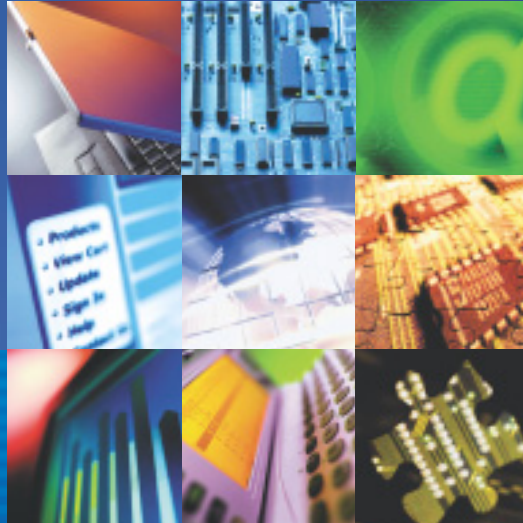




**hendersoncyber**



**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 **2002**

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### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")**

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

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

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

### 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.L.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.*
- # Woo Ka Biu, Jackson, *MA(Oxon)*  
\* *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  
Woo Ka Biu, Jackson

### 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

Telephone : (852) 2908 8888  
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

Computershare Hong Kong Investor Services 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

### 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\$67.5 million for the year ended 30th June, 2002, compared with HK\$28.3 million for the previous financial year. The Group's loss attributable to shareholders for the year ended 30th June, 2002 was HK\$136.4 million, compared with a loss of HK\$84.3 million for the previous financial year.

### DIVIDENDS

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

### BUSINESS REVIEW

For the financial year ended 30th June, 2002, turnover of the Group was recorded at HK\$67.5 million and showed an increase of 1.4 times over that registered

in the previous financial year mainly as a result of the substantial increase shown in the retailing segment of the Group's business. Other revenue, mainly represented by interest income from deposits and debt securities, was recorded at a lower level and amounted to HK\$22.5 million as compared with HK\$45.4 million registered in the previous financial year due to the significant fall in interest rates during the year under review. Direct costs and operational expenses of HK\$145.9 million was recorded in the financial year under review which was slightly lower than the HK\$147.6 million figure registered in the previous financial year.

In accordance with the announcement of Office of Telecommunications Authority ("OFTA") on 11th January, 2002 to fully liberalize the local Fixed Telecommunications Network Services ("FTNS") market and to waive the performance commitments of existing FTNS licensees that will be due in 2003, the Group has completed a restructuring exercise during the year under review.

For the financial year under review, the loss attributable to shareholders of the Group was recorded at HK\$136.4 million as compared with the corresponding loss figure of HK\$84.3 million shown in the previous financial year. The loss attributable to shareholders included a loss of HK\$58.9 million from operations (being less than the operating loss of HK\$73.9 million in the previous financial year), a write off of inventories in the amount of HK\$11.3 million as well as a HK\$71.3 million provision for impairment loss in respect of data centre and network facilities and IT investments.

The Group is in a very strong and liquid financial position whilst contingent liabilities have been kept at a relatively low level. Cash holdings of HK\$297.9 million and investment-grade debt securities in the amount of HK\$364.0 million were held by the Group as at the end of the financial year under review. The Group has no outstanding in bank borrowings and assets of the Group had not been charged to any third parties. Alongside with the down-sizing of the Group's business services segment, capital commitments of the Group recorded a sharp decrease to HK\$1.4 million as at the end of the financial year under review as compared with HK\$9.2 million registered in the previous financial year. The Group had no significant disposals or acquisitions of subsidiaries and affiliated companies during the past financial year. The core operations of the Group remain to be not exposed to any significant foreign exchange rate risks.

The main focus of the Group during the financial year ended 30th June, 2002 was to further implement its strategies in the Internet services, data centre, high technology and network infrastructure businesses and to undertake a strategic review of its local wireless FTNS business.

### **iCare**

iCare's major achievements during the financial year ended 30th June, 2002 included:

- iCare's new broadband service was launched in May 2002 providing 1.5 megabits per second ("M"), 3M and 6M services, unlimited access, multiple log-on and 100 megabytes per user mailbox.
- iCare IDD service, iCare1608, has acquired over 27,000 customers with over 50,000 telephone lines registered since its launch in December 2001. The encouraging responses were achieved by a range of promotion campaigns including Chinese New Year promotion, IDD roaming service, joint promotions with business partners such as Citibank, Dah Sing Bank, MSN and Hotmail to offer HK\$50 free iCare IDD usage. The cross selling programme at Towngas's Customer Service Hotline continued its success in promoting iCare IDD service. Over 6,000 new customers were acquired through new move-in and regular safety inspections performed by Towngas technicians.
- Continued with the marketing campaigns of Internet Service Provider ("ISP") service by introducing a new HK\$38 monthly plan in May 2002 in order to attract low usage ISP users and to retain customers.
- The iCare Internet-on-TV Set-Top Box ("STB") subscribers, ISP users, Internet Content Provider ("ICP") users, broadband users and IDD subscribers continuously grew at a healthy pace to a total of over 220,000 as at 30th June, 2002.
- New content has been introduced to iCare's website including special feature on cash management, festive attractions and events and "Mystery Garden" featuring interesting topics such as fortune telling, interpretation of dreams and lucky gifts to bring fun and enjoyment to viewers.

- The clicks and bricks strategy was further developed by building upon the success of the first iCare Hot Spot in Causeway Bay. Three more Hot Spots were opened during the financial year ended 30th June, 2002 in Tsuen Wan, Tsim Sha Tsui and Tseung Kwan O in December 2001, March 2002 and June 2002 respectively. iCare Hot Spots served as effective display centres and direct retail outlets for iCare's products and telecom services and has continued to generate encouraging growth during the year.
- The direct marketing channel has proved to be an effective means to generate revenue. Popular merchandise includes PCs, TVs, DVDs speaker sets, digital cameras, LCD monitors, air conditioners, bedding sets and other household items.
- Total revenue for the financial year ended 30th June, 2002 was HK\$62.7 million. In comparison, the total revenue for the prior financial year was HK\$22.9 million.

