackson	13			16,000		16,000	5.33
Henfield Properties Limited	Lee Ka Kit	14			4,000	6,000	10,000	100.00
Heyfield Estate Limited	Lee Chau Kee	15			100		100	100.00
	Lee Ka Kit	15				100	100	100.00
	Lee Ka Shing	15				100	100	100.00

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

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Pettystar Investment Limited	Lee Shau Kee	16			3,240		3,240	80.00
	Lee Ka Kit	16				3,240	3,240	80.00
	Lee Ka Shing	16				3,240	3,240	80.00
Shellson International Limited	Lee Ka Kit	17			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

The following were the particulars of share options of the following Directors of 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, 2004	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed during the period	Number of share options outstanding at 31st December, 2004
Dr. Lee Shau 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	—

The following were the particulars of share options of four employees of the Company at the consideration of HK\$1.00 for each grant of options under the Option Plan:

Date of Grant	Aggregate number of share options at 1st July, 2004	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed during the period	Aggregate number of share options outstanding at 31st December, 2004
28/06/2000	1,850,000	—	—	1,850,000	—

The following were the particulars of outstanding share options of thirty nine other participants under the Option Plan:

Date of Grant	Aggregate number of share options at 1st July, 2004	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed during the period	Aggregate number of share options outstanding at 31st December, 2004
28/06/2000	13,650,000	—	—	13,650,000	—

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Subject to the terms and conditions of the Option Plan, each of the above Directors, employees and other participants had been 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. All share options granted to the aforesaid Directors, employees and other participants of the Company under the Option Plan lapsed on 14th July, 2004.

The following were particulars of share options of the employee of the Company under the Share Option Scheme of the Company (the "Share Option Scheme"):

Date of Grant	Aggregate number of share options at 1st July, 2004	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed during the period	Aggregate number of share options outstanding at 31st December, 2004
04/10/2000	100,000	—	—	100,000	—

Subject to the terms and conditions of the Share Option Scheme, the employee of the Company had been 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. Share options granted to the aforesaid employee of the Company under the Share Option Scheme lapsed on 30th September, 2004.

As at 31st December, 2004, there were no outstanding share options under the Option Plan and the Share Option Scheme.

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 period ended 31st December, 2004.

(ii) Options to subscribe for shares in associated corporation

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:

Name of Director	Number of share options	Exercisable Period
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 had been 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. The share options granted to Mr. Lam Ko Yin, Colin and Mr. Lee Ka Kit lapsed on 21st August, 2004 and 2nd November, 2004 respectively.

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, 2004, 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 (Note 1)	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 (Note 1)	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:

- Of these shares, Dr. Lee Shau Kee was the beneficial owner of 173,898 shares, and for the remaining 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 36.91% 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 Mr. Lam Ko Yin, Colin was the beneficial owner of these shares.
- 3 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 36.91% 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.
- 4 These shares were owned by the wife of Mr. Woo Ka Biu, Jackson.
- 5 Mr. Chan Wing Kin, Alfred was the beneficial owner of these shares.
- 6 Of these shares, Dr. Lee Shau Kee was the beneficial owner of 34,779,936 shares, and for the remaining 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 3 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.
- 7 Mr. Leung Yuk Kwong was the beneficial owner of these shares.
- 8 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 3 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.
- 9 Mr. Woo Ka Biu, Jackson was the beneficial owner of these shares.
- 10 These shares were held by Hopkins as trustee of the Unit Trust.
- 11 These shares were held by Hopkins as trustee of the Unit Trust.
- 12 Of these shares, Dr. Lee Shau Kee was the beneficial owner of 35,000,000 shares, and for the remaining 15,000,000 shares were owned by Fu Sang.

- 13 These shares were held by Pearl Assets Limited which was 60% owned by Mr. Woo Ka Bui, Jackson.
- 14 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 Andco Limited which was wholly-owned by HC.
- 15 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 Chau 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.
- 16 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.
- 17 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.

Save as disclosed above, there were no other persons with interests recorded in the register required to be kept under Section 336 of the SFO as at 31st December, 2004.

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.

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

During the six months ended 31st December, 2004, 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, Independent Non-executive Director, Professor Ko Ping Keung, Independent Non-executive Director and Mr. Woo Ka Bui, 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 Second Quarterly Report for the six months ended 31st December, 2004.

BOARD PRACTICES AND PROCEDURES AND CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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, 14th February, 2005

As at the date of this report, 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.



INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF HENDERSON CYBER LIMITED

Introduction

We have been instructed by the Company to review the condensed interim financial statements set out on pages 2 to 13.

Respective responsibilities of Directors and Auditors

The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of the condensed interim financial statements to be in compliance with the relevant provisions thereof and Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The condensed interim financial statements are the responsibility of, and have been approved by, the Directors.

It is our responsibility to form an independent conclusion, based on our review, on the condensed interim financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants, except that we have only reviewed the figures in respect of the three months ended 31st December, 2004 and of the six months ended 31st December, 2004, and did not review the comparatives for the three months ended 31st December, 2003 and for the six months ended 31st December, 2003.

A review consists principally of making enquiries of group management and applying analytical procedures to the condensed interim financial statements and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the condensed interim financial statements.

Review conclusion

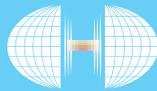
On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the condensed interim financial statements in respect of the amounts disclosed relating to the three months ended 31st December, 2004 and the six months ended 31st December, 2004.

Without qualifying our review conclusion in respect of the amounts disclosed relating to the three months ended 31st December, 2004 and the six months ended 31st December, 2004, as we have not reviewed the comparatives for the three months ended 31st December, 2003 and for the six months ended 31st December, 2003, we do not express a review conclusion on these figures.

KPMG

Certified Public Accountants

Hong Kong, 14th February, 2005



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