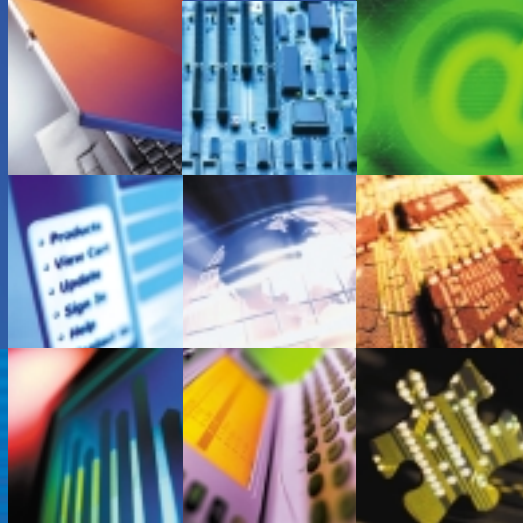




hendersoncyber



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)

* 僅供識別

ANNUAL REPORT 年報 **2001**

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CHARACTERISTICS OF GEM OF THE STOCK 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 Stock 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.

BOARD OF DIRECTORS

- * Dr. Lee Shau Kee, *D.B.A. (Hon.), D.S.Sc. (Hon.), LL.D. (Hon.)*
Chairman
 - * Chan Wing Kin, Alfred, *B. Sc. (Eng), M.Sc. (Eng), F.H.K.I.E.*
 - * Colin Lam Ko Yin, *B.Sc., A.C.I.B., M.B.I.M., F.C.I.T.*
 - * Lee Ka Kit
 - * Lee Ka Shing
 - * John Yip Ying Chee, *LL.B., F.C.I.S.*
 - * Douglas H. Moore, *LL.B.*
 - # Dr. Li Kwok Po, David,
G.B.S., M.A., Hon. LL.D. (Cantab), Hon. D.Soc.Sc., F.C.A., F.H.K.S.A., F.C.I.B., F.H.K.I.B., F.B.C.S., F.C.I.Arb., J.P.
 - # Professor Ko Ping Keung,
Ph.D., F.I.E.E.E., F.H.K.I.E., J.P.
 - # Professor Li Kwok Cheung, Arthur,
M.A., M.D., B.Chir. (Cantab), Hon.D.Sc. (Hull), Hon.D.Litt (HKUST), F.R.C.S. (Eng), F.R.C.S. (Ed), F.R.A.C.S., F.A.C.S. (Hon), F.P.C.S. (Hon), Hon. F.R.C.S. (Glasg), F.R.S.M. (Hon), Hon. F.R.C.S. (I).
- * *Executive Director*
Independent Non-Executive Director

COMPANY SECRETARY

John Yip Ying Chee, *LL.B., F.C.I.S.*

COMPLIANCE OFFICER

John Yip Ying Chee, *LL.B., F.C.I.S.*

QUALIFIED ACCOUNTANT

Wong Sau Yan, *M.B.A., F.C.C.A., F.H.K.S.A.*

AUDIT COMMITTEE

Dr. Li Kwok Po, David
Professor Ko Ping Keung

REGISTERED OFFICE

Scotia Centre, 4th Floor,
P.O. Box 2804,
George Town,
Grand Cayman,
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Facsimile : (852) 2908 8838
E-Mail : henderson@hld.com
Web-site : www.hendersoncyber.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
Butterfield House, Fort Street,
P.O. Box 705,
George Town, Grand Cayman,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Central Registration Hong Kong Limited
Shops 1712-1716,
17th Floor, Hopewell Centre,
183 Queen's Road East,
Hong Kong

AUTHORISED REPRESENTATIVES

Colin Lam Ko Yin
John Yip Ying Chee

SPONSOR

The Hongkong and Shanghai Banking
Corporation Limited

AUDITORS

KPMG

SOLICITORS

Cayman Islands Law:
Conyers Dill & Pearman, Cayman

Hong Kong Law:
Woo, Kwan, Lee & Lo

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
The Bank of East Asia, Limited



I am pleased to present to the Shareholders my report on the operations of the Group.

PROFIT & TURNOVER

The Group recorded turnover of HK\$28,306,000 for the year ended 30th June, 2001. The Group's net loss from operations attributable to shareholders for the year was HK\$84,257,000.

DIVIDENDS

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

BUSINESS REVIEW

The strategy of the Group during the financial year ended 30th June, 2001 was to establish, develop and launch its local wireless Fixed Telecommunications Network Services ("FTNS") business and to further develop its Internet services, data centre, high technology and network infrastructure businesses.

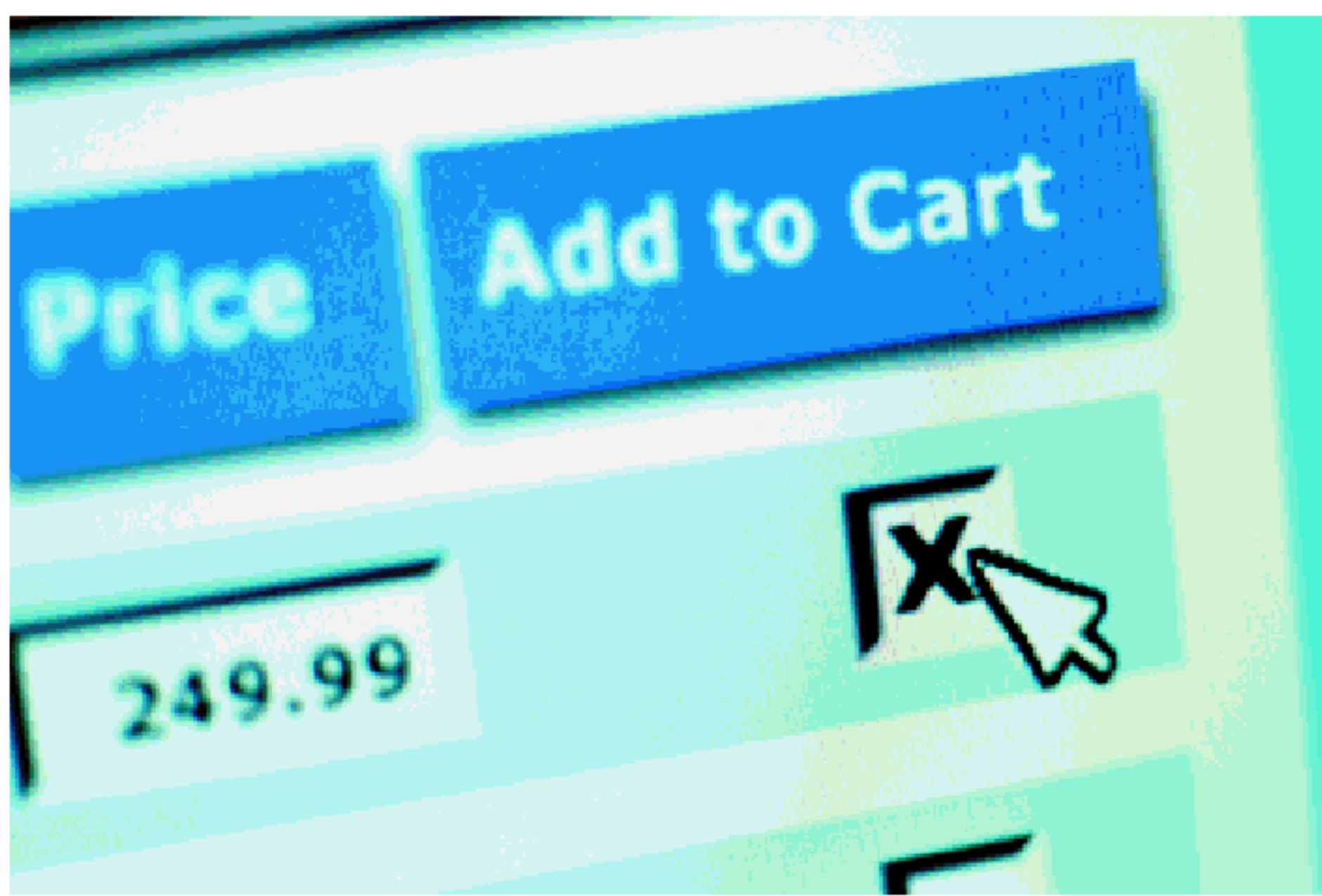
iCare

iCare's major achievements during the financial year ended 30th June, 2001 included:

- The *iCare* Internet-on-TV Set-Top Box (the "STB") subscribers, Internet Service Provider ("ISP") users and Internet Content Provider ("ICP") users continuously grew at a healthy pace to a total of over 145,000 as of 30th June, 2001. While STB growth has been below initial expectations, growth in total number of users has been most encouraging.
- Launching the 2-year free ISP service to Towngas customers in July 2000.
- Launching Hong Kong's first Internet-on-TV STB service and TV portal, and successfully created a talk-of-the-town effect and a high level of brand recognition for *iCare*.
- Launching the fee-based ISP service in January 2001 and marketing it by way of online and off-line advertising, premium gifts, road shows at high-traffic shopping areas and inbound cross selling at the Towngas Customer Service Hotline. The efforts have led to an encouraging result with the number of fee-based ISP service subscribers growing to over 15,000 as of 30th June, 2001.
- Evolving the "clicks and bricks" strategy including opening the *iCare* Hot Spot in December 2000, *iCare*'s first physical retail outlet and show-room.
- Launching Hong Kong's first e-brokering-on-TV service with TD Waterhouse in December 2000 and launching a further e-brokering-on-TV service with Tai Fook On-Line Services Limited in May 2001.
- Using festive events such as Chinese New Year, Valentine's Day, Woman's Day, Easter, Mother's Day and Father's Day to create special content and feature gift items with the aim to boost site traffic,

merchandise sales and membership. For example, a "Mother & Child Look Alike" contest was held which attracted over 6,000 participants. Merchandise was sold to the participants via the cross-selling features of the iCare portal.

- Launching photo album in partnership with Gipex.com in June 2001 offering 50MB photo album to store digital photos and share with friends. Customers can print the photos which are either mailed or collected at the iCare Hot Spot retail outlet. In addition to the revenue for the e-shop, digital photo albums increase stickiness to the portal.



- Featuring daily special products on the homepage of the iCare portal has been instrumental in generating healthy growth in e-shopping revenue. Ongoing efforts are being made to further increase the number and variety of these products.
- Consolidating iCare's 10M IP trunk into iHenderson to utilise the strength and synergy within the Group. By sharing a common pool of IP bandwidth infrastructure, an estimated savings of more than HK\$1.5 million per annum can be achieved.
- Completing development of the content management system to perform regular updates to the iCare portal. This system is expected to save over 65% workload throughout the deployment cycle.



- Total revenue for the financial year ended 30th June, 2001 was HK\$22.9 million, an increase of 141 times over the previous year. Shopping revenue increased by 81 times over the previous year. The number of shopping orders was over 46,716 for the year.

Henderson Data Centre ("HDC")

HDC's major achievements during the financial year ended 30th June, 2001 included:

- Opening of the data centre at Well Tech Centre ("Well Tech") in San Po Kong in September 2000.
- Marketing campaign to increase the occupancy of Well Tech including:
 - joint seminar with Roctec, RSA and Cisco on e-Security for e-Business.
 - server rental promotions with Dell and Sun Microsystems and joint marketing and trade-in campaign with Sun Microsystems and Compaq.
 - speaker on "How to select ISP and other infrastructure provider?" at The Hong Kong General Chamber of Commerce seminar targeted at Small and Medium-sized Enterprises ("SME's") in April 2001.

- Enhancing value-added services including:
 - Security services such as custom firewall, RSA 2-factor authentication and web camera monitoring.
 - Performance services such as proactive server and network monitoring with escalation and pager alert.
 - Access services such as remote secured access.
 - Server back-up services.
 - Text-to-voice services offering to allow customer to retrieve mail message over ordinary phone set anywhere.
 - Ready to deploy services such as groupware, web cam and video server. The groupware, iOffice, is a web-enabled intranet/extranet tool suitable for majority of SME's to improve communications and productivity.
 - Systems Integration services to target customer's IPLC bundled service.
- Continuing to focus on cost saving including:
 - Securing low cost bandwidth.
 - Optimisation of operation to minimise headcount.
 - Achievement of synergies with various members of the Group to maximize utilisation of resources.
- Completing study regarding building of further data centres. Concluded that construction of further data centres at Big Star Centre and Wealth Centre to be postponed. Further study regarding building mini data centres in strategic commercial buildings.
- Total revenue for the financial year ended 30th June, 2001 was HK\$0.9 million.



Eastar

Eastar's major achievements during the financial year ended 30th June, 2001 included:

- As a term of its licence issued by the Office of Telecommunications Authority of Hong Kong ("OFTA") to build and operate a local wireless Fixed Telecommunications Network Services ("FTNS") network, Eastar was required by 16th February, 2001 to deploy 6 network hubsites serving 67 buildings with an aggregate capital expenditure of at least HK\$50 million.
- Eastar met the commitments to OFTA and received a completion certificate from OFTA which released HK\$21 million in performance bond with the remaining outstanding performance bond in the amount of HK\$19 million.
- On 15th March, 2001, Eastar launched its initial services to the commercial sector of Hong Kong including:
 - Supreme-Biz Plan dedicated leased line
 - Diamond-Biz Plan dedicated leased line
 - Golden-Biz Plan 1.5mb/s down and 512kb/s up broadband internet access service

- 56K Dial-up Biz-Plan
 - Co-location Services
 - 1 more hub and 21 more buildings have been completed in addition to the February 2001 OFTA commitment. Eastar's network coverage totals 7 hubs and 88 buildings. The network rollout for year 2 commitment totals 16 hubs and 145 buildings.
 - Continuing to further enhance e-business solutions to other new services like web hosting, web page design, system integration and PC networking.
 - Targeting a wide spectrum of customer segments including telecom, manufacturing, property management, e-commerce, system integrators, printing and publication and computer hardware.
 - Building a distribution network including system integrators and wholesales partners.
 - In co-operation with Eastar's partner Alphanet, blockwiring buildings to provide additional revenue.
 - Evaluating new technologies and suppliers in order to enhance Eastar's broadband network with more advanced technology at the lowest cost. Nortel's announcements regarding its commitment to LMDS based technology has necessitated further review in this regard.
 - Total revenue for the financial year ended 30th June, 2001 was HK\$0.5 million.
- Future Home**
- Future Home's major achievements during the financial year ended 30th June, 2001 included:
- Completing the installation of broadband network infrastructure at the following residential projects of Henderson Group:
 - Casa Marina II
 - King's Park Rise
 - 2 Bowen Road
 - 117 Caine Road
 - Finalising the design of high technology features and network infrastructure at the residential projects of Henderson Group located at:
 - Service Apartments at 2-20A Minden Avenue
 - 124-130 Tai Po Road
 - Yuen Long Town Lot 500
 - Continuing the design of high technology features and network infrastructure at the residential projects of Henderson Group located at:
 - Tai Po Town Lot 161, Sam Mun Tsai Road, Tai Po
 - 50 Castle Peak Road, Yuen Long
 - Finalising the development of and commencing a comprehensive stress and volume test of a Customer Relationship Management System for property management portal and a Smart Card System and Car Park Management System for Henderson Group residential and commercial buildings.
 - Completed the design and commenced the implementation of IT infrastructure consolidation and upgrade for Well Born Real Estate Management Limited.
 - Total revenue for the financial year ended 30th June, 2001 was HK\$5.4 million.

IT Investments

IT Investments's major achievements during the financial year ended 30th June, 2001 included:

- Purchasing an 11.96% interest in Googol Technology (HK) Limited ("Googol") for a cash consideration of HK\$6 million in October 2000. The businesses of Googol are mainly the designing, developing, manufacturing and sale of innovative motion control and information technology related products and providing related consulting services in automation and motion control.
- Receiving a dividend in the amount of HK\$0.14 million from Roctec Technology Limited.
- Reviewing a number of opportunities which arose during the year ended 30th June, 2001 and deciding not to proceed with such investment.

**INITIAL PUBLIC OFFERING**

On 14th July, 2000, the Company raised net proceeds of approximately HK\$894 million through the initial public offering of 15% of the Shares of the Company in the Growth Enterprise Market of the Stock Exchange of Hong Kong. The use of the proceeds is described in the section headed "Use of Proceeds of IPO".