#### **Henderson Data Centre ("HDC")**

HDC's major achievements during the financial year ended 30th June, 2002 included:

- Continuing with marketing campaigns to increase the occupancy of the data centre at Well Tech Centre ("Well Tech") including co-marketing with Henderson Group's companies and cross selling to Eastar's customer base.
- Enhancing value-added services including:
  - Tier 2 International IP transit services targeted at ICP's and ISP's.
- Web based groupware, such as iOffice, to increase office communication and productivity.
- Remote visual monitoring over the Internet with web cam.
- Bandwidth management system to increase service flexibility.
- Network security, communication applications and automation.
- Merged network and technical operations with Eastar to better serve customers and to maximize utilization of resources.
- Increased market coverage with external resources by developing channel sales and value-added resellers to sell data centre services.
- Improved the cost efficiency of international Internet bandwidth.
- Enhanced the reliability of the core network by introducing better failure protections to satisfy customer demands.
- Introduced more advanced security measures to prevent network hacking and intrusion.
- Enhanced network routing and load balancing measures for better service quality.
- Commenced a trial test for the new trouble ticketing and service record system for better customer care.
- Continued to focus on cost management and efficiency improvement.
- Total revenue for the financial year ended 30th June, 2002 was HK\$3.3 million. In comparison, the total revenue for the prior financial year was HK\$0.9 million.

**Eastar**

Eastar's major achievements during the financial year ended 30th June, 2002 included:

- Implemented new technologies such as wireless Local Area Network ("LAN"), virtual private network ("VPN") and firewall services.
- Launched value-added services such as bandwidth monitoring, managed firewall, VPN and International Private Leased Circuit ("IPLC").
- Entered into agreement regarding the usage of blockwiring with New World Telephone and agreements with Wharf New T&T and Hutchison Global Crossing are in process.
- Achieved synergies with various members of the Group including:
  - Collaborated with iCare to launch residential Internet broadband services.
  - Collaborated with Future Home to cross sell Internet broadband access services to some property management companies.
  - Commenced a joint marketing programme with HDC targeting Small-and-Medium Enterprises ("SMEs") and system integration companies.
- Received approval from OFTA on the extension of milestone deadlines to 15th February, 2003 for the second phase network rollout.
- Completed the first stage evaluation of alternative technologies for the second phase network rollout.
- Commenced the preparation for the second phase network rollout.
- Submitted an application to OFTA to convert the wireless FTNS licence to a Local Fixed Carrier ("LFC") licence.
- Submitted an application to OFTA to assign the frequency band at 5.8/5.9 GHz for the second phase network rollout.
- Continued with the implementation of blockwiring projects in some selective property sites of Henderson Group.
- Total revenue for the financial year ended 30th June, 2002 was HK\$1.3 million. In comparison, the total revenue for the prior financial year was HK\$0.5 million.

**Future Home**

Future Home's major achievements during the financial year ended 30th June, 2002 included:

- Installed Car Park Management System in three Henderson Group estates and has commenced installation in another four Henderson Group estates.
- Implemented Customer Relationship Management System and Smart Card System in a number of Henderson Group estates.
- Installed Attendance and Access Control System with smart card and image verification facility to four construction sites of E Man Construction Company Limited. The system was also introduced to Heng Tat Construction Company Limited, Heng Shung Construction Company Limited and Heng Lai Construction Company Limited.

- Completed the implementation of IT network infrastructure and upgrade for Well Born Real Estate Management Limited.
- Completed the design of IT network infrastructure and upgrade for Goodwill Management Limited.
- Completed the initial study of IT network infrastructure and upgrade for Hang Yick Properties Management Limited.
- Implemented the idHOME System which includes Property Management System, Customer Relationship Management System, Facilities Booking System and information broadcast through TV to over ten thousand households managed by Well Born Real Estate Management Limited.
- Commenced to design and develop an attendance management system to Well Born Real Estate Management Limited and Hang Yick Properties Management Limited.
- Commenced to design and develop a payroll and attendance system to Megastrength Security Services Company Limited.
- Obtained contracts to provide a smart card access control system to three Henderson Group estates.
- Completed the network infrastructure upgrade for Megastrength Security Services Company Limited.
- Total revenue for the financial year ended 30th June, 2002 was HK\$3 million. In comparison, the total revenue for the prior financial year was HK\$5.4 million.

### **IT Investments**

- IT Investments reviewed a number of opportunities during the financial year ended 30th June, 2002 but did not proceed with any investments.

### **PROSPECTS**

The Group has been actively implementing its strategies during the financial year ended 30th June, 2002. Due to the fact that the Internet, telecommunication and high technology industries are dynamic and fast changing, the Group must be flexible and versatile in order to respond to such changes.

The Group seeks to integrate its existing businesses and wherever feasible, to offer “one-stop shopping”. The objective is to either reduce costs or 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 become a well-established and widely accepted brand for the distribution of goods, Internet and telecommunication services. With respect to distribution of goods, iCare, via its website, direct marketing channels and Hot Spots, will continue to seek growth while achieving satisfactory margins. With respect to Internet services, iCare will continue to develop market share in Internet broadband services and retain ISP customers. With respect to telecommunication services, iCare will seek to continue with the encouraging growth of iCare1608 since its launch. iCare will continue to expand the breadth of its infotainment and e-commerce offerings on its portal site. The rich content and desirable offerings will make it a popular site for both STB subscribers and PC users via broadband or the ISP.

It is anticipated that iCare is well positioned to succeed in establishing itself as a widely accepted brand for the distribution of goods, Internet and telecommunication services.

**HDC**

HDC will continue to optimize operational efficiency with respect to the revenue-generation potential and is also expected to facilitate the network rollout of Eastar by providing equipment co-location and management services.

**Eastar**

Eastar will actively prepare for the second phase network rollout while aiming to achieve cost benefit and time efficiency at a higher level by combining both wireless and wireline technologies for future service delivery. Partnering with affiliated entities and leveraging on available resources within Henderson Group will further provide competitive advantages.

OFTA's amendment of the wireless FTNS licence to an LFC licence on 26th July, 2002 is a positive development which occurred subsequent to the financial year ended 30th June, 2002.

**Future Home**

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

Future Home will focus on the development, installation and promotion of the idHOME System, Smart Card System, Car Park Management System and Attendance and Access Control System 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, 2002

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

#### **Liquidity, financial resources and capital structure**

As at 30th June, 2002, shareholders' funds of the Group amounted to HK\$797.2 million, representing a reduction of 14.6% from the corresponding figure recorded as at the end of the previous financial year after accounting for HK\$136.4 million loss attributable to shareholders that was incurred during the current financial year.