PROSPECTS

The financial year ended 30th June, 2001 marked the implementation of most businesses and refinement of initial plans as is required by the dynamic and fast changing Internet, telecommunication and high technology industries. The Group must be flexible and versatile in order to respond to such changes.

The Group seeks to integrate its existing businesses and wherever possible, to offer "one-stop shopping" and move up the value chain by bundling services together to create higher value-added tailored products and services for the customers.

The Group is exploring a range of partnerships and alliances with leading technology companies to accelerate access to technologies and further enhance the relationship with the large customer bases of Henderson Group and Towngas.

The Group, while focused on implementing its strategies in Hong Kong, is also looking for opportunities in other areas of Greater China. The Group will utilize the expertise and connections of Towngas and Henderson Group to accelerate entry to other markets.

iCare

iCare aims to capitalize on first mover advantage gained by launching the STB in August 2000. iCare has accelerated the depreciation of the STB in recognition of the rapid rate of further development of technologies. The large customer base of Towngas facilitates access to the untapped market of non-PC users in Hong Kong.

Having launched its ISP in June 2000 and fee-based ISP in January 2001, iCare aims to become the portal of choice for PC users.

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 the ISP.

It is anticipated that iCare is well positioned to succeed in establishing itself as the "ultimate family Internet experience".



HDC

HDC will continue to actively market its first data centre in Well Tech Centre to the customer base of Henderson Group and beyond. It will further build-up its technical team and introduce further value-added services.

Eastar

Having achieved the critical first step of meeting its commitments to OFTA regarding the deployment of its network and commencement of its operation, Eastar will now focus on the marketing of its services. The large building profile and customer base of Henderson Group is a key advantage in Eastar's deployment strategy.

Eastar will constantly monitor the fast-changing market conditions and developments in technology and network deployment which are a fact of life for a technology and telecommunications operator. Eastar will make any necessary adjustments quickly and having regard to

cost-effectiveness and revenue-generation capability.

Future Home

Future Home will continue to provide high technology features and network infrastructure systems for new property development projects of the Henderson Group.

Future Home will focus on the development, installation and promotion of the Property Management System, Customer Relationship Management System, Smart Card System and Car Park Systems for Henderson Group developments and is exploring the opportunities to provide these systems to other customers.

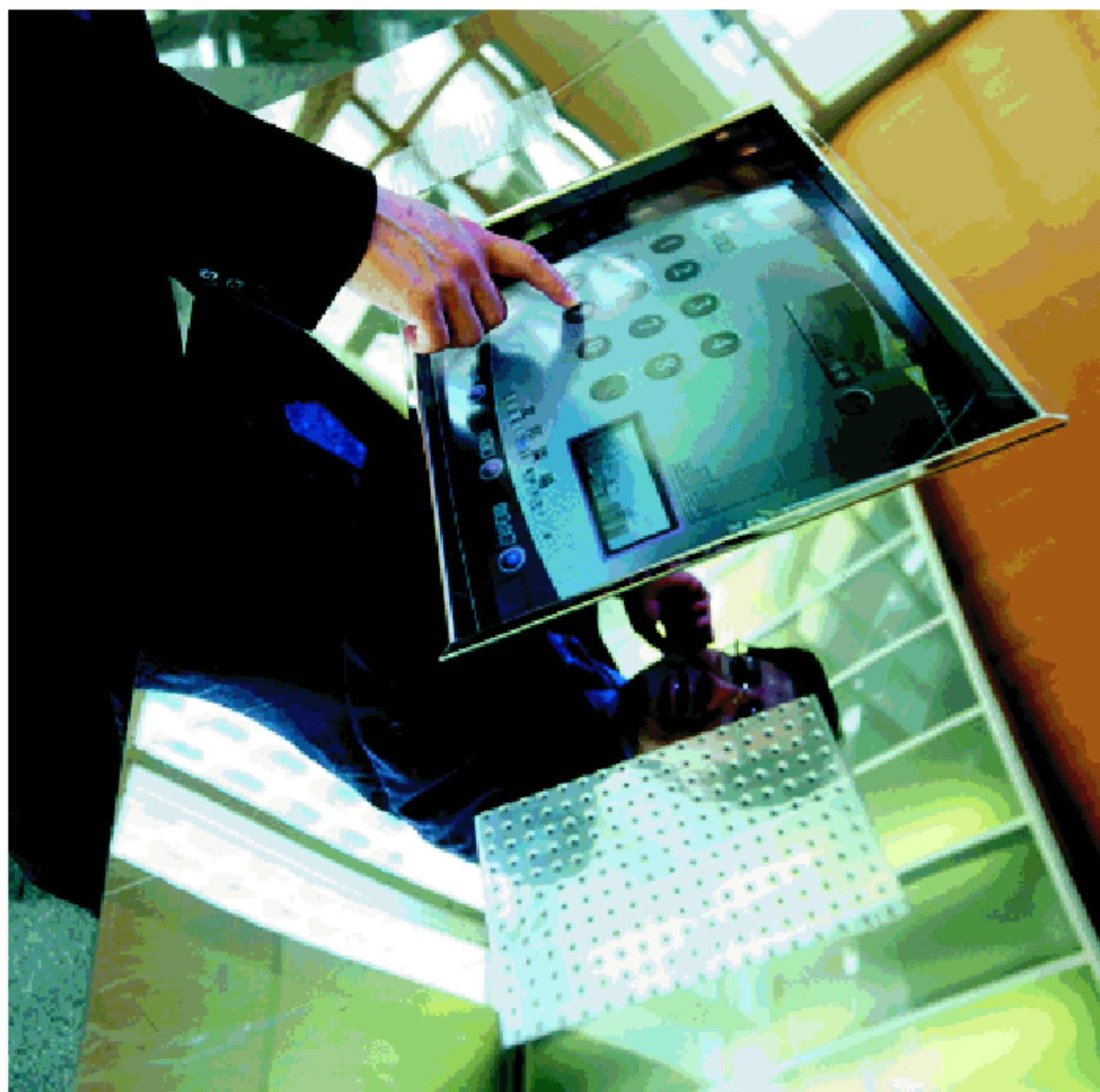
IT Investments

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.

Lee Shau Kee

Chairman

Hong Kong, 18th September, 2001



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

RESULTS OF OPERATIONS

Financial review of financial year 2001

As the financial year ended 30th June, 2001 represented the early phase of the launch of the Group's services, total turnover of the Group amounted to approximately HK\$28.3 million. Of the total turnover amount, HK\$13.3 million or 47% was accounted for by revenue generated from Internet access services; HK\$7.3 million or 26% from the sale of goods and HK\$5.5 million or 19% was represented by project consultancy service income. During the financial year under review, other revenue of the Group in the amount of HK\$45.4 million comprised mainly interest income from bank deposits. Loss from ordinary activities before taxation amounted to HK\$86.1 million in the year under review after accounting for HK\$110.6 million in direct costs and operating expenses and HK\$49.2 million in selling, distribution and administrative costs.

As at 30th June, 2001, fixed assets of the Group amounted to HK\$178.8 million, representing a three-fold increase over that recorded as at the end of the previous financial year. Major items of the fixed assets included HK\$120.7 million in respect of data centre and network equipment and facilities and HK\$44.1 million in properties owned by the Group. Other non-current assets of the Group was represented mainly by equity interests held in four companies in the Internet, data system and telecommunication technology related field and these investments amounted to approximately HK\$61.1 million in aggregate as at the end of the financial year under review.

Financial resources and liquidity

As at 30th June, 2001, shareholders' funds of the Group amounted to HK\$933.6 million comprising share capital of HK\$500.0 million and reserves of HK\$433.6 million, representing an eight-fold increase over the shareholders' funds recorded as at the end of the previous financial year. This was attributed to the successful initial public offering and listing of the Company's shares on the GEM of The Stock Exchange of Hong Kong Limited on 14th July, 2000 which resulted in the raising of net proceeds of approximately HK\$894.0 million. As at 30th June, 2001, current assets of the Group amounted to HK\$759.8 million of which HK\$735.2 million were represented by deposits with banks and cash in hand. Other items of the Group's current assets included HK\$15.2 million in inventories and HK\$9.5 million recorded in respect of accounts receivable,

deposits and prepayments. Current liabilities of the Group amounted to HK\$63.8 million as at end of the current financial year and were mainly made up of accounts payable and accrued expenses aggregating to HK\$55.9 million as well as unsecured bank overdraft of approximately HK\$1.8 million. With net current assets of HK\$696.0 million, the Group was in a financially liquid position as at the end of the financial year under review.

It is envisaged that the resources in hand is adequate to meet the financial needs of the Group such that reliance on external resources will not be significant.

The following is a comparison of the Group's business objectives as set out in the Company's Prospectus dated 4th July, 2000 to the actual business progress up to 31st December, 2000:

Business Objectives

Actual Business Progress

iCare

- | | |
|---|---|
| <ul style="list-style-type: none"> • Capitalising on its expected "first mover" advantage in Hong Kong by further developing the STB technology in association with Microsoft and establishing the STB technology and launching the STB in August 2000 with a major marketing campaign aimed at Towngas customers. | <ul style="list-style-type: none"> • Launched the iCare TV STB together with the TV portal on 23rd August, 2000. Over 300 guests and 100 media attended the grand launch ceremony. To promote the STB, iCare undertook 29 exhibitions at shopping centres and housing estates in various districts as well as carried out demonstrations at 42 primary and secondary schools. iCare's marketing efforts also included TV commercials, newspaper and magazine advertisements, demonstrations at Towngas Customer Service Centres, sales teams making calls in various housing estates, Towngas bill inserts, school promotion programmes and iCare Club meetings. |
| <ul style="list-style-type: none"> • Using the free ISP model and the additional services offered by iCare to become one of the leading ISPs in Hong Kong. | <ul style="list-style-type: none"> • iCare continued to work with Microsoft and Legend to further develop the STB. In mid-December 2000, an enhanced version of the iCare Box was unveiled that features an improved keyboard, bilingual functions, enhanced remote control input method, and supports more printer facilities. • The iCare TV STB subscribers, ISP users and Internet Content Provider ("ICP") users grew at an overall satisfactory rate to a total of over 80,000 by 31st December, 2000. The iCare portal has become a very popular website in Hong Kong, attracting an average of approximately 55,000 visits per day. |

- Exploiting a target market of Internet users that has previously been untapped and establishing the iCare portal and e-shopping provider of choice by tailoring iCare's services to the requirements of its target customers.
- To retain iCare's website audience and to attract new users, a number of channels have been restructured, such as the Health Watch and @Home channels. A new PC homepage was also launched in mid-November, which not only gives a fresher look to iCare's website, but also makes the website much more informative. English channels were added, and many relevant topics were introduced.
- On 22nd November, 2000, iCare formed an exclusive co-branded shopping site with Microsoft Network ("MSN") Hong Kong. The purpose of this strategic partnership is to further supplement iCare's existing customer base, which mainly comprises adults, with MSN's local customer base of more than 500,000 younger Hotmail users. Together the iCare-MSN Shop introduced "e-Bargain", the first of its kind e-shopping experience, to bring more fun and local flavour to iCare's e-shoppers.
- To introduce iCare's unique and exclusive items (some carrying iCare's private label), the first iCare retail outlet, the iCare Hot Spot, was opened on 13th December, 2000 to provide a "touch and feel" experience on iCare products.
- iCare expected to offer over 1,000 items supplied by more than 20 business partners, with the delivery fleet expanding to 10 vans, by 31st December, 2000.
- As at 31st December, 2000, there were over 2,000 items in iCare's cyber mall and 8 vans in the delivery fleet.
- The total number of full-time staff supporting iCare (including those Towngas employees engaged pursuant to the Supporting Service Arrangements) is expected to reach approximately 100 by 31st December, 2000.
- As at 31st December, 2000, the number of full-time staff supporting iCare was approximately 100.

HDC

- Complete retrofitting and undertake the soft launch of operations of the three floors of the first data centre at the Well Tech Centre (“Well Tech”), San Po Kong, in the second half of 2000, with the official launch being undertaken before the end of such period. The aggregate capital cost of retrofitting Well Tech is expected to be approximately HK\$60 million.
- Undertake a comprehensive marketing programme to attract new customers to the first data centre including promotions and advertisements in newspapers.
- Invite, close the tender invitation and award retrofitting contract of the second data centre at the Big Star Centre, Kowloon Bay.
- It is expected that the foundation work will be completed and construction will commence at the third data centre, the Wealth Centre in Kwun Tong.
- The first data centre at Well Tech in San Po Kong was opened on 1st September, 2000. The aggregate capital cost was approximately HK\$43 million.
- Achieved satisfactory level of commitments regarding occupancy of the data centre at Well Tech. As the marketing campaign developed momentum and additional value-added services became available, the increase in business in December 2000 was most gratifying.
- Invited tender for the main contract of the second data centre at the Big Star Centre, Kowloon Bay on 21st December, 2000.
- The foundation work of the third data centre at the Wealth Centre, Kwun Tong was completed and pile cap works were in progress as at 31st December, 2000.

Eastar

- Set up sales and marketing offices and customer service centre at the Company’s head office and central equipment centre in San Po Kong.
- Complete the design and testing of the system in association with Nortel and Datacraft by 31st December, 2000 to prepare for the roll-out of the broadband network and services.
- Eastar focused on building the Engineering and IT teams which are essential to the deployment of its network. Eastar also commenced the building of the Marketing & Sales teams.
- Under Network Provision Agreements entered into with each of Datacraft (Cisco Internet Platform) and Nortel Networks (LMDS network equipment and services), shipments of equipment were received by year end.

Future Home

- Designing and developing new application software, integrated systems and high technology services for residential and commercial developments, in order to provide a better environment and “intelligent communities” for their occupants and to meet the increasingly sophisticated technological requirements of the market.
- Self-developed and implemented a Wireless Application Protocol (“WAP”) application for booking of clubhouse facilities and memo browsing for the Casa Marina I residential project of the Henderson Group.
- Developing a Customer Relationship Management System for property management portal and a Smart Card System and Car Park System for Henderson Group residential and commercial buildings.
- Future Home will seek design contracts from the Henderson Group to upgrade progressively the broadband network infrastructure of some properties developed, owned or managed by the Henderson Group.
- Installed a broadband network infrastructure at the Casa Marina II residential project of the Henderson Group.
- Nearly completed installation of broadband network infrastructure at the King’s Park Rise residential project of the Henderson Group.
- Commenced the design of high technology features and network infrastructure at the residential projects of the Henderson Group located at:
 - Tai Po Town Lot 161,
Sam Mun Tsai Road, Tai Po
 - Yuen Long Town Lot 500,
Tai Tong Road
 - Service Apartments at
2-20A Minden Avenue
 - 50 Castle Peak Road, Yuen Long
 - 28 Ma Tau Kok Road

Period from 1st January, 2001 to 30th June, 2001:

Business Objectives

Actual Business Progress

iCare

- | | |
|--|---|
| <ul style="list-style-type: none"> • Marketing of the iCare service extended to the general public in addition to Towngas customers. • The enhanced version of the STB will be available with new features such as interactive television, smart cards and video conferencing. Marketing of the enhanced version of the STB will involve a new television advertising campaign with print advertising as well to create a second wave of interest. • The content of the iCare portal is also expected to commence migrating towards a more audio-oriented format of presentation with fewer words to read and celebrities providing voiceovers. • iCare portal is expected to offer over 2,000 items by the end of this period. • In order to handle the expected increase in Internet shopping over this period, the delivery fleet size is expected to increase to approximately 15 vans. | <ul style="list-style-type: none"> • iCare service was extended to the general public for both STB and Pay ISP service from the time of the launch of such service. • No further enhancements during period. • iCare portal is regarded as informative and entertaining by customers, with unique articles from celebrities and other e-trading and e-shopping functions. • As at 30th June, 2001, there were around 3,000 items offered in iCare portal. • As at 30th June, 2001, the delivery fleet size has increased to 10 vans. |
|--|---|

HDC

- | | |
|---|---|
| <ul style="list-style-type: none"> • Complete retrofitting and start operation of the second data centre at the Big Star Centre, Kowloon Bay. • Undertake a comprehensive marketing programme to attract new customers to the second data centre including promotions and advertisements in newspapers. | <ul style="list-style-type: none"> • Second data centre has not been built due to reduced market demand. • Not applicable as second data centre has not been built. |
|---|---|

- Complete the rental of the majority of the racks at the first data centre at the Well Tech Centre, San Po Kong.
- Prepare a business plan to evaluate the opportunities for expansion of the HDC service in Hong Kong and Asia.
- HDC achieved occupancy of less than 50% of the racks at the Well Tech Centre, San Po Kong.
- HDC is pursuing data centre business linkage in China.

Eastar

- Continue to expand the local wireless FTNS network to other districts of Hong Kong with the objective of having installed at least five new LMDS hub sites by the end of the period.
- A trained sales and marketing force formed by the beginning of this period and will commence wide ranging marketing activities.
- Eastar will continue to develop and launch new value added services to the existing services by tracking market and technological changes, listening to customer feedback and monitoring the activities of the competition.
- In order to differentiate itself from those service providers who aim to lead solely on cost, Eastar expects to continue to invest in people and make capital expenditures to strengthen its market position as a service provider that delivers a quality service and a high level of customer care.
- Total capital expenditure for this period is expected to be more than HK\$80 million.
- Local wireless FTNS network has been expanded to cover 7 districts and installation at 7 LMDS hub sites have been completed.
- A marketing team with 8 sales staff has been established, and advertisements in several magazines and newspapers have been arranged.
- Eastar has been constantly monitoring the changing market and technology advancement.
- Eastar has started the evaluation of new technologies and suppliers in order to enhance broadband network with more advanced technology at the most cost effective manner to meet market needs.
- Total capital expenditure incurred up to the end of this period is approximately HK\$67 million.

Future Home

- Future Home intends to explore business opportunities with developers, property owners and estate managers and owners' corporations concerning the upgrading of existing IT infrastructure or the laying of fibre optic or Cat-5 cabling necessary for broadband Internet or Intranet connectivity.
- Completion of installation of broadband network infrastructure at King's Park Rise, 2 Bowen Road and 117 Caine Road.
- Finalized the design of high technology features and network infrastructure at the residential projects located at:
 - Service Apartments at 2-20A Minden Avenue
 - 124-130 Tai Po Road
 - Yuen Long Town Lot 500
- Continued the design of high technology features and network infrastructure at the residential projects located at:
 - Tai Po Town Lot 161, Sam Mun Tsai Road, Tai Po
 - 50 Castle Peak Road, Yuen Long
- Completed the design and commenced the implementation of IT infrastructure consolidation and upgrade for Well Born Real Estate Management Limited.
- Efforts in this regard are ongoing.
- Services will be extended to customers outside the Henderson Group, including property developers, property owners, estate managers and owners' corporations.

USE OF PROCEEDS OF IPO

On 14th July, 2000, the Company raised net proceeds of approximately HK\$894 million through the initial public offering of 15% of the Shares of the Company in the Growth Enterprise Market of the Stock Exchange of Hong Kong which have been used during the year ended 30th June, 2001 as follows. While the Company has achieved most of its key business objectives during the year ended 30th June, 2001, it has sought to do so cautiously while maintaining a healthy cash reserve of HK\$733 million as at 30th June, 2001.

	Actual (HK\$ millions)	Actual (HK\$ millions)	Comments
Total net proceeds from IPO		894	
Less: Actual use for the year from 1st July, 2000 to 30th June, 2001			
iCare			
Hardware	36		STB deployment has been below expectations resulting in the purchase of fewer STB's.
Software	6		Same comment.
Advertising	20		
HDC	40		The amount of HK\$110 million was projected to be used during the year to 30th June, 2001. The first data centre at Well Tech was completed at lower cost than projected and the second data centre has been postponed.
Eastar			
Telecom network and distribution equipment	36		Additional HK\$32 million subject to further technical review. Network deployed conservatively to benefit from technical advances.
Future Home	1		Capital not required.
IT Investments	6		Cautious approach.
Working Capital	16	<u>161</u>	
Cash at Bank		<u><u>733</u></u>	Cash has been maintained as a result of prudent adjustments to business plan.

The Directors have pleasure in submitting to shareholders their annual report together with the audited accounts for the year ended 30th June, 2001.

GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 10th January, 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands. After the companies comprising

the Group underwent a reorganisation on 28th June, 2000 to rationalise the Group's structure in preparation for the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Growth Enterprise Market"), the Company became the holding company of the Group. The Company's shares were listed on the Growth Enterprise Market on 14th July, 2000.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of its subsidiaries are internet services, data centre services, local wireless fixed telecommunications network services, intelligent building services and IT investments. The turnover and operating loss of the principal activities of the Group are set out below:-

	Turnover			Operating Loss		
	Consolidated	Proforma*		Consolidated	Proforma*	
	Year ended 30th June 2001 HK\$'000	Period from 10th January to 30th June 2000 HK\$'000	Year ended 30th June 2000 HK\$'000	Year ended 30th June 2001 HK\$'000	Period from 10th January to 30th June 2000 HK\$'000	Year ended 30th June 2000 HK\$'000
Principal activities						
Internet services	22,419	85	85	83,216	10,956	13,944
Data centre services	315	—	—	21,683	415	798
Local wireless fixed telecommunications network services	39	—	—	23,565	376	2,354
Intelligent building services and IT investments	5,533	39	5,415	761	154	386
	<u>28,306</u>	<u>124</u>	<u>5,500</u>	<u>129,225</u>	<u>11,901</u>	<u>17,482</u>
Other Group income net of other expenses				(43,152)	300	300
				<u>86,073</u>	<u>12,201</u>	<u>17,782</u>

* The Group's proforma combined turnover and operating loss for the year ended 30th June, 2000 are presented on the basis set out in note 1 of the Additional Financial Information on pages 67 and 68.

No geographical analysis of the Group's turnover and loss before taxation is presented as less than 10 per cent. of the Group's turnover and less than 10 per cent. of the Group's loss before taxation are attributable to activities outside Hong Kong.

SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 30th June, 2001 are set out on page 65.

RESULTS

Details of the Group's results for the year ended 30th June, 2001 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 39 to 66.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 30th June, 2001.

FIXED ASSETS

Particulars of the movements in fixed assets during the year are set out in note 11 to the accounts on pages 56 and 57.

BANK OVERDRAFT

The Group's bank overdraft as at 30th June, 2001 was unsecured and repayable on demand.

INTEREST CAPITALISED

No interest was capitalised by the Group for the year ended 30th June, 2001.

RESERVES

Particulars of the movements in the reserves of the Group and the Company for the year ended 30th June, 2001 are set out in note 19 on the accounts on pages 60 and 61.

SHARE CAPITAL AND SHARE OPTIONS

Details of the share capital and share options of the Company are set out in note 18 to the accounts on pages 58 and 59.

GROUP FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the year ended 30th June, 2001 and the proforma combined results of the Group for the previous three years is set out on page 69.

DIRECTORS' REMUNERATION

Particulars of the Directors' remuneration disclosed pursuant to Sections 161 of the Hong Kong Companies Ordinance and Rule 18.28 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited are set out in note 6 to the accounts on page 54.

DIRECTORS

The Directors of the Company during the financial year and up to the date of this report were:-

Executive Directors:-

Lee Chau Kee (*Chairman*)

Chan Wing Kin, Alfred

Lam Ko Yin, Colin

Lee Ka Kit

Lee Ka Shing

Yip Ying Chee, John

Douglas H. Moore
(*appointed on 25th May, 2001*)

Independent Non-executive Directors:-

Dr. Li Kwok Po, David

Professor Ko Ping Keung

Professor Li Kwok Cheung, Arthur
(*appointed on 15th September, 2000*)

The Independent Non-Executive Directors have been appointed for a term expiring on 31st December, 2001.

Mr. Douglas H. Moore and Professor Li Kwok Cheung, Arthur retire in accordance with Article 86(3) of the Company's Articles of Association at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Messrs. Chan Wing Kin, Alfred and Lam Ko Yin, Colin retire by rotation at the forthcoming annual general meeting in accordance with Article 87(1) of the Company's Articles of Association and, being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Dr. LEE Shau Kee, *D.B.A.(Hon.), D.S.Sc.(Hon.), LL.D.(Hon.)*, aged 73, father of Mr. Lee Ka Kit and Mr. Lee Ka Shing. Dr. Lee has been the Chairman of Henderson Land Development Company Limited since 1976 and the Chairman of Henderson Investment Limited since 1975. He was appointed a Director of the Company in April 2000. He is also the Chairman of The Hong Kong and China Gas Company Limited and Miramar Hotel and Investment Company, Limited, the Vice Chairman of Sun Hung Kai Properties Limited as well as a director of Hong Kong Ferry (Holdings) Company Limited and The Bank of East Asia, Limited.

CHAN Wing Kin, Alfred, *B.Sc.(Eng), M.Sc.(Eng), F.H.K.I.E.*, aged 50. Mr. Chan joined The Hong Kong and China Gas Company Limited ("Towngas") in 1992 as General Manager - Marketing and was appointed as General Manager - Marketing & Customer Service in 1995. He was appointed to the Board of Directors of Towngas in January 1997 and as Managing Director in May 1997. He is also a director of Towngas Investment Company Limited and Technology Capitalization Limited. He was appointed a Director of the Company in January 2000. He holds a B.Sc. (Eng) degree and a M.Sc. (Eng) degree from the University of Hong Kong. Mr. Chan has more than 26 years of experience in marketing, business development, manufacturing, engineering and administration.

LAM Ko Yin, Colin, *B.Sc., A.C.I.B., M.B.I.M., F.C.I.T.*, aged 50. Mr. Lam joined Henderson Land Development Company Limited in 1982 and has been an Executive Director since 1985 and Vice Chairman since 1993. He has also been an Executive Director of Henderson Investment Limited since 1988 and Vice Chairman since 1993. He was appointed a Director of the Company in April 2000 and has been involved in the business of the Group since 1998. He holds a B.Sc. (Honours) degree from the University of Hong Kong and has over 28 years' experience in banking and property development. He is also the Chairman of Hong Kong Ferry (Holdings) Company Limited and a director of The Hong Kong and China Gas Company Limited, Miramar Hotel and Investment Company, Limited, Felix Technology Limited and Best Selection Investments Limited.

LEE Ka Kit, aged 38, National Committee Member of the Political Consultative Conference, PRC., son of Dr. Lee Shau Kee and brother of Mr. Lee Ka Shing. Mr. Lee

has been an Executive Director of Henderson Land Development Company Limited since 1985 and Vice Chairman since 1993. He has also been an Executive Director and Vice Chairman of Henderson Investment Limited since 1993. He was appointed a Director of the Company in April 2000. Educated in the United Kingdom, Mr. Lee is also the Chairman and President of Henderson China Holdings Limited as well as a director of The Hong Kong and China Gas Company Limited.

LEE Ka Shing, aged 30, son of Dr. Lee Shau Kee and brother of Mr. Lee Ka Kit. Mr. Lee has been an Executive Director of Henderson Land Development Company Limited and Henderson Investment Limited since 1993. He was educated in Canada. He is also a director of The Hong Kong and China Gas Company Limited, Felix Technology Limited and Best Selection Investments Limited. He was appointed a Director of the Company in April 2000.

YIP Ying Chee, John, LL.B., F.C.I.S., aged 52. Mr. Yip joined Henderson Land Development Company Limited as Group Company Secretary in 1996 and has been an Executive Director of Henderson Land Development Company Limited since 1997. He was appointed a Director of the Company in April 2000 and has been involved in the business of the Group since early 1998. He graduated from the University of Hong Kong and the London School of Economics and is a solicitor and a certified public accountant. He has over 20 years' experience in corporate finance, and corporate and investment management.

Douglas H. MOORE, LL.B., aged 43, Chief Executive Officer of the Company. He was appointed a Director of the Company in May 2001. Prior to joining the Company in April 2000, Mr. Moore was a director of Credit Suisse Investment Advisory (Hong

Kong) Limited, a subsidiary of Credit Suisse Group-Zurich where he worked for six years as head of the Hong Kong market. Mr. Moore is a director of First E-Com.com, Inc. which provides electronic processing solutions for financial institutions and merchants worldwide. He practised international taxation law for 10 years before joining Credit Suisse and has extensive experience in finance, management, high technology and strategic planning.

Independent Non-Executive Directors

Dr. LI Kwok Po, David, G.B.S., M.A., Hon. LL.D. (Cantab), Hon. D.Soc.Sc., F.C.A., F.H.K.S.A., F.C.I.B., F.H.K.I.B., F.B.C.S., F.C.I.Arb., J.P., aged 62. Dr. Li was appointed to the Board of Directors of The Hong Kong and China Gas Company Limited in 1984. He was appointed a Director of the Company in April 2000. He is the Chairman and Chief Executive of The Bank of East Asia, Limited, Chairman of The Chinese Banks' Association, Limited and Chairman of the Hong Kong Management Association. Dr. Li is also a director of Pacific Century CyberWorks Limited, New World Infrastructure Limited, San Miguel Brewery Hong Kong Limited, South China Morning Post (Holdings) Limited, The Hongkong and Shanghai Hotels, Limited and the Mandatory Provident Fund Schemes Authority. He is currently a member of the Banking Advisory Committee, the Exchange Fund Advisory Committee and the Land Fund Advisory Committee.

Professor KO Ping Keung, Ph.D., F.I.E.E.E., F.H.K.I.E., J.P., aged 50. Professor Ko holds a Bachelor of Science (Honours) degree from the University of Hong Kong, a Doctor of Philosophy degree and a Master of Science degree from the University of California at Berkeley. He is an Adjunct Professor of University of California at Berkeley and

Beijing University and Professor of Electrical & Electronic Engineering and the former Dean of the School of Engineering of The Hong Kong University of Science and Technology. He was the Vice Chairman of Electrical Engineering and Computer Science Department of the University of California at Berkeley in 1991 - 1993 and a member of Technical staff, Bell Labs, Holmdel, in 1982 - 1984. He was appointed a Director of the Company in April 2000. Professor Ko is also a director of Cycom Technology Limited.

Professor LI Kwok Cheung, Arthur, M.A., M.D., B.Chir. (Cantab), Hon.D.Sc. (Hull), Hon.D.Litt (HKUST), F.R.C.S. (Eng), F.R.C.S. (Ed), F.R.A.C.S., F.A.C.S (Hon), F.P.C.S. (Hon), Hon. F.R.C.S. (Glasg), F.R.S.M. (Hon), Hon. F.R.C.S. (I), aged 56. Professor Li is the Vice Chancellor of the Chinese University of Hong Kong. He is a director of The Bank of East Asia, Limited, a non-executive director of China Mobile (Hong Kong) Limited and a non-executive director and Chairman of the Board of Regal Hotel Group, plc. Professor Li holds a doctorate degree in medicine from the Cambridge University and honorary doctorate degrees in science and literature. He was appointed a Director of the Company in September 2000. He is the brother of Dr. Li Kwok Po, David.

Senior Management

LEE Wai Kwong, Sunny, M.Sc., M.Eng., M.B.C.S., C.Eng., M.H.K.C.S., aged 42, Chief Executive Officer and Director of iCare.com Limited ("iCare"). Mr. Lee holds a Bachelor and Master Degree in Operations Research and Industrial Engineering from Cornell University, USA. Prior to joining The Hong Kong and China Gas Company Limited in 1996, Mr. Lee was the Vice President and Systems Director of Bank of America in Hong Kong, where he played a key role in building the IT capabilities to support the

expansion of the bank's retail banking business in Asia. Before returning to Hong Kong in 1990, Mr. Lee held various key positions in financial, management consulting and manufacturing companies in the USA. He has extensive experience in IT transformation, business process re-engineering, organisation change management, product marketing and management consulting. Mr. Lee was recognised as one of Hong Kong's "Ten Outstanding Young Digi Persons" in 1999. He joined iCare in December 1999.

LEUNG Chan Tim, Timmy, B.Sc.(Elect.), M.Sc.(Comp.Sci.), aged 54, Chief Operating Officer of Henderson Cyber and Chief Executive Officer of Henderson Data Centre Limited ("HDC") and Eastar Technology Limited ("Eastar"). Mr. Leung holds a Bachelor Degree in Electronics Engineering and a Master Degree in Computer Science and Systems Architecture from California State University, USA. Before returning to Hong Kong in 1994, Mr. Leung worked for IBM where he gained 15 years' experience in the computer industry with a particular focus on Sales and Marketing and Business and Product planning. Mr. Leung also has extensive experience in the telecommunications and information technology industries in Hong Kong. Mr. Leung has previously held senior positions with New World Telephone Limited, SmarTone Mobile Communications Limited and Swift Global Communications Ltd.. Prior to joining the Henderson Group in November 2000, Mr. Leung was the Vice President of Sales and Marketing of Core Solution Limited in Hong Kong, where he contributed to business and product strategies in e-commerce.