As at the end of June, 2002, current assets of the Group amounted to HK\$534.5 million of which HK\$297.9 million were represented by cash and cash equivalents and HK\$216.7 million were held by way of investment-grade debt securities of remaining life of less than one year. The Group's other current assets recorded at 30th June, 2002 included HK\$3.2 million in inventories and HK\$16.7 million in accounts receivable, deposits and prepayments, showing a decrease of 78.9% and an increase of 77.1% respectively when compared to those levels recorded as at the end of June, 2001. Current liabilities of the Group decreased by 72.7% from those recorded as at the end of financial year 2001, comprising accounts payable and accrued expenses that amounted to HK\$17.4 million in aggregate. Although the Group's net current assets as at 30th June, 2002 decreased by 25.7% to HK\$517.1 million from the level of HK\$696.0 million that was recorded as at 30th June, 2001, the Group continued to maintain a financially liquid position. In addition, the Group also held HK\$147.3 million in investment-grade debt securities of remaining life of longer than one year as at the end of the financial year under review.

#### **Significant investments**

During the financial year under review, the Group invested its surplus funds in acquiring investment-grade debt securities and, as mentioned above, these totally amounted to HK\$364.0 million as at the end of the financial year under review with an average remaining life of 1.2 years to enhance treasury investment yield.

#### **Material acquisitions and disposals of subsidiaries and affiliated companies**

The Group had no significant disposals or acquisitions of subsidiaries and affiliated companies during the financial year ended 30th June, 2002.

#### **Segmental information**

##### *Business Turnover*

For the year ended 30th June, 2002, total turnover of the Group amounted to approximately HK\$67.5 million, representing an increase of 1.4 times as compared to HK\$28.3 million recorded during the business start-up phase of the Group in the previous financial year. Of the total turnover amount, HK\$62.4 million or 92.6% was generated from the Retailing segment, representing an increase of approximately 1.8 times over that recorded in the previous financial year for the same segment. Compared to the turnover of approximately HK\$0.4 million in financial year 2001, the Business Services segment registered a substantial increase in turnover that amounted to approximately HK\$2.0 million during the financial year under review. Turnover of the Building System Services segment was recorded at approximately HK\$3.0 million in the financial year under review, showing a decrease of 43.4% as compared to that shown in the previous financial year due to the drop in demand for installation of building systems resulting from slowdown in the property market during the financial year under review.

##### *Operating Results*

For the financial year under review, the loss attributable to shareholders of the Group was recorded at HK\$136.4 million as compared with the corresponding loss figure of HK\$84.3 million shown in the previous financial year. The loss attributable to shareholders included a loss of HK\$58.9 million from operations (being less than the operating loss of HK\$73.9 million in the previous financial year), a write off of inventories in the amount of HK\$11.3 million as well as a HK\$71.3 million provision for impairment loss in respect of data centre and network facilities and IT investments. The segmental results which were mainly

accounted for by the Group's Retailing segment, Business Services segment and Building System Services segment totally amounted to a consolidated loss of HK\$81.7 million for the financial year under review as compared to the corresponding consolidated loss figure of HK\$117.2 million registered in the previous financial year. Losses on the Retailing segment and Business Services segment were both reduced and were recorded at HK\$35.5 million and HK\$44.8 million respectively whilst loss on the Building System Services segment showed an increase and was recorded at HK\$1.3 million for the financial year under review. Direct costs and operational expenses of HK\$145.9 million was recorded in the financial year under review which was slightly lower than the HK\$147.6 million figure registered in the previous financial year. Interest income from deposits and debt securities showed a decrease of 50.9% as compared to that registered in the previous financial year and was recorded at approximately HK\$22.0 million resulting from falling interest rates prevailing in the financial year under review. A reduction of 35.5% was recorded in selling, distribution and administrative costs as compared to the corresponding figure of HK\$49.2 million registered in the previous financial year mainly as a result of the Group's continuous efforts made in improving its operating efficiency and cost control.

### **Employees**

The number of employees of the Group was reduced to around 80 as at 30th June, 2002 from 151 as at 30th June, 2001, as a result of the Group's tight control of its operating expenses by scaling down the workforce of Eastar and merging Eastar's technical operations with Henderson Data Centre. Thus, the staff cost incurred in the current financial year decreased by 19.0% to HK\$34.9 million as compared with HK\$43.1 million incurred in the previous financial year. Remuneration of employees was generally in line with the market trend and commensurable to the level of pay in the industry, with discretionary year-end bonus paid and/or share options granted to employees based on individual performance. Other benefits to the Group's employees include medical insurance, retirement schemes, training programmes and educational subsidies.

### **Charges on group assets**

The assets of the Group had not been charged to any third parties in the financial year under review.

### **Future plans for material investments or capital assets**

Alongside with the down-sizing of the Group's Business Services segment, capital commitments of the Group was recorded at HK\$1.4 million as at the end of the financial year under review, representing a significant reduction from the corresponding level of HK\$9.2 million registered in the previous financial year.

### **Gearing ratio**

Since the Group did not incur any bank borrowings as at 30th June, 2002, the gearing ratio which is expressed as the ratio of total net bank borrowings to shareholders' fund was zero, being the same as that recorded as at the end of the previous financial year.

### **Exposure to fluctuations in foreign exchange and hedging**

The core operations of the Group remain to be not exposed to any significant foreign exchange risks. The HK\$364.0 million investment-grade debt securities held by the Group as at 30th June, 2002 are denominated in U.S. Dollars and no arrangement has been made to hedge the associated exchange rate risk.

### **Contingent liabilities**

As at the end of the financial year under review, contingent liabilities of the Group amounted to HK\$12.0 million, represented a performance bond issued by a bank on behalf of Eastar. It was provided in accordance with the terms of the local wireless FTNS licence granted to the subsidiary.