LAI Man Kwong, Patrick, aged 38, Manager of Future Home Limited ("Future Home"). Mr. Lai graduated from the Lingnan College and possesses an Honour

Diploma of Computer Studies. He has 14 years' experience in Management Information Systems and the IT industry. Mr. Lai joined the Henderson Group in 1989 and has been actively involved in the development of web applications and the design of network infrastructure. He was appointed Manager of Future Home in March 2000.

HO Chung Choi, Brian, aged 40, Chief Technology Officer of Henderson Cyber. Mr. Ho holds a Bachelor Degree (1st class honours) in Computer Studies from the City Polytechnic of Hong Kong and Masters Degree (Distinction) in Satellite Communication Engineering from the University of Surrey. He is a Chartered Engineer and a Corporate Member of the Institution of Electrical Engineers (UK), Institution of Engineers, Australia and Hong Kong Institution of Engineers and a Member of British Computer Society. Mr. Ho has 17 years' experience in the telecommunication industry and has previously held senior positions in SmarTone Mobile Communication, New World Telephone, Wharf Communication Network, Telecom CSL, Stratus Computer and Cable & Wireless HKT.

YIP Hong Ngai, Philip, aged 37, Technology and Operations Manager of iCare.com Limited ("iCare"). Mr. Yip holds a Bachelor Degree in Computer Science from the University of Windsor in Canada. He has 15 years' experience in the IT industry of telecommunications and Internet sector specialising in multimedia development, telecommunications and system infrastructure. Mr. Yip joined iCare in March 2000.

FUNG Man Kit, Daniel, *B.Sc., M.Sc.*, aged 37, Chief Business Strategist of iCare.com Limited. Mr. Fung obtained his B.Sc. degree in Engineering from the University of Hong

Kong in 1987 and M.Sc. degree in Information Systems from Hong Kong Polytechnic University in 1999. He joined The Hong Kong and China Gas Company Limited in 1987 and was previously the Business Analysis Manager, looking after business performance, potential business developments and improvements on organisational effectiveness. Mr. Fung has worked for the Group since March 2000.

KUM Tak Cheung, Bassanio, aged 37, Deputy Manager of Future Home Limited ("Future Home"). Mr. Kum holds an Advanced Diploma in Computer Studies and International Higher Diploma in Computer Studies. He has 17 years' experience in software development and system integration, specialising in security control, multimedia, telecommunications and web application. He joined the Henderson Group in 1994. He was appointed Deputy Manager of Future Home in March 2000.

CHAN Man Chiu, Alan, aged 44, Senior Manager Network Infrastructure and planning of Henderson Data Centre Limited ("HDC"). Mr. Chan holds a Bachelor Degree in Electronics and Electrical Engineering from University of Manchester, UK and a Master Degree in Information Management from University of Ireland. Mr. Chan has 17 years' experience in data communications and information technology industry. Prior to joining HDC in November 2000, Mr. Chan has previously held senior positions in American International Group, QPL International Holdings Limited, Oriental Press Group and Dairy Farm International.

AU Tit Ying, *B.Sc.*, aged 51. Mr. Au holds a Bachelor of Science degree in Pure Mathematics and a Graduate Diploma in Information Systems and has 29 years' IT experience. He started his career with a software company and then spent five

years in Cathay Pacific Airways Ltd., followed by eight years with Cable & Wireless HKT, where he led the Engineering Computer Application Group. He joined the Hong Kong Jockey Club in 1994 as Micro Processor Systems Manager and joined the Henderson Group in 1996 as EDP Manager. He was appointed a Director of Future Home Limited in April 2000.

TAM Ka Wa, Kelvin, *B.Sc.(Eng), M.B.A., C.Eng., C.P.Eng., R.P.E., F.I.E.E., F.C.I.B.S.E., F.H.K.I.E., F.I.E. Aust.*, aged 53. Mr. Tam has over 30 years of practical experience in electrical and mechanical engineering. Prior to joining the Henderson Group in 1999, he held senior executive positions in various organisations including Group Chief Engineer of Miramar Hotel and Investment Co. Ltd., Managing Director of Kelvin Tam & Associates Ltd., director of Bylander Meinhardt Partnership Consulting Engineers, as well as senior posts in Ryoden Engineering Co. Ltd., Associated Consulting Engineers and China Light & Power Co. Ltd. Mr. Tam was appointed a Director of Henderson Data Centre Limited in April 2000.

FOK Man Kin, Simon, *B.A.A.S.(Hons)(HK), B.Arch.(HK), H.K.I.A., R.I.B.A., Registered Architect*, aged 40, Director of Henderson Data Centre Limited ("HDC"). After graduation from the University of Hong Kong with a Bachelor degree in Architecture in 1985, Mr. Fok worked in private architectural practice as an architect. He joined Henderson Land Development Company Limited in 1992, where he has held the positions of Architect and Deputy General Manager of the Project Management Department. He has extensive experience in managing property development and carried out and completed the fitting out works for the data centre at Well Tech Centre. Mr. Fok was appointed a Director of HDC in April 2000.

CHUNG Wing Ki, *B.A.(A.S.)(Hon.), B.Arch., M.Sc.(RED), H.K.I.A., R.I.B.A.*, aged 36, Director of Henderson Data Centre Limited ("HDC"). Miss Chung joined Henderson Land Development Company Limited in 1995 as a Project Manager and has been the Assistant General Manager and Deputy General Manager of the Project Management Department since 1998 and 2001 respectively. She holds a B.A. (Architectural Studies) (Honours) degree, a Bachelor of Architecture degree and a Master of Science (Real Estate Development) degree from the University of Hong Kong. She has over 10 years' experience in property development and was appointed a Director of HDC in April 2000.

CHAN Tat Hung, Ronald, *F.C.C.A., F.C.M.A., F.C.P.A., F.C.I.S., F.H.K.S.A., M.H.K.S.I.*, aged 57. Mr. Chan joined The Hong Kong and China Gas Company Limited ("Towngas") as Chief Accountant in 1973. He was promoted to Financial Controller and Company Secretary in 1980 and was appointed to the Board of Directors of Towngas as Finance Director in 1988 and as Executive Director of Towngas in 1995. He has more than 31 years' experience in the utilities businesses and finance in Hong Kong and was appointed a Director of iCare.com Limited in November 1999.

KWAN Yuk Choi, James, *B.Sc.(Eng), M.B.A., C.Eng., F.I.GasE., F.H.K.I.E., F.Inst.E., M.C.I.B.S.E., M.I.Mech.E.*, aged 50, Director of iCare.com Limited ("iCare"). Mr. Kwan joined the Engineering Division of The Hong Kong and China Gas Company Limited ("Towngas") in 1975 and was appointed to the Board of Directors of Towngas in January 1997. He has been involved in setting up the marketing and customer service departments of iCare and was appointed a Director of iCare in November 1999. Mr. Kwan was elected the President of the Institution of Gas Engineers, UK, in May 2000.

KWOK Ping Ho, Patrick, *B.Sc., M.Sc., Post-Graduate Diploma in Surveying, A.C.I.B.*, aged 49, holds the directorship of Henderson Land Development Company Limited, Henderson Investment Limited and Henderson China Holdings Limited. His academic qualifications include a B.Sc. (Engineering) degree as well as a M.Sc. (Administrative Sciences) degree and he is also a holder of the Post-Graduate Diploma in Surveying (Real Estate Development). Also, Mr. Kwok is an Associate Member of The Chartered Institute of Bankers of the United Kingdom and he has previously worked in the banking industry for more than 11 years with postings in London, Chicago, Kuala Lumpur, Singapore as well as in Hong Kong. He joined the Henderson Land group of companies in 1987 and was appointed a Director of Eastar Technology Limited in April 2000.

SHEN Shuk Ching, Susanna, aged 38, Chief Operating Officer of iCare.com Limited ("iCare"). Ms. Shen is a graduate

of the Hong Kong Polytechnic University in Computing Studies and a full Member of the British Computer Society. She has 18 years' experience in the Information Technology industry. She joined The Hong Kong and China Gas Company Limited ("Towngas") in January 1988 and has held various management positions in Towngas. Previously she worked for Cincom Systems as a Technical Consultant. Ms. Shen joined iCare in December 1999.

DISCLOSURE OF INTERESTS

Directors' Interests in Shares

As at 30th June, 2001, the interests of the Directors of the Company in the equity securities of the Company and its associated corporations as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") 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)

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Henderson Cyber Limited	Lee Chau Kee	173,898	—	—	4,244,996,094 (Note 15)	4,245,169,992
	Lam Ko Yin, Colin	55	—	—	—	55
	Li Kwok Cheung, Arthur	100	—	—	—	100
Henderson Land Development Company Limited	Lee Chau Kee	—	—	—	1,120,352,300 (Note 1)	1,120,352,300
Henderson Investment Limited	Lee Chau Kee	34,779,936	—	—	2,071,859,007 (Note 6)	2,106,638,943
	Lam Ko Yin, Colin	11,000	—	—	—	11,000
	Li Kwok Cheung, Arthur	20,000	—	—	—	20,000
Henderson China Holdings Limited	Lee Chau Kee	—	—	—	290,748,477 (Note 13)	290,748,477
Hong Kong Ferry (Holdings) Company Limited	Lee Chau Kee	7,799,220	—	—	110,363,090 (Note 7)	118,162,310
	Lam Ko Yin, Colin	150,000	—	—	—	150,000

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

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
The Hong Kong and China Gas Company Limited	Lee Shau Kee	2,932,886	—	—	1,960,925,256 (Note 8)	1,963,858,142
	Li Kwok Po, David	9,967,348	—	—	—	9,967,348
	Chan Wing Kin, Alfred	101,761 (Note 5)	—	—	—	101,761
	Li Kwok Cheung, Arthur	210,830	—	—	—	210,830
Miramar Hotel and Investment Company, Limited	Lee Shau Kee	—	—	—	228,201,250 (Note 11)	228,201,250
Henderson Development Limited	Lee Shau Kee	—	—	—	8,190 (Ordinary A Shares) (Note 2)	8,190 (Ordinary A Shares)
	Lee Shau Kee	35,000,000 (Non-voting Deferred Shares)	—	—	15,000,000 (Non-voting Deferred Shares) (Note 3)	50,000,000 (Non-voting Deferred Shares)
	Lee Shau Kee	—	—	—	3,510 (Non-voting B Shares) (Note 14)	3,510 (Non-voting B Shares)
	Lee Ka Kit	—	—	—	8,190 (Ordinary A Shares) (Note 4)	8,190 (Ordinary A Shares)
	Lee Ka Shing	—	—	—	8,190 (Ordinary A Shares) (Note 10)	8,190 (Ordinary A Shares)
Angelfield Investment Limited	Lam Ko Yin, Colin	—	—	1 (Note 9)	—	1
Henfield Properties Limited	Lee Ka Kit	—	—	4,000 (Note 9)	—	4,000
Shellson International Limited	Lee Ka Kit	—	—	25 (Note 9)	—	25
Feswin Investment Limited	Lee Ka Kit	—	—	5,000 (Note 9)	—	5,000
Perlin Development Limited	Lee Ka Kit	—	—	5 (Note 9)	—	5

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

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Quickcentre Properties Limited	Lee Ka Kit	—	—	1 (Note 9)	—	1
Techno Factor (Development) Limited	Lee Ka Kit	2,575,000	—	—	—	2,575,000
Amanwana Limited	Lee Ka Kit	5	—	—	—	5
Maxfine Development Limited	Lee Ka Kit	—	—	1,525 (Note 9)	—	1,525
Shanghai Henfield Properties Co., Ltd.	Lee Ka Kit	—	—	(see Note 12)	—	(see Note 12)

Notes:

- 1** Dr. Lee Shau Kee owned beneficially all the issued share capital of Rimmer (Cayman) Limited which was the trustee of a discretionary trust which held the majority of units in a unit trust ("Unit Trust") and Hopkins (Cayman) Limited which was the trustee of the Unit Trust which beneficially owned all the issued ordinary shares which carry the voting rights in the share capitals of Henderson Development Limited ("HD") and Fu Sang Company Limited ("FS" and which beneficially owned 192,500 of these shares). HD and its subsidiaries owned 1,114,557,200 of these shares. In addition, 5,602,600 of these shares were beneficially owned by a subsidiary of The Hong Kong and China Gas Company Limited ("Towngas"). Dr. Lee Shau Kee was taken to be interested in Towngas as set out in Note 8 by virtue of the SDI Ordinance.
- 2** Dr. Lee Shau Kee was taken to be interested in HD through the Unit Trust, Hopkins (Cayman) Limited and Rimmer (Cayman) Limited as set out in Note 1 by virtue of the SDI Ordinance.
- 3** These shares were beneficially owned by FS. Dr. Lee Shau Kee was taken to be interested in FS through the Unit Trust, Hopkins (Cayman) Limited and Rimmer (Cayman) Limited as set out in Note 1 by virtue of the SDI Ordinance.
- 4** These shares were beneficially owned by the Unit Trust. The units of the Unit Trust were owned by two discretionary trusts in which Mr. Lee Ka Kit was one of the discretionary beneficiaries.
- 5** These shares were jointly held by Mr. Chan Wing Kin, Alfred and his spouse.
- 6** These shares were beneficially owned by FS and certain subsidiaries of Henderson Land Development Company Limited ("HL"). Dr. Lee Shau Kee was taken to be interested in FS and HL as set out in Note 1 by virtue of the SDI Ordinance.
- 7** These shares were beneficially owned by certain subsidiaries of Henderson Investment Limited ("HI"). Dr. Lee Shau Kee was taken to be interested in HI through FS and HL as set out in Note 1 and Note 6 by virtue of the SDI Ordinance.
- 8** These shares were beneficially owned by certain subsidiaries of HI, FS and a subsidiary of HD. Dr. Lee Shau Kee was taken to be interested in HI, FS and HD as set out in Note 1 and Note 6 by virtue of the SDI Ordinance.
- 9** These shares were beneficially owned by a company in which the relevant director is entitled to exercise or control the exercise of one-third or more of the voting power at its general meetings.
- 10** These shares were beneficially owned by the Unit Trust. The units of the Unit Trust were owned by two discretionary trusts in which Mr. Lee Ka Shing was one of the discretionary beneficiaries.
- 11** These shares were beneficially owned by certain subsidiaries of HI. Dr. Lee Shau Kee was taken to be interested in HI through FS and HL as set out in Note 1 and Note 6 by virtue of the SDI Ordinance.

- 12** Shanghai Henfield Properties Co., Ltd. was an equity joint venture company in the PRC of which the registered capital was US\$27,000,000. Henfield Properties Limited ("Henfield") (owned as to 40 per cent. by a company controlled by Mr. Lee Ka Kit) and the PRC partner to the joint venture had entered into a joint venture contract under which Henfield and the PRC partner agreed to make contributions to the total amount of investment in the proportion of 99 per cent. and 1 per cent. respectively and to share the profits of the joint venture company in accordance with their equity interest in the joint venture company.
- 13** These shares were beneficially owned by certain subsidiaries of HL. Dr. Lee Shau Kee was taken to be interested in HL as set out in Note 1 by virtue of the SDI Ordinance.
- 14** These shares were beneficially owned by Hopkins (Cayman) Limited as trustee of the Unit Trust. Dr. Lee Shau Kee was taken to be interested in HD through the Unit Trust, Hopkins (Cayman) Limited and Rimmer (Cayman) Limited as set out in Note 1 by virtue of the SDI Ordinance.
- 15** These shares were beneficially owned by a subsidiary of HI, FS, certain subsidiaries of HL and a subsidiary of Towngas. Dr. Lee Shau Kee was taken to be interested in HI, FS, HL and Towngas as set out in Note 1, Note 6

and Note 8 by virtue of the SDI Ordinance.