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

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 from 1st July, 2001 to 30th June, 2002:

Period from 1st July, 2001 to 31st December, 2001:

**Business Objectives**

**Actual Business Progress**

**iCare**

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• In order to cater for the increasing popularity of broadband Internet access that is expected in this period, iCare expects to begin to explore means of providing more three-dimensional and video oriented content.</li> <li>• iCare expects to continue to add new content services to its portal as well as enhancing existing content and services. The iCare portal is expected to offer over 3,000 items by the end of this period.</li> </ul> | <ul style="list-style-type: none"> <li>• No substantial progress in providing three-dimensional and video oriented content during the period due to lower than expected market demand and business opportunity.</li> <li>• Pet Photo Contest was held in July to promote the use of iCare digital photo album. In addition, on-line ordering of digital photo processing was also provided.</li> <li>• Fund investment and on-line Q&amp;A were introduced in the financial channel (Money Talk) in mid-September.</li> <li>• New interactive forums such as Beauty Q&amp;A and Tsang Sir Home DIY Q&amp;A were introduced in October.</li> <li>• The website was revamped in October to introduce new home page design with the inclusion of instant news tickers and daily product promotion for e-shopping.</li> <li>• Special on-line promotional coupons for Karting Mall were offered to customers, which featured instant booking and special discounts.</li> <li>• Seasonal attractions, such as special travel offer in summer, Christmas eCard design competition and gift wizard were introduced to enhance existing content and to promote sales.</li> <li>• As at 31st December, 2001, there were around 3,000 items offered in iCare portal.</li> </ul> |
|--|---|

**HDC**

- The construction of the third data centre is expected to be completed by the end of this period.
- The tender will be awarded for the retrofit of the third data centre at Kwun Tong for a total capital cost of about HK\$350 million.
- HDC also expects to undertake a comprehensive marketing programme to attract new customers to the third data centre, including offering discounted rates and special promotions and advertisements.
- The construction of the third data centre was suspended due to reduced market demand. The key focus was on increasing occupancy at Well Tech and enhancing service profiles.
- Not applicable as third data centre has not been built.
- Not applicable as third data centre has not been built.

**Eastar**

- Eastar expects to continue to expand the districts covered by the service and to expand the range of value added services. The target is to install at least five new Local Multipoint Distribution System ("LMDS") hub sites during this period.
- Total capital expenditure required during this period is expected to be at least HK\$80 million.
- A more cost-effective means for network deployment was considered in light of intense competition and increasing liberalization of the telecommunications industry. The network rollout of LMDS sites was suspended while the evaluation of alternative technologies was being actively pursued.
- Total capital expenditure incurred during this period is approximately HK\$4 million.

**Future Home**

- Future Home will continue to market its high technology and network infrastructure design services to developers, property owners and estate management companies.
- Completed the implementation of IT network infrastructure and upgrade for Well Born Real Estate Management Limited.
- Completed the design of IT network infrastructure and upgrade for Goodwill Management Limited.
- Completed the initial study of IT network infrastructure and upgrade for Hang Yick Properties Management Limited.

- Continue to develop, improve and enhance its services and to find new applications and high technology features for its network infrastructure.
- Implemented Customer Relationship Management System and Smart Card System in a number of Henderson Group estates.
- Installed Car Park Management System in two Henderson Group estates.
- Implemented the idHOME System which includes Property Management System, Customer Relationship Management System, Facilities Booking System and information broadcast through TV to over ten thousand households managed by Well Born Real Estate Management Limited.
- Developed and introduced an Attendance and Access Control System with smart card and image verification facility to E Man Construction Company Limited, Heng Tat Construction Company Limited, Heng Shung Construction Company Limited and Heng Lai Construction Company Limited.

Period from 1st January, 2002 to 30th June, 2002:

### **Business Objectives**

### **Actual Business Progress**

#### ***iCare***

- Subject to the success of the iCare service in Hong Kong and subject to legal restrictions and regulatory approvals, iCare expects to commence its service in the most populated areas of Southern China during this period. This will involve identifying delivery agents as well as setting up a warehouse operation in Mainland China.
- Due to legal and regulatory restrictions, iCare's ISP and IDD services cannot be offered in China. Nevertheless, iCare is well positioned to expand its services to Mainland China when the right opportunity arises.

#### ***HDC***

- The retrofitting of the third data centre is expected to be completed and operations are expected to commence during this period.
- Not applicable as third data centre has not been built.
- HDC also expects to undertake a comprehensive marketing programme to attract new customers to the third data centre including promotions and advertisement in newspapers.
- Not applicable as third data centre has not been built.

#### ***Eastar***

- Eastar's target is to install at least five new LMDS hub sites during this period.
- A more cost-effective means for network deployment was considered in light of intense competition and increasing liberalization of the telecommunications industry. After extensive discussions with OFTA, Eastar received approval for extension of deadline for second phase network rollout and submitted an application to assign the frequency band at 5.8/5.9GHz. Accordingly, the network rollout of LMDS sites was suspended.

- Total capital expenditure required during this period is expected to be at least HK\$80 million.
- In light of OFTA's decision to waive the capital expenditure milestones and having regard to the availability of lower cost equipment than LMDS, capital expenditure requirements have been reduced. Total capital expenditure incurred up to the end of this year is approximately HK\$54 million.

**Future Home**

- Future Home will continue to market its high technology and network infrastructure design services to developers, property owners and estate management companies.
- Completed the network infrastructure upgrade for Megastrength Security Services Company Limited.
- Continue to develop, improve and enhance its services and to find new applications and high technology features for its network infrastructure.
- Installed Car Park Management System in a Henderson Group estate and has commenced installation in another four Henderson Group estates.
- Installed an Attendance and Access Control System with smart card and image verification facility to four construction sites of E Man Construction Company Limited.
- Commenced to design and develop an attendance management system to Well Born Real Estate Management Limited and Hang Yick Properties Management Limited.
- Commenced to design and develop a payroll and attendance system to Megastrength Security Services Company Limited.
- Obtained contracts to provide smart card access control system to three Henderson Group estates.



## 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 Limited which have been used by 30th June, 2002 as follows. While the Company has achieved most of its key business objectives during the year ended 30th June, 2002, it has sought to do so cautiously while maintaining a healthy cash reserve and debt securities totaling HK\$662 million as at 30th June, 2002.