Save as disclosed above, none of the Directors, Chief Executive or their associates had any interests in any securities of the Company or its associated corporations as defined in the SDI Ordinance.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

(i) Options to subscribe for shares in the Company

As at 30th June, 2001, the following Directors of the Company had interests in options to subscribe for shares ("Share Options") in the Company, which were granted on 28th June, 2000 at a consideration of HK\$1 for each grant of options and have been accepted by the Directors during the year, under the Pre-IPO Share Option Plan (the "Option Plan") approved by the shareholders of the Company on 28th June, 2000:-

Name of Director	Number of Share Options at 1st July, 2000	Number of Share Options offered and accepted during the year	Number of Share Options outstanding at 30th June, 2001
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

Each of the above Directors will be entitled to exercise at the price of HK\$1.25 per share (i) thirty per cent. of the Share Options so granted at any time after the expiry of 12 months from 14th July, 2000, (ii) a further thirty 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.

Apart from the above Directors, Share Options to subscribe for an aggregate of 20,000,000 shares of the Company have been granted at a consideration of HK\$1 for each grant of options to 66 other grantees on 28th June, 2000 at the exercise price of HK\$1.25 per share, of which 2,350,000 shares granted to 13 grantees have lapsed pursuant to the Option Plan. Except for the 13 grantees whose Share Options have lapsed, the Share Options granted to each of the above grantees are subject to the same limitations on timing of exercise as those of the above Share Options granted to the Directors.

On 4th October, 2000, options to subscribe for an aggregate of 150,000 shares of the Company at a consideration of HK\$1 for each grant of options were granted to 2 grantees at the exercise price of HK\$0.89 per share under the Share Option Scheme which was also approved by the shareholders of the Company on 28th June, 2000. An option to subscribe for 50,000 shares granted to one of the grantees has lapsed pursuant to the Share Option Scheme. The other grantee will be entitled to exercise (i) thirty per cent. of the option so granted at any time after the expiry of 12 months from the date of acceptance of the option ("Date of Acceptance"), (ii) a further thirty per cent. of the option so granted at any time after the expiry of 24 months from the Date of Acceptance and (iii) the remaining option at any time after the expiry of 36 months from the Date of Acceptance and, in each case, not later than four years from the Date of Acceptance.

As at 30th June, 2001, Share Options granted by the Company to subscribe for a total of 29,650,000 shares in the Company under the Option Plan and 100,000 shares in the Company under the Share Option Scheme remained outstanding, representing in aggregate approximately 0.6% of the existing issued share capital of the Company.

(ii) Options to subscribe for shares in associated corporation

As at 30th June, 2001, 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
Lam Ko Yin, Colin	1,500,000
Lee Ka Kit	1,500,000

The above Directors will be entitled to exercise at the price of HK\$4.00 per share at any time in whole or in part during the period of three years commencing on 21st August, 2001 and 2nd November, 2001 respectively.

Except for the above, at no time during the year 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 30th June, 2001, the interests of substantial shareholders, other than Directors of the Company, in the ordinary shares of the Company (the "Shares") as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance were as follows:

Name of Company	Number of Shares in which interested
Felix Technology Limited	3,333,213,616
Technology Capitalization Limited	902,700,000
Best Selection Investments Limited (Note 1)	3,333,213,616
Henderson Investment Limited (Notes 1 and 2)	3,333,213,616
Henderson Land Development Company Limited (Notes 1, 2 and 3)	3,342,268,019
Towngas Investment Company Limited (Note 4)	902,700,000
The Hong Kong and China Gas Company Limited (Notes 4 and 5)	902,700,000
Henderson Development Limited (Notes 1, 2, 3 and 6)	3,342,268,019
Rimmer (Cayman) Limited (Note 7)	3,342,296,094
Hopkins (Cayman) Limited (Note 7)	3,342,296,094

Notes:-

- 1** As Felix Technology Limited ("Felix Technology") is a wholly-owned subsidiary of Best Selection Investments Limited ("Best Selection"), Best Selection had a deemed interest in the 3,333,213,616 Shares held by Felix Technology under the SDI Ordinance.
- 2** As Best Selection is a wholly-owned subsidiary of Henderson Investment Limited ("HI"), HI had a deemed interest in the 3,333,213,616 Shares held by Felix Technology under the SDI Ordinance.

- 3** Of these Shares, 3,333,213,616 are duplicated in the interest described in Note 1 and Note 2, as HI is a subsidiary of Henderson Land Development Company Limited ("HL").
- 4** As Technology Capitalization Limited ("Technology Capitalization") is a wholly-owned subsidiary of Towngas Investment Company Limited ("Towngas Investment"), Towngas Investment had a deemed interest in the 902,700,000 Shares held by Technology Capitalization under the SDI Ordinance.
- 5** As Towngas Investment is a wholly-owned subsidiary of The Hong Kong and China Gas Company Limited ("Towngas"), Towngas had a deemed interest in the 902,700,000 Shares held by Technology Capitalization under the SDI Ordinance.
- 6** As HL is a subsidiary of Henderson Development Limited ("HD"), HD had a deemed interest in the 3,342,268,019 Shares in which HL was deemed to have an interest under the SDI Ordinance.
- 7** Of these Shares, 3,342,268,019 are duplicated in the interest described in Note 6. Rimmer (Cayman) Limited was the trustee of a discretionary trust which held the majority of units in a unit trust ("Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust beneficially owned all the issued ordinary shares which carry the voting rights in the share capital of HD and also all the issued ordinary shares in Fu Sang Company Limited ("FS"). Accordingly, each of Rimmer (Cayman) Limited and Hopkins (Cayman) Limited had a deemed interest in the 3,342,268,019 Shares by virtue of their interest in the discretionary trust, the Unit Trust and HD and the SDI Ordinance in addition to its interest in the Shares held by FS. The beneficiaries of the discretionary trust referred to herein are certain members of Dr. Lee Shau Kee's family.

CONNECTED TRANSACTIONS

During the year under review, the Group has entered into the following transactions and arrangements as described below with persons who are "connected persons" for the purposes of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

- (1) (i)** On 28th June, 2000, Henderson Data Centre Limited ("HDC"), a subsidiary of the Company, entered into an agreement for

lease with Landrise Development Limited ("LD"), a subsidiary of Henderson Land Development Company Limited ("HL"), an intermediate holding company of the Company. Pursuant to the lease agreement, LD will lease the entire building, the Wealth Centre, to be purposely built for the Group for a term of five years with two renewal options for a term of five years each at a monthly rental (exclusive of rates, management fees and other outgoings) of HK\$11 per square foot for the initial five year period and to be adjusted to account for inflation/deflation by reference to the Consumer Price Index published by the Special Administrative Region of the Hong Kong Government at the expiration of the initial five year period and at the then prevailing market rate for the third five year period (the "Lease Arrangements"). As at 30th June, 2001, the construction of the Wealth Centre has not yet been completed. The maximum aggregate annual consideration payable by the Group under the Lease Arrangements within the initial five year term shall not exceed HK\$31,000,000.

As at 30th June, 2001, an initial deposit amounting to approximately HK\$2,515,000 in respect of the Lease Arrangements was paid by the Group to LD.

- (ii) On 28th June, 2000, the Company entered into an agreement with HL and Henderson Investment Limited ("HI") pursuant to which the Company will procure the relevant members of the Group, including

Future Home Limited and Eastar Technology Limited, to provide services to HL and its subsidiaries but excluding the Group (collectively "Henderson Group") with respect to the high technology infrastructure design, consultancy services and local wireless fixed telecommunications network services ("FTNS") in connection with properties developed, owned and/or managed by the Henderson Group for a period of three years from the date of the agreement (the "Intelligent Building Services and FTNS Arrangements") at a fee calculated by reference to fees charged by the relevant members of the Group to other unrelated customers of the Group. The maximum aggregate annual fee receivable by the Group under the Intelligent Building Services and FTNS Arrangements shall not exceed HK\$5,000,000 and HK\$3,400,000 respectively.

During the year, high technology infrastructure design and consultancy service income of approximately HK\$2,929,000 and FTNS revenue of approximately HK\$4,000 were received by the Group in respect of the Intelligent Building Services and FTNS Arrangements.

- (iii) On 28th June, 2000, the Company entered into an agreement with HL and HI pursuant to which HL and HI will procure their respective relevant members to grant licences/tenancies to the relevant members of the Group the rights to install such equipment relating to the provision of local wireless

FTNS in buildings developed, owned and/or managed by the Henderson Group for a period of five years from the date of the agreement (the "Licence Arrangements") at a fee calculated by reference to fees charged by the relevant members of the Henderson Group to other unrelated customers or, if there is no such references available, at a fee no less favourable than fees at which the Group may obtain from other unrelated parties. The maximum aggregate annual fee payable by the Group under the Licence Arrangements shall not exceed HK\$20,000,000.

During the year, deposits of approximately HK\$320,000 was paid by the Group and a sum of approximately HK\$675,000 was payable by the Group in respect of the Licence Arrangements.

- (iv)** The Group's two properties at Well Tech Centre and Big Star Centre are managed by subsidiaries of HL. Upon completion of the construction of the Wealth Centre as mentioned in item (i) above, it will also be managed by a subsidiary of HL. It is intended that such subsidiaries of HL will continue to, or will, provide such property management services to the Group (the "Property Management Arrangements").

Pursuant to a letter dated 28th June, 2000, HDC will appoint a subsidiary of HL as the building manager for the Wealth Centre for a term of three years from the commencement date of the Wealth Centre lease. The fee is

determined by reference to the current level of management fees charged by unrelated providers of property management services in respect of property of similar standard. The maximum aggregate annual fee payable by the Group under the Property Management Arrangements shall not exceed HK\$1,400,000.

During the year, the Group paid property management services fee of approximately HK\$71,000 to a subsidiary of HL in respect of the Property Management Arrangements.

- (v)** On 23rd June, 2000, the Company entered into an agreement with The Hong Kong and China Gas Company Limited ("Towngas") to provide the Group with certain supporting services including billing and collection of monthly Public Non-Exclusive Telecommunications Service ("PNETS") charges and set-top boxes rental charges, installation of set-top boxes, call centres, information technology support, warehousing, supplies and warehouse management, marketing and sales and backup delivery services (the "Supporting Services Arrangements"), at reimbursement costs, for a term of three years from the date of the agreement, with the option for the Company to terminate at any time prior to the said three year period with three months' notice in writing. The maximum aggregate annual fee payable by the Group under the Supporting Services Arrangements shall not exceed HK\$33,000,000.

During the year, the amount charged by Towngas to the Group in respect of the Supporting Services Arrangements was approximately HK\$280,000.

- (vi)** On 28th June, 2000, the Company entered into an agreement with HL and HI pursuant to which the Company will procure the relevant members of the Group to provide members of the Henderson Group the services available at the data centres of the Group, upon request, for a period of two years from the date of opening of the relevant data centres (the "Data Centre Services Arrangements") at a fee calculated by reference to fees charged by the relevant members of the Group to other unrelated customers. The maximum aggregate annual fee receivable by the Group under the Data Centre Services Arrangements shall not exceed HK\$38,000,000.

During the year, the Group had receivable of approximately HK\$8,000 in respect of the Data Centre Services Arrangements.

- (vii)** On 28th June, 2000, the Company entered into an agreement with HL pursuant to which HL will procure the relevant members of the Henderson Group to provide marketing support to the Group in connection with the Group's local wireless FTNS operations and the leasing of the racks in, and marketing of the services offered at, the Group's data centres (the "Marketing Arrangements") for a term of three years from the date of agreement at a commission at

the same level as offered by the Group to other unrelated providers. The maximum aggregate annual amount payable by the Group under the Marketing Arrangements shall not exceed HK\$20,000,000.

During the year, no amount was paid or payable by the Group in respect of the Marketing Arrangements.

- (viii)** On 28th June, 2000, the Company entered into an agreement with HL pursuant to which the Company will procure the relevant members of the Group to provide software system support to the Henderson Group for its properties and properties managed by it (the "System Support Arrangements") for a period of three years from the date of agreement at a fee calculated by reference to fees at which the relevant members of the Group offer such services to other unrelated customers. The maximum aggregate annual amount receivable under the System Support Arrangements shall not exceed HK\$5,000,000.

During the year, the Group received a sum of approximately HK\$2,461,000 in respect of the System Support Arrangements.

The Hong Kong Stock Exchange has granted a waiver to the Company in respect of the above items (1)(i) to (1)(viii) from strict compliance with the connected transaction requirements under the GEM Listing Rules applicable to the Continuing Connected Transactions on the basis that:-

1. the Continuing Connected Transactions are entered into:
 - (i) in the ordinary and usual course of the business of the Group;
 - (ii) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than those available to or from independent third parties; and
 - (iii) in accordance with the relevant agreements governing these Continuing Connected Transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole;
2. the aggregate amount of these Continuing Connected Transactions within each such category for each financial year of the Company shall not exceed the maximum aggregate annual value (the "Cap Amounts") set;
3. the Independent Non-executive Directors of the Company shall review the Continuing Connected Transactions annually and confirm in the Company's annual report and accounts that these have been conducted in the manner as stated in paragraph 1 above;
4. the Auditors of the Company shall review the Continuing Connected Transactions annually and confirm in a letter (the "Letter") to the Board of Directors (the "Board") (a copy of which shall be provided to the Hong Kong Stock Exchange) confirming that the Continuing Connected Transactions:
 - (i) have received the approval of the Board;
 - (ii) are in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
 - (iii) have been entered into in accordance with the relevant agreements governing the Continuing Connected Transactions; and
 - (iv) have not exceeded the relevant Cap Amounts agreed with the Hong Kong Stock Exchange; and
5. details of the Continuing Connected Transactions are to be disclosed as required under Rule 20.34 of the GEM Listing Rules in the annual report of the Company for that financial year together with a statement of the opinion of the Independent Non-executive Directors and the Auditors of the Company referred to in paragraphs 3 and 4 above.

The Independent Non-executive Directors of the Company have reviewed and confirmed that the Continuing Connected Transactions have been entered into by the Group in accordance with the waiver conditions granted by the Hong Kong Stock Exchange as stated in paragraph 1 above.

The Auditors of the Company have also confirmed that the Continuing Connected Transactions have been conducted in the manner as stated in paragraph 4 above.

- (2) (i) On 28th June, 2000, the Company entered into an agreement with HL pursuant to which HL will provide, inter alia, legal, secretarial, accounting, computer and other related services and the use of office equipment to the Group at reimbursement costs for a period of three years commencing from the date of the agreement. The maximum aggregate annual fee payable by the Group in respect of such services shall not exceed HK\$10,000,000. For the year ended 30th June, 2001, payment made to HL for the above services amounted to approximately HK\$2,318,000.
- (ii) For the year ended 30th June, 2001, staff costs were reimbursed from Towngas to the Group in the amount of approximately HK\$2,700,000 based on the costs incurred for sharing of administrative services.
- (3) On 4th October, 2000, Senway Technology Limited ("Senway"), an indirect wholly-owned subsidiary of the Company, has entered into an agreement with Googol Technology (HK) Limited ("Googol") whereby Senway has agreed to subscribe for 375,000 new shares of HK\$0.10 each in the capital of Googol, representing approximately 11.96% of the enlarged issued share capital of Googol at a total cash consideration of HK\$6,000,000. Professor Ko Ping Keung, an Independent Non-executive Director of the Company, is at that time a director of Googol and owns approximately 11.7% of the issued share capital of Googol as enlarged by the

subscription. Although Googol is not a connected person and Professor Ko is not a party to the transaction, the subscription constitutes a connected transaction as Senway has acquired a company which Professor Ko is a substantial shareholder. The investment in Googol was expected to enhance the development of the Group's data centre and internet businesses. The subscription was on normal commercial terms and in the ordinary course of business of the Company and the Directors of the Company (including the Independent Non-executive Directors (excluding Professor Ko)) considered it would be in the interest of the Group to enter into the agreement. The subscription was completed on 5th October, 2000.

Save as disclosed above, no other contracts of significance to which the Company, its holding companies or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the year end or at any time during the year.

COMPETING INTERESTS

Newspeed Technology Limited, a wholly-owned subsidiary of Henderson Investment Limited, the Company's holding company, has a 8.9% interest in iLink Holdings Limited, the businesses of which include the operation of data centres in Hong Kong.

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

SERVICE CONTRACTS

Each of Mr. Chan Wing Kin, Alfred, Mr. Lam Ko Yin, Colin and Mr. Yip Ying Chee, John has entered into a service contract with the Company. Each service contract, until and unless terminated by not less than two months' notice in writing served by either party on the other, is of an initial term of three years commencing on 1st April, 2000 and shall continue thereafter. Subject to shareholders' approval, the director's fee for each of the above Directors for any financial year during the initial three-year term shall be HK\$20,000 per annum. Each of the above Directors is entitled to such management bonus as the Board may approve without limitation but shall abstain from voting and not be counted in the quorum in respect of any resolution of the board of Directors regarding the amount of management bonus payable to himself.

Apart from the above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

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

On 14th July, 2000, the Company raised net proceeds of approximately HK\$894 million through the initial public offering of 15% of the shares of the Company in the GEM of The Stock Exchange of Hong Kong Limited.

Other than the initial public offering referred to above, during the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 30th June, 2001:-

- (a) the aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 51 per cent. of the Group's total purchases. The largest supplier accounted for approximately 15 per cent. of the Group's total purchases.

None of the Directors, their associates, or any shareholders (which to the knowledge of the Directors owned more than 5 per cent. of the Company's issued share capital) had a beneficial interest in the abovementioned major suppliers.

- (b) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30 per cent. of the Group's total turnover.

COMMENTARY ON ANNUAL RESULTS

A commentary on annual results is shown on pages 8 and 9.

PENSION SCHEME

The Group's eligible employees can participate in defined contribution provident fund schemes (the "Schemes"). Particulars of the Schemes are set out in note 20 to the accounts on page 61.

AUDIT COMMITTEE

The Company has established an Audit Committee on 25th May, 2000 which comprises two Independent Non-executive Directors and reports to the Board of Directors. The written terms of reference include the authority and duties of the

Audit Committee and amongst its principal duties are the review and supervision of the Company's financial reporting process and internal control procedures. The Audit Committee Members have reviewed the annual report and accounts, half-year report and quarterly reports of the Group for the financial year under review and Audit Committee meetings were held in May 2001 and September 2001.

MANAGEMENT CONTRACTS

On 28th June, 2000, the Company entered into an agreement with Henderson Land Development Company Limited ("HL") pursuant to which HL agreed to provide, inter alia, legal, secretarial, accounting, computer and other related services and the use of office equipment to the Group at reimbursement costs for a period of three years commencing from the date of the agreement. The agreement may be terminated by 30 days' written notice.

Save as disclosed above, no contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

INTEREST OF SPONSOR

As notified by the Company's retained sponsor, The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), an associate (as defined in Note 3 to Rule 6.35 of the GEM Listing Rules) of HSBC held

50,152,000 shares (representing approximately 1% of the issued share capital of the Company) as at 30th June, 2001.

Pursuant to the sponsor's agreement dated 3rd July, 2000 entered into between the Company and HSBC Investment Bank Asia Limited ("HIBA") and the novation agreement ("Novation Agreement") dated 29th January, 2001 entered into between the Company, HIBA and HSBC, HSBC will receive a fee for acting as the Company's retained sponsor for the period from 29th January, 2001, the date on which the Novation Agreement takes effect, to 30th June, 2002.

Save for the above, HSBC has no other interest in the Company as at 30th June, 2001.

AUDITORS

A resolution for the re-appointment of KPMG as Auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Lee Shau Kee

Chairman

Hong Kong, 18th September, 2001



**Auditors' report to the
shareholders of
Henderson Cyber Limited**

(Incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 39 to 66 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 30th June, 2001 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants

Hong Kong, 18th September, 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30th June, 2001

	Note	Year ended 30th June 2001 HK\$'000	Period from 10th January 2000 (date of incorporation) to 30th June 2000 HK\$'000
Turnover	2	28,306	124
Other revenue	3	45,359	77
		73,665	201
Direct costs and operating expenses		(110,562)	(4,936)
Selling and distribution costs		(32,114)	(3,024)
Administrative expenses		(17,062)	(4,442)
Loss from operations		(86,073)	(12,201)
Finance costs	4	(15)	—
		(86,088)	(12,201)
Share of losses of jointly controlled entities		(10)	—
Loss from ordinary activities before taxation	4	(86,098)	(12,201)
Taxation	5	—	—
Loss from ordinary activities after taxation		(86,098)	(12,201)
Minority interests		1,841	173
Loss attributable to shareholders	8	(84,257)	(12,028)
Loss per share			
Basic	10	HK\$ 0.02	HK\$ 0.16

The notes on pages 46 to 66 form part of these accounts.

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

for the year ended 30th June, 2001

		Year ended 30th June 2001 HK\$'000	Period from 10th January 2000 (date of incorporation) to 30th June 2000 HK\$'000
	Note		
Capital reserve on acquisition of subsidiaries	19	—	85,301
Capital surplus contributed by minority shareholders	19	878	—
Net gains not recognised in the profit and loss account		878	85,301
Net loss for the year/period		(84,257)	(12,028)
Total recognised gains and losses		(83,379)	73,273

The notes on pages 46 to 66 form part of these accounts.

BALANCE SHEETS

At 30th June, 2001

	Note	The Group		The Company	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Non-current assets					
Fixed assets	11	178,827	58,195	942	—
Interests in subsidiaries	12	—	—	948,713	50,477
Interests in jointly controlled entities	13	1	—	—	—
Investment securities	14	61,060	55,002	—	—
		239,888	113,197	949,655	50,477
Current assets					
Inventories	15	15,154	348	—	—
Accounts receivable, deposits and prepayments	16	9,450	13,821	233	564
Amount due from affiliated company		—	226	—	—
Cash and cash equivalents	17	735,225	7,152	1	121
		759,829	21,547	234	685
Current liabilities					
Unsecured bank overdraft		1,828	850	—	—
Accounts payable and accrued expenses		55,947	8,721	1,692	508
Amount due to affiliated company		682	300	—	—
Amount due to intermediate holding company		5,345	1,284	5,345	1,284
		63,802	11,155	7,037	1,792
Net current assets/(liabilities)		696,027	10,392	(6,803)	(1,107)
Total assets less current liabilities		935,915	123,589	942,852	49,370
Minority interests		(2,314)	(646)	—	—
Net assets		933,601	122,943	942,852	49,370
Capital and reserves					
Share capital	18	500,000	12,500	500,000	12,500
Reserves	19	433,601	110,443	442,852	36,870
		933,601	122,943	942,852	49,370

Approved by the Board of Directors on 18th September, 2001.

Lee Shau Kee)
Directors
Lam Ko Yin, Colin)

The notes on pages 46 to 66 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30th June, 2001

	Note	Year ended 30th June 2001 HK\$'000	Period from 10th January 2000 (date of incorporation) to 30th June 2000 HK\$'000
Net cash outflow from operating activities	(a)	(97,271)	(29,106)
Returns on investments and servicing of finance			
Interest received		44,261	—
Interest paid		(14)	—
Dividend received		143	—
Net cash inflow from returns on investments and servicing of finance		44,390	—
Investing activities			
Purchase of fixed assets		(112,379)	(7,092)
Purchase of investment securities		(6,058)	—
Advance to jointly controlled entities		(11)	—
Acquisition of subsidiaries	(e)	—	20
Net cash outflow from investing activities		(118,448)	(7,072)
Net cash outflow before financing		(171,329)	(36,178)
Financing	(c)		
Gross proceeds from issue of shares		937,500	42,480
Listing expenses paid		(43,463)	—
Issue of shares to minority shareholders		4,387	—
Net cash inflow from financing		898,424	42,480
Increase in cash and cash equivalents		727,095	6,302
Cash and cash equivalents at beginning of year/period		6,302	—
Cash and cash equivalents at end of year/period	(b)	733,397	6,302

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss from operations to net cash outflow from operating activities:

	Year ended 30th June 2001 HK\$'000	Period from 10th January 2000 (date of incorporation) to 30th June 2000 HK\$'000
Loss from operations	(86,073)	(12,201)
Interest income	(44,841)	—
Dividend income	(143)	—
Depreciation	17,281	176
Loss on disposal of fixed assets	5	—
Increase in inventories	(14,806)	(348)
Decrease/(increase) in accounts receivable, deposits and prepayments	4,951	(13,003)
Decrease/(increase) in amount due from affiliated company	226	(226)
Increase in accounts payable and accrued expenses	21,686	442
Increase in amount due to affiliated company	382	300
Increase/(decrease) in amount due to intermediate holding company	4,061	(4,246)
Net cash outflow from operating activities	<u>(97,271)</u>	<u>(29,106)</u>

(b) Analysis of the balances of cash and cash equivalents

	2001 HK\$'000	2000 HK\$'000
Deposits with banks	733,867	7,011
Cash at bank and in hand	1,358	141
Bank overdraft	(1,828)	(850)
	<u>733,397</u>	<u>6,302</u>

CONSOLIDATED CASH FLOW STATEMENT (Continued)

for the year ended 30th June, 2001

(c) Analysis of changes in financing

	Minority interests HK\$'000	Share capital (including share premium) HK\$'000
Cash inflow from financing	—	42,480
Consideration for acquisition of subsidiaries (note (d))	—	7,190
Acquisition of subsidiaries (note (d))	819	—
Attributable losses	(173)	—
	<u>646</u>	<u>49,670</u>
Balance at 30th June, 2000	646	49,670
Balance at 1st July, 2000	646	49,670
Cash inflow from financing	4,387	894,037
Attributable losses	(1,841)	—
Capital surplus contributed by minority shareholders	(878)	—
	<u>2,314</u>	<u>943,707</u>
Balance at 30th June, 2001	2,314	943,707

(d) Acquisition of subsidiaries

	Year ended 30th June 2001 HK\$'000	Period from 10th January 2000 (date of incorporation) to 30th June 2000 HK\$'000
Net assets acquired:		
Fixed assets	—	44,820
Investment securities	—	55,002
Prepayments	—	818
Cash at bank and in hand	—	20
Accounts payable and accrued expenses	—	(1,820)
Minority interests (note (c))	—	(819)
	<u>—</u>	<u>98,021</u>
Less: Capital reserve arising on consolidation	—	(85,301)
	<u>—</u>	<u>12,720</u>
Satisfied by:		
Allotment of shares (note (c))	—	7,190
Financing from intermediate holding company	—	5,530
	<u>—</u>	<u>12,720</u>

(e) Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries

	Year ended 30th June 2001 HK\$'000	Period from 10th January 2000 (date of incorporation) to 30th June 2000 HK\$'000
Cash at bank and in hand acquired	—	20
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	—	20

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM"). A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost.

(c) Basis of consolidation

(i) The consolidated accounts have been prepared using the acquisition accounting method. The consolidated accounts include the accounts of the Company and all of its subsidiaries made up to 30th June each year. The results of subsidiaries acquired during the year are included in the consolidated profit and loss account from the date of their acquisition. All material intercompany transactions and balances are eliminated on consolidation.

(ii) Goodwill arising on the acquisition of subsidiaries, being the excess of the cost of investments in these companies over the fair value of the Group's share of the separable net assets acquired, is written off against reserves in the year in which it arises. The excess of the Group's share of the fair value of the separable net assets of subsidiaries acquired over the cost is credited to capital reserve.

(iii) On disposal of a subsidiary during the year, any attributable amount of purchased goodwill which has previously been dealt with as a movement on group reserves is included in the calculation of the profit and loss on disposal.

(d) Interests in subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Interests in subsidiaries in the Company's balance sheet are stated at cost less any provisions for diminution in value which is other than temporary as determined by the directors for each subsidiary individually. Any such provisions are recognised as an expense in the profit and loss account.

(e) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Jointly controlled entities (continued)

Unless the interest in the jointly controlled entity is acquired and held exclusively with a view to subsequent disposal in the near future, an investment in a jointly controlled entity is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the jointly controlled entity's net assets. The consolidated profit and loss account reflects the Group's share of the post acquisition results of the jointly controlled entities for the year. Goodwill arising on the acquisition of a jointly controlled entity, being the excess of the cost over the fair value of the Group's share of the separable net assets acquired, is written off against reserves in the year in which it arises. The excess of the Group's share of the fair value of the separable net assets acquired over the cost of the investment is credited directly to capital reserve.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the profit and loss account.

On disposal of a jointly controlled entity during the year, any attributable amount of purchased goodwill which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

The results of the jointly controlled entity are included in the Group's profit and loss account to the extent of dividends received and receivable, providing the dividend is in respect of a period ending on or before that of the Group and the Group's right to receive the dividend is established before the accounts of the Group are approved by the directors.

(f) Investment securities

Investments held on a continuing basis for an identified long-term purpose are classified as "investment securities". Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the profit and loss account, such provisions being determined for each investment individually.

Provisions against the carrying value of investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Profits or losses on disposal of investment securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Fixed assets and depreciation

(i) Valuation

Fixed assets are stated at cost less accumulated depreciation. The carrying amount of fixed assets is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recognised as an expense in the profit and loss account. In determining the recoverable amount, expected future cash flows generated by the fixed assets are discounted to their present values.

When the circumstances and events that led to the write-down or write-off cease to exist, any subsequent increase in the recoverable amount of an asset is written back to the profit and loss account. The amount written back is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred.

Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

(ii) Depreciation

Depreciation is calculated to write off the cost of fixed assets on a straight-line basis over the estimated useful lives as follows:

Land	Over the unexpired terms of the leases
Buildings	Over the shorter of the unexpired terms of the leases or 40 years
Leasehold improvements	Over the shorter of the periods of the respective leases or 5 years
Set-top boxes for lease	2 years
Data centre and network equipment and facilities	5 to 10 years
Furniture, fixtures and office equipment	3 to 5 years

(iii) Disposals

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Network under construction

Network under construction represents telecommunications and network equipment, sites facilities, operation support and related system which are under construction and installation, and is stated at cost. Costs comprise direct and directly attributable costs of construction and installation as well as borrowing costs capitalised during the period of construction and installation. Capitalisation of these assets ceases and the network under construction is transferred to fixed assets when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of network under construction until it is completed and ready for its intended use.

(h) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

(i) Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue is stated after the deduction of any trade discounts.

(ii) Internet access services

Revenue from the provision of Internet access services is recognised at the time when the services are rendered.

(iii) Project consultancy service income

Project consultancy service income is derived from the provision of high technology infrastructure design and consultancy services and is recognised when the services are rendered.

(iv) Rental income from operating leases

Rental income receivable under operating leases for the lease of set-top boxes is recognised in the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the profit and loss account as an integral part of the aggregate net lease payments receivable.

(v) Data centre services

Income from customer use of data centre services is recognised on a straight-line basis over the terms of the respective leases.

(vi) Interest income

Interest income is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

(vii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)**(i) Inventories**

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

(k) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

(l) Leased assets

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets held for use in operating leases

When the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(g)(ii) above. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(h)(iv) above.

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the profit and loss account as an integral part of the aggregate net lease payments made.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Research and development costs

Research and development costs including website/portal development costs are charged to the profit and loss account as incurred, except insofar as those product development costs that relate to a clearly defined project and the future benefits therefrom are reasonably assured.

Development costs recognised as an asset are amortised on a straight-line basis over the expected period of return of the related project. The unamortised balance of development costs is reviewed at the end of each period and is written off to the extent that the unamortised balance, taken together with further development and directly related costs, is no longer likely to be recovered. Development costs written off, less attributable amortisation, are written back when the circumstances and events that led to the write off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(n) Advertising and promotion costs

Advertising and promotion costs are charged to the profit and loss account as incurred.

(o) Retirement costs

Contributions to the retirement benefit scheme are charged to the profit and loss account as and when incurred.

(p) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(q) Pre-operating expenses

Pre-operating expenses comprise expenses incurred by the Group during the preliminary set up period prior to its commencement of business. Pre-operating expenses are charged to the profit and loss account as and when incurred.

(r) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa; or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(s) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents would also include advances from banks repayable within three months from the date of the advance.

2 TURNOVER

The principal activities of the Company are investment holding and provision of management services to group companies. The principal activities of the principal subsidiaries are set out on page 65.