	Actual (HK\$ million)	Actual (HK\$ million)	Comments
<b>Total net proceeds from IPO</b>		894	
<b>Less: Actual use up to 30th June, 2002</b>			
<b>iCare</b>			
Hardware	41		The amount of HK\$210 million was projected to be used by 30th June, 2002. STB deployment has been below expectations resulting in the purchase of fewer STB's.
Software	6		The amount of HK\$10 million was projected to be used by 30th June, 2002.
Advertising	27		The amount of HK\$30 million was projected to be used by 30th June, 2002.
<b>HDC</b>	46		The amount of HK\$230 million was projected to be used by 30th June, 2002. The first data centre at Well Tech was completed at lower cost than projected and the construction of second and third data centres have been suspended due to reduced market demand.
<b>Eastar</b>			
Acquisition of telecommunications network infrastructure	45		The amount of HK\$180 million was projected to be used by 30th June, 2002. Network deployed conservatively to benefit from technical advances and falling equipment prices.
Acquisition of distribution equipment	3		The amount of HK\$70 million was projected to be used by 30th June, 2002. Network deployed conservatively to benefit from technical advances and falling equipment prices.
Blockwiring	—		The amount of HK\$50 million was projected to be used by 30th June, 2002. Investment in blockwiring was suspended in response to a difficult operating environment. Therefore, buildings to be blockwired by Eastar were blockwired by third parties.
<b>Future Home</b>	3		
<b>IT Investments</b>	6		Cautious approach.
<b>Investment in Debt Securities</b>	368		
<b>Other capital expenditure</b>	8		
<b>Working capital</b>	43	596	
<b>Cash at Bank</b>		298	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, 2002.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of its subsidiaries are Internet services, merchandising services, data centre services, local wireless fixed telecommunications network services, intelligent building services and IT investments.

An analysis of the Group's segmental information by business during the year is set out in note 14 to the accounts on pages 61 and 62.

No geographical analysis is shown as the activities of the Group during the year were mainly carried out in Hong Kong.

### SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 30th June, 2002 are set out on page 75.

### RESULTS

Details of the Group's results for the year ended 30th June, 2002 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 41 to 76.

### DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 30th June, 2002.

### CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK\$200,000 (2001: HK\$Nil).

### FIXED ASSETS

Particulars of the movements in fixed assets during the year are set out in note 15 to the accounts on pages 63 to 65.

### BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group has no bank loans, overdrafts and other borrowings as at 30th June, 2002.

### INTEREST CAPITALISED

No interest was capitalised by the Group for the year ended 30th June, 2002.

### RESERVES

Particulars of the movements in the reserves of the Group and the Company for the year ended 30th June, 2002 are set out in note 25 to the accounts on pages 69 and 70.

### SHARE CAPITAL

Details of the share capital of the Company are set out in note 24 to the accounts on pages 68 and 69.

### GROUP FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last two years and the proforma combined results of the Group for the three years ended 30th June, 1998, 1999 and 2000 are summarized on page 77.

## DIRECTORS' REMUNERATION

Particulars of the Directors' remuneration disclosed pursuant to Section 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 8 to the accounts on page 58.

## DIRECTORS

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

### **Executive Directors:**

Lee Shau Kee (*Chairman*)

Chan Wing Kin, Alfred

Lam Ko Yin, Colin

Lee Ka Kit

Lee Ka Shing

Yip Ying Chee, John

Douglas H. Moore

### **Independent Non-executive Directors:**

Dr. Li Kwok Po, David

Professor Ko Ping Keung

Professor Li Kwok Cheung, Arthur  
(*resigned on 1st August, 2002*)

Woo Ka Biu, Jackson  
(*appointed on 12th September, 2002*)

The term of office of the Independent Non-Executive Directors, Dr. Li Kwok Po, David, Professor Ko Ping Keung and Professor Li Kwok Cheung, Arthur has been extended for two years to expire on 31st December, 2003.

Professor Li Kwok Cheung, Arthur resigned on 1st August, 2002 on his appointment as Secretary for Education and Manpower of the Government of the Hong Kong Special Administrative Region. The Board of Directors would like to express its gratitude to Professor Li for his support and valuable contribution to the Company.

Mr. Woo Ka Biu, Jackson was appointed on 12th September, 2002 as an Independent Non-Executive Director for a term expiring on 31st December, 2003.

Mr. Woo Ka Biu, Jackson retires in accordance with Article 86(3) of the Company's Articles of Association at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

Messrs. Lee Ka Kit and Yip Ying Chee, John 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 74, 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 51. 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 27 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.L.T.*, aged 51. 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 29 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 39, 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 31, 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 53. 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 25 years' experience in corporate finance, and corporate and investment management.

**Douglas H. MOORE**, LL.B., aged 44, 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 Brek Energy Corporation (formerly named First E-Com.com, Inc.) which is an exploration and production company with interests in non-conventional oil and gas resources in Texas and the Rocky Mountains. 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 63. 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, SCMP Group 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 51. 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.

**WOO Ka Biu, Jackson**, MA(Oxon), aged 40, was appointed a Director of the Company in September 2002. He is a director of N M Rothschild & Sons (Hong Kong) Limited ("Rothschild"), and has responsibility for the investment banking business of Rothschild for North Asia. He holds a MA degree in Jurisprudence from the Oxford University and is a qualified solicitor in England and Wales, Hong Kong Special Administrative Region and Australia. Prior to joining Rothschild, Mr. Woo was a partner in the corporate finance department of Woo, Kwan, Lee & Lo and is now a consultant of Woo, Kwan, Lee & Lo. Since July 2000, he has been an Alternate Director to Sir Po-shing Woo, an independent non-executive director for both Henderson Land Development Company Limited and Henderson Investment Limited. Mr. Woo is the son of Sir Po-shing Woo.

#### **Senior Management**

**LEE Wai Kwong, Sunny**, M.Sc., M.Eng., M.B.C.S., C.Eng., M.H.K.C.S., aged 43, 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.

**LAI Man Kwong, Patrick**, aged 39, Manager of Future Home Limited ("Future Home"). Mr. Lai graduated from the Lingnan College and possesses an Honour Diploma of Computer Studies. He has 15 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 41, Chief Technology Officer of Henderson Cyber. Mr. Ho holds a Bachelor Degree (1st class honours) in Computer Studies from the City Polytechnic University 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 18 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.

**LEE Wai Sheung, Violet**, *B.A., M.Sc. (Finance)*, aged 40, Chief Business Strategist of Henderson Cyber. Ms. Lee holds a Bachelor Degree from University of Toronto, Canada and a Master Degree in Finance from Golden Gate University, USA. Prior to joining the Henderson Group in September 2000, Ms. Lee was a partner of Aristo Investment Group, San Francisco, where she contributed extensively to the strategic growth of the partnership. Before joining Aristo Investment Group, Ms. Lee was a director of Cadysis Corp, San Jose, which specialised in artificial intelligence solutions for Computer Aided Design/Computer Aided Engineering applications. Ms. Lee has extensive experience in areas of investment, finance, high technology, and strategic planning.