Turnover represents the sales value of goods sold to customers, revenue from Internet access services, project consultancy service income, rental income from set-top boxes, income from data centre services and dividend income earned during the year. An analysis of turnover is as follows:

	The Group	
	Year ended 30th June 2001 HK\$'000	Period from 10th January 2000 (date of incorporation) to 30th June 2000 HK\$'000
Internet access services	13,343	—
Sales value of goods sold	7,270	84
Project consultancy service income	5,460	39
Leasing of set-top boxes	1,797	—
Income from data centre services	238	—
Dividend income from unlisted securities	143	—
Miscellaneous	55	1
	28,306	124

3 OTHER REVENUE

	The Group	
	Year ended 30th June 2001 HK\$'000	Period from 10th January 2000 (date of incorporation) to 30th June 2000 HK\$'000
Interest income from bank deposits	44,841	—
Management fee income from an affiliated company	427	—
Others	91	77
	45,359	77

4 LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	The Group Year ended 30th June 2001 HK\$'000	Period from 10th January 2000 (date of incorporation) to 30th June 2000 HK\$'000
Finance costs		
– interest expenses on bank overdrafts repayable on demand	15	—
Staff costs – including retirement costs of HK\$1,023,000 (2000: HK\$1,000)	43,112	2,265
Less: Amount capitalised under fixed assets as installation costs of data centre and network equipment and facilities	(8,744)	—
	34,368	2,265
Staff secondment fees	—	4,342
Operating lease charges in respect of hire of		
– telecommunications network facilities	11,594	1,519
– properties	1,631	—
Research and development costs	12,331	5,121
Less: Amount capitalised under fixed assets (note 11(b))	(11,297)	(4,777)
	1,034	344
Auditors' remuneration	539	600
Depreciation	17,281	176
Cost of inventories	5,718	99
Pre-operating expenses written off	—	16

5 TAXATION

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

No provision for deferred taxation has been made as both the Group and the Company have a net potential deferred tax asset at the balance sheet date, the future realisation of which is uncertain.

The major components of the net deferred tax asset not recognised are as follows:

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Future benefit of tax losses	38,763	4,480	234	46
Tax depreciation allowances in excess of related accounting depreciation	(19,796)	(2,126)	4	—
	18,967	2,354	238	46

6 DIRECTORS' REMUNERATION

No directors' remuneration has been paid by the Group or any other company or person during the year. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Except for one of the directors, all the other directors were granted share options under the Company's share option scheme, the details of these benefits in kind are disclosed under the paragraph "Arrangements to Purchase Shares or Debentures" in the directors' report.

In the absence of a ready market for the options granted on the shares of the Company, the directors are unable to arrive at an accurate assessment of the value of the options granted to the respective directors.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The emoluments of the five highest paid employees of the Group are set out below:

	The Group	
	Year ended 30th June 2001 HK\$'000	Period from 10th January 2000 (date of incorporation) to 30th June 2000 HK\$'000
Total remuneration		
Basic salaries, housing and other allowances and benefits in kind	5,917	1,134
Retirement scheme contributions	160	—
Performance bonuses	195	—
Inducement fee for joining the Group	218	200
	6,490	1,334

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS (continued)

The emoluments of these five individuals are within the following bands:

Remuneration bands:	The Group	
	2001 Number of Individuals	2000 Number of individuals
HK\$		
Nil – 1,000,000	1	5
1,000,001 – 1,500,000	3	—
1,500,001 – 2,000,000	1	—
	<u>5</u>	<u>5</u>

8 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders includes a loss of HK\$555,000 (2000: HK\$300,000) which has been dealt with in the accounts of the Company.

9 DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 30th June, 2001 (2000: HK\$Nil).

10 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share for the year is based on the loss attributable to shareholders of HK\$84,257,000 and the weighted average of 4,975,342,465 shares in issue during the year. The calculation of basic loss per share for the period from 10th January, 2000 (date of incorporation) to 30th June, 2000 was based on the loss attributable to shareholders of HK\$12,028,000 and the weighted average of 73,702,004 shares in issue during the period. The weighted average number of shares for the year and prior period has been adjusted for the effect of capitalisation issue following the initial public offering of the Company's shares on 14th July, 2000. The reasons for significant increase in the Company's shares in issue during the year and the details of the capitalisation issue are set out in note 18(a) on the accounts.

(b) Diluted loss per share

Diluted loss per share is not presented because there were no dilutive potential ordinary shares in existence during the year and prior period.

11 FIXED ASSETS

The Group

	Land and buildings HK\$'000	Computer equipment and software HK\$'000	Leasehold improvements, furniture, fixtures and office equipment HK\$'000	Set-top boxes for lease HK\$'000	Data centre and network equipment and facilities HK\$'000	Total HK\$'000
Cost:						
At 1st July, 2000	44,918	13,556	—	—	—	58,474
Reclassification	—	(13,556)	649	—	12,907	—
Additions	195	—	10,467	7,926	119,330	137,918
Disposals	—	—	(5)	(2)	—	(7)
At 30th June, 2001	<u>45,113</u>	<u>—</u>	<u>11,111</u>	<u>7,924</u>	<u>132,237</u>	<u>196,385</u>
Aggregate depreciation:						
At 1st July, 2000	8	271	—	—	—	279
Reclassification	—	(271)	110	—	161	—
Charge for the year	1,016	—	1,585	3,303	11,377	17,281
Written back on disposals	—	—	(1)	(1)	—	(2)
At 30th June, 2001	<u>1,024</u>	<u>—</u>	<u>1,694</u>	<u>3,302</u>	<u>11,538</u>	<u>17,558</u>
Net book value:						
At 30th June, 2001	<u>44,089</u>	<u>—</u>	<u>9,417</u>	<u>4,622</u>	<u>120,699</u>	<u>178,827</u>
At 30th June, 2000	<u>44,910</u>	<u>13,285</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>58,195</u>

The Company

	Leasehold improvements, furniture, fixtures and office equipment HK\$'000
Cost:	
At 1st July, 2000	—
Additions	1,273
At 30th June, 2001	<u>1,273</u>
Aggregate depreciation:	
At 1st July, 2000	—
Charge for the year	331
At 30th June, 2001	<u>331</u>
Net book value:	
At 30th June, 2001	<u>942</u>
At 30th June, 2000	<u>—</u>

11 FIXED ASSETS (continued)

- (a) The Group's properties are situated in Hong Kong and are held under medium-term leases.
- (b) Included in the Group's data centre and network equipment and facilities of HK\$132,237,000 (2000: included in computer equipment and software of HK\$13,556,000), there were HK\$11,297,000 (2000:HK\$4,777,000) relating to development costs capitalised during the year.
- (c) As at 30th June, 2001, the gross carrying amounts of fixed assets of the Group held for use in operating leases were HK\$7,924,000 (2000: HK\$Nil) and the related accumulated depreciation was HK\$3,302,000 (2000: HK\$Nil).
- (d) Included in the Group's data centre and network equipment and facilities of HK\$132,237,000 (2000: HK\$Nil), there were HK\$2,489,000 (2000: HK\$Nil) relating to network under construction as at 30th June, 2001.

12 INTERESTS IN SUBSIDIARIES

	The Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	7,190	7,190
Amounts due from subsidiaries	986,301	86,278
	993,491	93,468
Amounts due to subsidiaries	(44,778)	(42,991)
	948,713	50,477

Details of the principal subsidiaries are set out on page 65.

13 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Share of net assets	(10)	—	—	—
Amount due from jointly controlled entities	11	—	—	—
	1	—	—	—

Details of the jointly controlled entities are set out on page 66.

14 INVESTMENT SECURITIES

	The Group	
	2001 HK\$'000	2000 HK\$'000
Unlisted equity securities, at cost	61,060	55,002

15 INVENTORIES

Inventories of the Group represent trading goods.

Included in trading goods are inventories of HK\$11,511,000 (2000: HK\$Nil), stated net of a general provision made in order to state these inventories at the lower of their cost and estimated net realisable value.

16 ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

The accounts receivable, deposits and prepayments of the Group include rental deposits of HK\$2,834,000 (2000: HK\$2,515,000) which are expected to be repaid after more than one year. Apart from the above, all of the balances are expected to be recovered within one year.

17 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Deposits with banks	733,867	7,011	—	—
Cash at bank and in hand	1,358	141	1	121
	<u>735,225</u>	<u>7,152</u>	<u>1</u>	<u>121</u>

18 SHARE CAPITAL

	No. of shares		Nominal value	
	2001	2000	2001 HK\$'000	2000 HK\$'000
Authorised				
Ordinary shares of HK\$0.1 each	<u>10,000,000,000</u>	<u>10,000,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid				
At beginning of year/period	125,000,000	1	12,500	—
Subdivision of shares	—	77	—	—
Issue of shares	750,000,000	124,999,922	75,000	12,500
Capitalisation issue	4,125,000,000	—	412,500	—
At end of year/period	<u>5,000,000,000</u>	<u>125,000,000</u>	<u>500,000</u>	<u>12,500</u>

18 SHARE CAPITAL (continued)

The following changes in the Company's issued and authorised share capital took place during the year:

- (a)** On 14th July, 2000, the Company's shares were listed on the GEM through an initial public offering of 750,000,000 shares of HK\$0.1 each at the issue price of HK\$1.25 per share. Pursuant to the initial public offering, an amount of HK\$412,500,000 standing to the credit of the share premium account was directed to be capitalised and applied in paying up in full 4,125,000,000 ordinary shares of HK\$0.1 each, which were allotted and issued as fully paid to shareholders on the register of members of the Company at the close of business on 28th June, 2000, in the proportion to their respective shareholdings in the Company.
- (b)** Prior to the listing of the Company's shares on the GEM, options for 32,000,000 of the Company's shares exercisable at HK\$1.25 per share were conditionally granted under the Pre-IPO Share Option Plan to certain directors and employees of the Company, its holding companies, subsidiaries and fellow subsidiaries at a consideration of HK\$1 for each grant of options. Each of the grantees will be entitled to exercise (i) thirty per cent of the options so granted to him/her at any time after the expiry of 12 months from 14th July, 2000, (ii) a further thirty per cent of the options so granted to him/her at any time after the expiry of 24 months from 14th July, 2000; and (iii) the remaining options so granted to him/her 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. During the year, options carrying rights to subscribe for 2,350,000 shares lapsed and no options have been exercised. As at 30th June, 2001, there were outstanding options in respect of a total of 29,650,000 (2000: Nil) ordinary shares of the Company under the Pre-IPO Share Option Plan.
- (c)** Pursuant to the Share Option Scheme of the Company, options to subscribe for an aggregate of 150,000 shares of the Company at the exercise price of HK\$0.89 per share were granted to 2 full time employees of the Group at a consideration of HK\$1 for each grant of options on 4th October, 2000. Each of the grantees will be entitled to exercise (i) thirty per cent of the options so granted at any time after the expiry of 12 months from the date of acceptance of the options ("Date of Acceptance"), (ii) a further thirty per cent of the options so granted at any time after the expiry of 24 months from the Date of Acceptance and (iii) the remaining options at any time after the expiry of 36 months from the Date of Acceptance and, in each case, not later than four years from the Date of Acceptance. During the year, options carrying rights to subscribe for 50,000 shares lapsed and no options have been exercised. As at 30th June, 2001, there were outstanding options in respect of a total of 100,000 (2000: Nil) ordinary shares of the Company under the Share Option Scheme.

19 RESERVES

The Group

	Capital reserve on consolidation HK\$'000	Share premium HK\$'000	Profit and loss account HK\$'000	Total HK\$'000
Capital reserve on acquisition of subsidiaries	85,301	—	—	85,301
Premium on issue of shares	—	37,170	—	37,170
Loss for the period	—	—	(12,028)	(12,028)
At 30th June, 2000	<u>85,301</u>	<u>37,170</u>	<u>(12,028)</u>	<u>110,443</u>
At 1st July, 2000	85,301	37,170	(12,028)	110,443
Capital surplus contributed by minority shareholders	878	—	—	878
Premium on issue of shares (note 18(a))	—	862,500	—	862,500
Listing expenses	—	(43,463)	—	(43,463)
Capitalisation issue (note 18(a))	—	(412,500)	—	(412,500)
Loss for the year	—	—	(84,257)	(84,257)
At 30th June, 2001	<u>86,179</u>	<u>443,707</u>	<u>(96,285)</u>	<u>433,601</u>

The Company

	Share premium HK\$'000	Profit and loss account HK\$'000	Total HK\$'000
Premium on issue of shares	37,170	—	37,170
Loss for the period	—	(300)	(300)
At 30th June, 2000	<u>37,170</u>	<u>(300)</u>	<u>36,870</u>
At 1st July, 2000	37,170	(300)	36,870
Premium on issue of shares (note 18(a))	862,500	—	862,500
Listing expenses	(43,463)	—	(43,463)
Capitalisation issue (note 18(a))	(412,500)	—	(412,500)
Loss for the year	—	(555)	(555)
At 30th June, 2001	<u>443,707</u>	<u>(855)</u>	<u>442,852</u>

19 RESERVES (continued)

(a) Capital reserve on consolidation

Capital reserve on consolidation has been set up and will be dealt with in accordance with the accounting policies adopted for goodwill and capital reserve arising on the acquisition of subsidiaries and jointly controlled entities as set out in accounting policies note 1(c) and 1(e) respectively.

Capital surplus contributed by minority shareholders represents the amount of contribution made in excess of their proportionate share of capital by the minority shareholders of a subsidiary, in accordance with the terms of the shareholders agreement.

(b) Share premium

The application of the share premium account is governed by section 102 of the Company's Articles of Association and the Companies Law of the Cayman Islands, where the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(c) Distributable reserves

At 30th June, 2001, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK\$442,852,000 (2000: HK\$36,870,000), subject to the restrictions as stated in note 19(b).

20 RETIREMENT BENEFITS SCHEME

The Group's employees participate in the Henderson Staff Provident Fund (the "Fund"), a defined contribution provident fund scheme as defined in the Occupational Retirement Schemes Ordinance or in schemes (the "MPF Schemes") registered under the Mandatory Provident Fund Schemes Ordinance ("MPFO").

Contributions to the Fund are made by the participating employers at rates ranging from 4% to 6%, and by the employees at 2%, of the employees' basic monthly salaries. The portion of employer's contributions to which the employees are not entitled and which has been forfeited shall not be used to reduce the future contributions of the participating employers. No employees of the Group were eligible to join the Fund on or after 1st December, 2000.

Employees of the Group who are not members of the Fund participate in the MPF Schemes. In addition to the minimum benefits set out in the MPFO, the Group provides certain voluntary top-up benefits to employees participating in the MPF Schemes.

The Group's retirement costs charged to the profit and loss account for the year ended 30th June, 2001 were HK\$1,023,000 (2000: HK\$1,000).

21 SIGNIFICANT LEASING ARRANGEMENTS

- (a) The Group leases out set-top boxes under operating leases. Some of the leases are with no specific terms while the remaining leases typically run for an initial period of one year, with an option to renew the lease upon the expiry of the initial lease term. None of the leases includes contingent rentals. Further details of the carrying value of the set-top boxes are set out in note 11 above.

During the year ended 30th June, 2001, HK\$1,797,000 (2000: HK\$Nil) was recognised as rental income in the profit and loss account in respect of leasing of the set-top boxes.

- (b) The Group leases telecommunications network facilities under operating leases. Some of the leases are with no specific terms while the remaining leases typically run for an initial period of three months, six months or one year, with an option to renew the lease upon the expiry of the initial lease term. None of the leases includes contingent rentals.

During the year ended 30th June, 2001, HK\$11,594,000 (2000: HK\$1,519,000) was recognised as an expense in the profit and loss account in respect of leasing of telecommunications network facilities.

- (c) The Group also leases certain transmission sites under operating leases. The leases typically run for an initial period of two to five years. None of the leases includes contingent rentals.

During the year ended 30th June, 2001, HK\$675,000 (2000: HK\$Nil) was recognised as an expense in the profit and loss account in respect of leasing of transmission sites.