**YIP Hong Ngai, Philip**, aged 38, 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 16 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 38, 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 38, 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 18 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.

**AU Tit Ying, B.Sc.**, aged 52. Mr. Au holds a Bachelor of Science degree in Pure Mathematics and a Graduate Diploma in Information Systems and has 30 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 54. 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 41, 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 37, 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 58. 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 32 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., FIGEM, F.H.K.I.E., F.Inst.E., F.C.I.B.S.E., F.I.Mech.E.*, aged 51, 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 50, 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 39, 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 19 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. Ms. Shen joined iCare in December 1999.

## DISCLOSURE OF INTERESTS

### Directors' Interests in Shares

As at 30th June, 2002, 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 Shau 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 Shau Kee	—	—	—	1,122,938,300 (Note 1)	1,122,938,300
Henderson Investment Limited	Lee Shau Kee	34,779,936	—	—	2,075,859,007 (Note 6)	2,110,638,943
	Lam Ko Yin, Colin	11,000	—	—	—	11,000
	Li Kwok Cheung, Arthur	20,000	—	—	—	20,000
Henderson China Holdings Limited	Lee Shau Kee	—	—	—	325,133,977 (Note 13)	325,133,977
Hong Kong Ferry (Holdings) Company Limited	Lee Shau 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	3,226,174	—	—	2,157,017,776 (Note 8)	2,160,243,950
	Li Kwok Po, David	10,964,082	—	—	—	10,964,082
	Chan Wing Kin, Alfred	102,825 (Note 5)	—	—	—	102,825
	Li Kwok Cheung, Arthur	231,913	—	—	—	231,913
Miramar Hotel and Investment Company, Limited	Lee Shau Kee	—	—	—	252,105,250 (Note 11)	252,105,250
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:**

- 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 1,117,143,200 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.
- 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.
- 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.
- 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.
- These shares were jointly held by Mr. Chan Wing Kin, Alfred and his spouse.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.

## SHARE OPTION SCHEMES

On 28th June, 2000, the shareholders of the Company approved the Pre-IPO Share Option Plan ("Option Plan") and the Share Option Scheme (collectively referred to as the "Schemes"). A summary of the Schemes is as below:

### (1) Purpose

The purpose of the Option Plan is to recognise the contribution of the participants of the Option Plan to the growth of the Group and/or to the listing of shares of the Company ("Shares") on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The purpose of the Share Option Scheme is to assist in the recruitment and retention of high calibre executives and employees by providing them with incentives of share options.

**(2) Participants**

Options to subscribe for 32,000,000 Shares under the Option Plan were granted on 28th June, 2000, immediately prior to the listing of the Shares on GEM on 14th July, 2000 ("IPO Date").

The Company may grant options to subscribe for Shares under the Share Option Scheme to any executive directors and full time employees of the Group.

**(3) Maximum number of Shares available for subscription**

Pursuant to the Option Plan, options to subscribe for the maximum number of 32,000,000 Shares were granted of which options to subscribe for 4,250,000 Shares had lapsed. No further options may be granted under the Option Plan after the IPO Date.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company in issue shall not exceed 30 per cent. of the total number of Shares in issue from time to time (excluding (i) any Shares issued pursuant to the Share Option Scheme and any other share option schemes of the Company; and (ii) any pro rata entitlements to further Shares issued in respect of those Shares mentioned in (i)).

**(4) Maximum entitlement of each participant**

Pursuant to the Schemes, no participant may be granted an option which, if exercised in full, would result in such person's maximum entitlement exceeding 25 per cent. of the aggregate number of Shares for the time being issued and issuable under the Schemes.

**(5) Minimum and maximum periods for the exercise of options**

Pursuant to the Schemes, an option may be exercised in accordance with the terms of the respective Schemes at any time during such period or periods to be notified by the Board of Directors of the Company to each grantee provided that the period within which the option may be exercised shall be not less than 3 years and not more than 10 years from the date on which an offer of the grant of the option ("Offer Date") is accepted.

**(6) Payment on acceptance of option**

Pursuant to the Schemes, HK\$1.00 is payable to the Company by the grantee on acceptance of the grant of an option within 28 days from the Offer Date.

**(7) Basis of determining the subscription price**

The subscription price per Share under the Option Plan is HK\$1.25, being the price per Share at which the Shares were offered for subscription by the public at the initial public offering of the Shares.

The subscription price per Share under the Share Option Scheme is determined by the Board of Directors of the Company and shall be the highest of:

- (i) the closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the Offer Date, which must be a business day;
- (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Offer Date; and
- (iii) the nominal value of a Share.

**(8) Remaining life of the Schemes**

No further options shall be granted under the Option Plan after the IPO Date. Shares granted under the Option Plan prior to the IPO Date can be exercised not later than four years from the IPO Date.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on 28th June, 2000, after which no further options will be granted.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

### (i) Options to subscribe for shares in the Company

As at 30th June, 2002, the following Directors of the Company had interests

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

Name of Director	Number of share options at 1st July, 2001	Number of share options granted during the year	Number of share options outstanding at 30th June, 2002
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

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

Date of Grant	Aggregate number of share options at 1st July, 2001	Number of share options granted during the year	Number of share options lapsed during the year	Aggregate number of share options outstanding at 30th June, 2002
28/06/2000	1,300,000	—	50,000	1,250,000

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

Date of Grant	Aggregate number of share options at 1st July, 2001	Number of share options granted during the year	Number of share options lapsed during the year	Aggregate number of share options outstanding at 30th June, 2002
28/06/2000	16,350,000	—	1,850,000	14,500,000

Subject to the terms and conditions of the Pre-IPO Share Option Plan, each of the above Directors, employees and other participants will be entitled to exercise at the price of HK\$1.25 per share (i) 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.