22 COMMITMENTS

- (a) Capital commitments

At 30th June, 2001, the Group had capital commitments contracted but not provided for in the accounts in respect of:

	The Group	
	2001	2000
	HK\$'000	HK\$'000
Acquisition of telecommunications network infrastructure	5,421	22,296
Website development costs	1,521	8,160
Refurbishment and equipment costs of data centre	1,376	36,728
Acquisition of other fixed assets	911	2,085
Set-top boxes development costs	—	13,063
	9,229	82,332

22 COMMITMENTS (continued)

(b) Operating leases commitments

At 30th June, 2001, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group			
	2001		2000	
	Properties HK\$'000	Telecommunications network facilities HK\$'000	Properties HK\$'000	Telecommunications network facilities HK\$'000
Leases expiring:				
Within 1 year	2,460	7,512	196	9,911
After 1 year but within 5 years	1,868	98	215	1,500
	<u>4,328</u>	<u>7,610</u>	<u>411</u>	<u>11,411</u>

23 CONTINGENT LIABILITIES

- (a) As at 30th June, 2001, there were guarantees given by the Company to banks in respect of banking facilities extended to certain subsidiaries. Of these facilities, HK\$369,000 (2000: HK\$Nil) was utilised by the subsidiaries at 30th June, 2001.
- (b) As at 30th June, 2001, there were contingent liabilities in respect of performance bond guaranteed by a bank on behalf of a subsidiary of the Group amounting to HK\$19,000,000 (2000: HK\$40,000,000). The performance bond was provided in accordance with the terms of the Fixed Telecommunication Network Services Licence granted to the subsidiary on 16th February, 2000.

24 MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year:

- (a) Pursuant to various agreements on 28th June, 2000:
- (i) Licence fees payable to fellow subsidiaries in respect of the rights for the Group to install network equipment relating to the provision of local wireless Fixed Telecommunications Network Services ("FTNS") in buildings developed, owned and/or managed by the fellow subsidiaries amounted to HK\$675,000 (2000: HK\$Nil). Related rental deposits paid by the Group amounted to HK\$320,000 at 30th June, 2001 (2000: HK\$Nil).
 - (ii) Income from provision of high technology infrastructure design and consultancy services, to properties developed, owned and/or managed by fellow subsidiaries of the Group amounted to HK\$2,929,000 (2000: HK\$23,000).
 - (iii) Services fees paid to fellow subsidiaries for management of the Group's properties amounted to HK\$71,000 (2000: HK\$Nil).
 - (iv) Supporting service charges paid to an affiliated company of the Group at reimbursement costs amounted to HK\$280,000 (2000: HK\$Nil).
 - (v) 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\$2,318,000 (2000: HK\$18,000).

24 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(vi) Service fees received from fellow subsidiaries in respect of provision of software system support services to properties developed or managed by some fellow subsidiaries amounted to HK\$2,461,000 (2000: HK\$Nil).

(vii) Rental deposit of HK\$2,515,000 (2000: HK\$2,515,000) was paid to a fellow subsidiary in respect of a building developed by the fellow subsidiary to be leased to the Group. The building was under construction as at 30th June, 2001.

- (b) Income from provision of data centre services totalling HK\$109,000 (2000: HK\$Nil) was received and receivable from an affiliated company of the Group.
- (c) Rental and related expenses in respect of office premises paid to a fellow subsidiary of the Group amounted to HK\$245,000 (2000: HK\$Nil).
- (d) Management fees received from an affiliated company of the Group amounted to HK\$427,000 (2000: HK\$Nil).
- (e) Sale of goods to certain fellow subsidiaries and an affiliated company of the Group amounted to HK\$1,302,000 (2000: HK\$Nil).
- (f) Staff costs were reimbursed from a fellow subsidiary of the Group in the amount of HK\$739,000 (2000: HK\$Nil) based on the costs incurred for sharing of administrative services.
- (g) Staff costs were reimbursed from an affiliated company of the Group in the amount of HK\$2,700,000 (2000: HK\$Nil) based on the costs incurred for sharing of administrative services.
- (h) The amount due to intermediate holding company at 30th June, 2001 is shown in the balance sheet.

25 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company at 30th June, 2001 to be Henderson Development Limited, which is incorporated in Hong Kong.

PRINCIPAL SUBSIDIARIES

At 30th June, 2001

Details of principal subsidiaries are as follows:

Name of company	Place of incorporation and operation	Particulars of issued and paid up ordinary share capital	The Company	Attributable percentage of equity interest held by Subsidiaries	Principal activities
Cotech Investment Limited	The British Virgin Islands (the "BVI")	55,500,000 shares of HK\$1 each	—	92.2	Investment holding
Eastar Technology Limited	Hong Kong	35,000,000 shares of HK\$1 each	—	92.2	Provision of Local Wireless Fixed Telecommunications Network Services
Future Home Limited	Hong Kong	2 shares of HK\$1 each	—	100	Provision of high technology infrastructure design and consultancy services
Hency Finance Limited (formerly Asia Sun Limited)	Hong Kong	2 shares of HK\$1 each	100	—	Provision of financial services
Henderson Cyber Finance Limited	Hong Kong	2 shares of HK\$1 each	100	—	Provision of financial services
Henderson Data Centre Limited	Hong Kong	2 shares of HK\$1 each	—	100	Provision of Internet server co-location centres and system management
iCare.com Limited	Hong Kong	2 shares of HK\$1 each	—	100	Internet service provider, Internet content provider and provision of e-commerce services
Mingsway Limited	Hong Kong	2 shares of HK\$1 each	—	100	Property investment
Senway Technology Limited	The BVI	1 share of US\$1 each	—	100	Manages strategic investments
Victory City Enterprises Limited	Hong Kong	2 shares of HK\$1 each	—	100	Property investment

The above list gives the principal subsidiaries of the Group, which in the opinion of the directors, materially affect the profit or assets of the Group.

JOINTLY CONTROLLED ENTITIES

At 30th June, 2001

Details of jointly controlled entities are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up ordinary share capital	Attributable percentage of equity interest held by		Principal activities
				The Company	Subsidiaries	
Henderson Stratech Limited	Incorporated	Hong Kong	2 shares of HK\$1 each	—	50%	Provision of technology solutions and innovations
Cyberforce Limited	Incorporated	The BVI	2 shares of US\$1 each	—	50%	Information technology services

ADDITIONAL FINANCIAL INFORMATION

In preparation of a listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, a group reorganisation (the "Group Reorganisation") was completed on 28th June, 2000. As the reorganised Group structure did not exist until 28th June, 2000, the directors consider that it is appropriate to provide additional financial information to shareholders by presenting the proforma combined profit and loss account on the basis set out in note 1 below.

PROFORMA COMBINED PROFIT AND LOSS ACCOUNT

for the year ended 30th June, 2000

	Note	Unaudited 2000 HK\$'000
Turnover	2	5,500
Other revenue		77
		<u>5,577</u>
Direct costs and operating expenses		(11,877)
Selling and distribution costs		(4,202)
Administrative expenses		<u>(7,280)</u>
Loss from ordinary activities before taxation		(17,782)
Taxation	3	—
Loss from ordinary activities after taxation		<u>(17,782)</u>
Minority interests		173
Loss attributable to shareholders		<u>(17,609)</u>
Accumulated losses brought forward		<u>(132)</u>
Accumulated losses carried forward		<u><u>(17,741)</u></u>
Loss per share		
Basic	4(a)	<u><u>HK\$0.004</u></u>

NOTES ON THE PROFORMA COMBINED PROFIT AND LOSS ACCOUNT

1 Basis of preparation of the proforma accounts

The proforma combined profit and loss account of the Group for the year ended 30th June, 2000 included the results of the companies comprising the Group as at 30th June, 2000 (for the period from 1st July, 1999 or the dates of incorporation, if later, to 30th June, 2000) as if the Group structure immediately after the Group Reorganisation had been in existence and remained unchanged throughout the year on the assumption that the Group Reorganisation had been in effect on 1st July, 1999.

2 Turnover

Turnover represented sales value of goods sold to customers, project consultancy service income and commission income earned during the year.

	2000 HK\$'000
Project consultancy service income	5,415
Sales value of goods sold	84
Commission income	1
	5,500

3 Taxation

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

No provision for deferred taxation had been made as the effect of all timing differences was immaterial. Future deferred tax benefits were not recognised as their realisation could not be assured beyond reasonable doubt.

4 Proforma loss per share

(a) Proforma basic loss per share

The calculation of the proforma basic loss per share for the year ended 30th June, 2000 was based on the proforma combined loss attributable to shareholders of HK\$17,609,000 and the proforma issued ordinary share capital of 4,250,000,000 shares. As the weighted average number of shares for the year ended 30th June, 2001 and the period ended 30th June, 2000 have been adjusted for the effect of the capitalisation issue following the initial public offering of the Company's shares on 14th July, 2000 in calculating the proforma basic loss per share, 78 shares issued on incorporation, 124,999,922 shares issued on the Group Reorganisation as well as 4,125,000,000 shares issued pursuant to the capitalisation issue were deemed to have been issued on 1st July, 1999 in determining the proforma issued share capital for the calculation of the proforma basic loss per share.

(b) Proforma diluted loss per share

Proforma diluted loss per share was not presented because there was no dilutive potential ordinary shares in existence during the year.

GROUP FINANCIAL SUMMARY

A summary of the published financial information of the Group is set out below:

RESULTS

	Year ended 30th June			2001 HK\$'000
	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000	
Turnover	466	1,965	5,500	28,306
Loss from ordinary activities after taxation	(18)	(114)	(17,782)	(86,098)
Minority interests	—	—	173	1,841
Loss attributable to shareholders	(18)	(114)	(17,609)	(84,257)

ASSETS AND LIABILITIES	As at 30th June	
	2000 HK\$'000	2001 HK\$'000
Total assets	134,744	999,717
Total liabilities	(11,155)	(63,802)
Minority interests	(646)	(2,314)
	122,943	933,601

Notes:

1. The results of the Group for each of the three years ended 30th June, 1998, 1999 and 2000 have been prepared on a proforma combined basis as if the Group structure immediately after the Group Reorganisation had been in existence throughout those years.
2. The Company was incorporated in the Cayman Islands on 10th January, 2000 and became the holding company of the companies now comprising the Group as a result of the Group Reorganisation which was completed on 28th June, 2000. Accordingly, only two years' assets and liabilities of the Group are presented.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Shareholders of the Company will be held at the Stork and Bamboo Rooms, Mandarin Oriental, 5 Connaught Road Central, Hong Kong on Friday, 26th October, 2001 at 3:30 p.m. to transact the following businesses:–

1. To receive and consider the Audited Accounts and the Reports of the Directors and Auditors for the year ended 30th June, 2001.
2. To re-elect retiring Directors and authorise the Board of Directors to fix the Directors' remuneration.
3. To re-appoint Auditors and authorise the Board of Directors to fix their remuneration.
4. To consider as special businesses and, if thought fit, pass the following resolutions as Ordinary Resolutions:–
 - A. "THAT:–
 - (a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company ("Directors") during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company or securities convertible into such shares or options, warrants, or similar rights to subscribe for any shares or convertible securities and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
 - (c) the aggregate nominal value of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an options or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) of this Resolution), (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company, (iii) the exercise of any options granted under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of options to subscribe for, or rights to acquire, shares of the Company or, (iv) any scrip dividend or similar arrangement providing for the allotment of shares in the capital of the Company in lieu of the whole or part of the cash payment for any dividend on shares of the Company pursuant to the Articles of Association of the Company from time to time, shall not in aggregate exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution:–

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:–

- (i)** the conclusion of the next annual general meeting of the Company;
- (ii)** the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; and
- (iii)** the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in Meeting.

“Rights Issue” means the allotment, issue or grant of shares in the capital of the Company pursuant to an offer of shares open for a period fixed by the Directors made to holders of shares of the Company or any class thereof whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in or in any territory applicable to the Company).”

B. “THAT:–

- (a)** subject to paragraph (b) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as defined in paragraph (c) of this Resolution) of all the powers of the Company to repurchase its own issued shares of HK\$0.10 each in the capital of the Company in accordance with laws and requirements and regulations of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b)** the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly; and

(c) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:–

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws of the Cayman Islands to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in Meeting.”

C. “THAT:–

subject to the passing of the Ordinary Resolution Nos. 4A and 4B, the general mandate granted to the Directors of the Company to allot, issue and deal with additional securities pursuant to Resolution No. 4A be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares repurchased by the Company under the authority granted pursuant to Resolution No. 4B, provided that such amount of shares so repurchased shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution.”

By Order of the Board

John Yip

Secretary

Hong Kong, 18th September, 2001

Registered Office:

Scotia Centre, 4th Floor,

P.O. Box 2804,

George Town,

Grand Cayman, Cayman Islands.

Head Office and Principal Place of Business:

6th Floor, World-Wide House,

19 Des Voeux Road Central,

Hong Kong.

Notes:

- (1)** In order to qualify for attending the forthcoming Meeting of the Company, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Central Registration Hong Kong Limited, Shops 1712—1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than forty-eight hours before the appointed time for holding the Meeting.
- (2)** Every member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies (if a member who is the holder of two or more shares) to attend and vote in his stead. A proxy need not be a member of the Company.
- (3)** To be valid, the instrument appointing a proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch registrar in Hong Kong, Central Registration Hong Kong Limited, Shops 1712—1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than forty-eight hours before the appointed time for holding the Meeting or any adjournment thereof.
- (4)** An Explanatory Statement containing further details regarding Ordinary Resolution No. 4B above as required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange will be dispatched to the members of the Company together with the 2001 Annual Report.

Henderson Cyber Limited – Proxy Form

Form of proxy for use by shareholders at the annual general meeting convened to be held at the Stork and Bamboo Rooms, Mandarin Oriental, 5 Connaught Road Central, Hong Kong on Friday, 26th October, 2001 at 3:30 p.m.

I/We (note a) _____
of _____
being the holder(s) of (note b) _____ shares of HK\$0.10 each of the abovenamed
Company hereby appoint the Chairman of the Meeting or _____
of _____

to act as my/our proxy (note c) at the annual general meeting of the Company to be held at the Stork and Bamboo Rooms, Mandarin Oriental, 5 Connaught Road Central, Hong Kong on Friday, 26th October, 2001 at 3:30 p.m. and at any adjournment thereof and to vote on my/our behalf as directed below.

Please make a mark in the appropriate boxes to indicate how you wish your vote(s) to be cast on a poll (note d).

ORDINARY RESOLUTIONS

	FOR	AGAINST
1. To receive and consider the Audited Accounts and the Reports of the Directors and Auditors of the Company for the year ended 30th June, 2001	<input type="checkbox"/>	<input type="checkbox"/>
2. (a) To re-elect Mr. Douglas H. Moore as director	<input type="checkbox"/>	<input type="checkbox"/>
(b) To re-elect Professor Li Kwok Cheung, Arthur as director	<input type="checkbox"/>	<input type="checkbox"/>
(c) To re-elect Mr. Chan Wing Kin, Alfred as director	<input type="checkbox"/>	<input type="checkbox"/>
(d) To re-elect Mr. Lam Ko Yin, Colin as director	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint Auditors and authorise the Board of Directors to fix their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
4. To grant a general mandate to the Directors to issue new shares	<input type="checkbox"/>	<input type="checkbox"/>
5. To grant a general mandate to the Directors to repurchase shares	<input type="checkbox"/>	<input type="checkbox"/>
6. To extend the general mandate granted to the directors to issue new shares	<input type="checkbox"/>	<input type="checkbox"/>

Dated _____ Shareholder's signature _____
(notes e, f, g and h)

Notes:

- (a) Full name(s) and address(es) are to be inserted in **BLOCK CAPITALS**.
- (b) Please insert the number of shares registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares in the capital of the Company registered in your name(s).
- (c) A proxy need not be a member of the Company. If you wish to appoint a person other than the Chair man of the Meeting as your proxy, please delete the words "the Chairman of the Meeting or" and insert the name and address of the proxy in the space provided.
- (d) If this form is returned duly signed but without specific direction on any of the proposed resolutions, the proxy will vote or abstain at his discretion in respect of all resolutions; or if in respect of a particular proposed resolution there is no specific direction, the proxy will, in relation to that particular proposed resolution, vote or abstain at his discretion. A proxy will also be entitled to vote at his discretion on any resolution properly put to the meeting other than those set out in the notice convening the meeting.
- (e) In the case of a joint holding, this form of proxy may be signed by any joint holder, but if more than one joint holder are present at the meeting, whether in person or by proxy, one of the joint holders whose name stands first on the register of members in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.
- (f) The form of proxy must be signed by a shareholder, or his attorney duly authorised in writing, or if the shareholder is a corporation, either under its common seal or under the hand of an officer or attorney so authorised.
- (g) To be valid, this form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the office of the Company's Hong Kong branch registrar, Central Registration Hong Kong Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 48 hours before the time of the meeting or any adjourned meeting.
- (h) Any alteration made to this form should be initialled by the person(s) who sign(s) the form.