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

Date of Grant	Aggregate number of share options at 1st July, 2001	Number of share options granted during the year	Aggregate number of share options outstanding at 30th June, 2002
04/10/2000	100,000	—	100,000

Subject to the terms and conditions of the Share Option Scheme, the employee of the Company will be entitled to exercise at the price of HK\$0.89 per share (i) thirty per cent. of the share options so granted at any time after the expiry of 12 months from 16th October, 2000 (the date of acceptance of the share options), (ii) a

further thirty per cent. of the share options so granted at any time after the expiry of 24 months from 16th October, 2000 and (iii) the remaining share options at any time after the expiry of 36 months from 16th October, 2000 and in each case, not later than four years from 16th October, 2000.



As at 30th June, 2002, share options for a total of 27,750,000 shares in the Company under the Option Plan and 100,000 shares in the Company under the Share Option Scheme remained outstanding, representing in aggregate

approximately 0.6 per cent. of the existing issued share capital of the Company. These share options were granted to the following categories of grantees:

Categories of Grantees	Number of Grantees	Number of share options
Option Plan		
Directors	9	12,000,000
Employees	3	1,250,000
Other participants	43	14,500,000
	55	27,750,000
Share Option Scheme		
Employee	1	100,000

Save as disclosed above, no share options under the Option Plan and the Share Option Scheme had been granted, exercised, cancelled or lapsed during the year ended 30th June, 2002.

**(ii) Options to subscribe for shares in associated corporation**

As at 30th June, 2002, the following Directors of the Company had interests in options to subscribe for shares in Henderson China Holdings Limited, an associated corporation of the Company:

Name of Director	Number of share options	Exercisable Period
Colin Lam Ko Yin	1,500,000	21/08/2001-20/08/2004
Lee Ka Kit	1,500,000	02/11/2001-01/11/2004

The above Directors will be entitled to exercise the share options in whole or in part at the price of HK\$4.00 per share at any time during the respective exercisable periods.

Except for the above, at no time during the 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, 2002, 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:

- 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.
- 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.
- 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").
- 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.
- 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.
- 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.
- 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, 2002, 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, 2002, 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\$1,364,000 was received by the Group in respect of the Intelligent Building Services and FTNS Arrangements but there was no revenue from the local wireless FTNS under the said 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 LMDS hubs and remote stations and other equipments relating to the provision of local wireless FTNS in buildings developed, owned and/or managed by 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, a sum of approximately HK\$952,000 was payable by the Group in respect of the Licence Arrangements. As at 30th June, 2002, deposits of approximately HK\$186,000 have been paid by the Group.

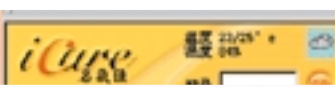
- (iv) The Group's two properties at Well Tech Centre and Big Star Centre are managed by subsidiaries of HL. Upon completion of the construction of the Wealth Centre as mentioned in item (i) above, it will also be managed by a subsidiary of HL. It is intended that such subsidiaries of HL will continue 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 maximum aggregate annual fee payable by the Group under the Property Management Arrangements for any financial year shall not exceed HK\$1,400,000 which was determined by reference to the then current level of management fees charged by unrelated providers of property management services in respect of property of similar standards.

During the year, the Group paid property management services fee of approximately HK\$81,000 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\$756,000.

- (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 with 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\$166,000 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.

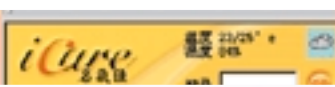
- (viii) On 28th June, 2000, the Company entered into an agreement with HL pursuant to which the Company will procure the relevant members of the Group to provide software system support to the Henderson Group for its properties and properties managed by it (the “System Support Arrangements”) for a period 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\$1,220,000 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, 2002, payment made to HL for the above services amounted to approximately HK\$1,000,000.

(ii) For the year ended 30th June, 2002, staff costs were reimbursed from Towngas to the Group in the amount of approximately HK\$2,460,000 based on the costs incurred for sharing of administrative services.

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 per cent. 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**

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, 2002:

- (a) the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30 per cent. of the Group's total purchases.
- (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.

#### **MANAGEMENT DISCUSSION AND ANALYSIS**

A management discussion and analysis of the Group's 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 26 to the accounts on page 71.

#### **AUDIT COMMITTEE**

The Company has established an Audit Committee on 25th May, 2000 which then comprised two Independent Non-executive Directors, Dr. Li Kwok Po, David and Professor Ko Ping Keung, and reports to the Board of Directors. Mr. Woo Ka Biu, Jackson, an Independent Non-executive Director, was appointed an additional member of the Audit Committee on 13th September, 2002.

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-yearly report and quarterly reports of the Group for the financial year under review and Audit Committee meetings were held in May 2002 and September 2002.



## 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 per cent. of the issued share capital of the Company) as at 30th June, 2002.

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, 2002.

## BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules throughout the year.

## 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, 2002



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

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the accounts on pages 41 to 76 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

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hendersoncyberlimited | ANNUAL REPORT 2002

## 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, 2002 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, 2002

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30th June, 2002

	Note	2002 HK\$'000	2001 HK\$'000
Turnover	2	<b>67,452</b>	28,306
Other revenue	3	<b>22,466</b>	45,359
Other net loss	4	<b>(2,977)</b>	(5)
		<b>86,941</b>	73,660
Direct costs and operating expenses		<b>(114,162)</b>	(98,376)
Selling and distribution costs		<b>(18,341)</b>	(32,114)
Administrative expenses		<b>(13,376)</b>	(17,062)
Loss from operations		<b>(58,938)</b>	(73,892)
Provision for impairment loss	5	<b>(71,262)</b>	—
Write off of inventories		<b>(11,254)</b>	(12,181)
		<b>(141,454)</b>	(86,073)
Finance costs	6	<b>(21)</b>	(15)
		<b>(141,475)</b>	(86,088)
Share of losses of jointly controlled entities		<b>(23)</b>	(10)
Loss from ordinary activities before taxation	6	<b>(141,498)</b>	(86,098)
Taxation	7(a)	—	—
Loss from ordinary activities after taxation		<b>(141,498)</b>	(86,098)
Minority interests		<b>5,058</b>	1,841
Loss attributable to shareholders	10	<b>(136,440)</b>	(84,257)
Loss attributable to shareholders is absorbed by:			
The Company and its subsidiaries		<b>(136,417)</b>	(84,247)
Jointly controlled entities		<b>(23)</b>	(10)
		<b>(136,440)</b>	(84,257)
Loss per share			
Basic	12	<b>HK2.73 cents</b>	HK1.69 cents

The notes on pages 47 to 76 form part of these accounts.

## CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

for the year ended 30th June, 2002

	Note	2002 HK\$'000	2001 HK\$'000
Capital surplus contributed by minority shareholders	25	—	878
Net gains not recognised in the profit and loss account		—	878
Net loss for the year	25	<b>(136,440)</b>	(84,257)
Total recognised gains and losses		<b>(136,440)</b>	(83,379)

The notes on pages 47 to 76 form part of these accounts.

## BALANCE SHEETS

At 30th June, 2002

	Note	The Group		The Company	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
					(restated)
Non-current assets					
Fixed assets	15	<b>83,654</b>	178,827	<b>97</b>	942
Interests in subsidiaries	16	—	—	<b>843,713</b>	1,031,398
Interests in jointly controlled entities	17	<b>24</b>	1	—	—
Investment securities	18	<b>50,058</b>	61,060	—	—
Held-to-maturity securities	19	<b>147,331</b>	—	—	—
		<b>281,067</b>	239,888	<b>843,810</b>	1,032,340
Current assets					
Held-to-maturity securities	19	<b>216,700</b>	—	—	—
Inventories	20	<b>3,196</b>	15,154	—	—
Accounts receivable, deposits and prepayments	21	<b>16,740</b>	9,450	<b>242</b>	233
Cash and cash equivalents	22	<b>297,860</b>	735,225	<b>6</b>	1
		<b>534,496</b>	759,829	<b>248</b>	234
Current liabilities					
Unsecured bank overdraft		—	1,828	—	—
Accounts payable and accrued expenses	23	<b>17,401</b>	61,974	<b>2,336</b>	7,037
		<b>17,401</b>	63,802	<b>2,336</b>	7,037
Net current assets/(liabilities)		<b>517,095</b>	696,027	<b>(2,088)</b>	(6,803)
Total assets less current liabilities		<b>798,162</b>	935,915	<b>841,722</b>	1,025,537
Minority interests		<b>(1,001)</b>	(2,314)	—	—
Net assets		<b>797,161</b>	933,601	<b>841,722</b>	1,025,537
Capital and reserves					
Share capital	24	<b>500,000</b>	500,000	<b>500,000</b>	500,000
Reserves	25	<b>297,161</b>	433,601	<b>341,722</b>	525,537
		<b>797,161</b>	933,601	<b>841,722</b>	1,025,537

Approved and authorised for issue by the board of directors on 18th September, 2002

Chan Wing Kin, Alfred )  
 ) Directors  
 Douglas H. Moore )

The notes on pages 47 to 76 form part of these accounts.

## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30th June, 2002

	Note	2002 HK\$'000	2001 HK\$'000
Net cash outflow from operating activities	(a)	<b>(68,430)</b>	(97,271)
Returns on investments and servicing of finance			
Interest received		<b>19,397</b>	44,261
Interest paid		<b>(21)</b>	(14)
Dividend received		<b>—</b>	143
Net cash inflow from returns on investments and servicing of finance		<b>19,376</b>	44,390
Investing activities			
Purchase of fixed assets		<b>(25,088)</b>	(112,379)
Proceeds from disposal of fixed assets		<b>499</b>	—
Purchase of investment securities		<b>—</b>	(6,058)
Purchase of held-to-maturity securities		<b>(406,876)</b>	—
Proceeds from disposal of held-to-maturity securities		<b>41,283</b>	—
Advances to jointly controlled entities		<b>(46)</b>	(11)
Net cash outflow from investing activities		<b>(390,228)</b>	(118,448)
Net cash outflow before financing		<b>(439,282)</b>	(171,329)
Financing	(c)		
Contribution from minority shareholders		<b>3,745</b>	—
Gross proceeds from issue of shares		<b>—</b>	937,500
Listing expenses paid		<b>—</b>	(43,463)
Issue of shares to minority shareholders		<b>—</b>	4,387
Net cash inflow from financing		<b>3,745</b>	898,424
(Decrease)/increase in cash and cash equivalents		<b>(435,537)</b>	727,095
Cash and cash equivalents at 1st July		<b>733,397</b>	6,302
Cash and cash equivalents at 30th June	(b)	<b>297,860</b>	733,397

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**

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

	2002 HK\$'000	2001 HK\$'000
Loss from operations	<b>(58,938)</b>	(73,892)
Interest income	<b>(22,010)</b>	(44,841)
Dividend income	—	(143)
Depreciation	<b>22,511</b>	17,281
Loss on disposal of fixed assets	<b>5,265</b>	5
Gain on disposal of held-to-maturity securities	<b>(2,285)</b>	—
Decrease/(increase) in inventories	<b>704</b>	(26,987)
(Increase)/decrease in accounts receivable, deposits and prepayments	<b>(830)</b>	5,177
(Decrease)/increase in accounts payable and accrued expenses	<b>(12,847)</b>	26,129
Net cash outflow from operating activities	<b>(68,430)</b>	(97,271)

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

	2002 HK\$'000	2001 HK\$'000
Deposits with banks	<b>292,189</b>	733,867
Cash at bank and in hand	<b>5,671</b>	1,358
Bank overdraft	—	(1,828)
	<b>297,860</b>	733,397

## CONSOLIDATED CASH FLOW STATEMENT (Continued)

for the year ended 30th June, 2002

(c) Analysis of changes in financing

	Minority interests HK\$'000	Share capital (including share premium) HK\$'000
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)	—
Balance at 30th June, 2001	<u>2,314</u>	<u>943,707</u>
Balance at 1st July, 2001	2,314	943,707
Cash inflow from financing	3,745	—
Attributable losses	(5,058)	—
Balance at 30th June, 2002	<u>1,001</u>	<u>943,707</u>



## 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) 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. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated accounts, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is accounted for in accordance with note 1(f).

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated accounts. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(i)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is accounted for in accordance with note 1(f).

### (d) 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.

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, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor or venturer, in which case, it is accounted for in accordance with note 1(f). The consolidated profit and loss account reflects the Group's share of the post-acquisition results of the jointly controlled entities for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(e).

**1 SIGNIFICANT ACCOUNTING POLICIES** (continued)**(d)** Jointly controlled entities (continued)

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.

In the Company's balance sheet, its investments in jointly controlled entities are stated at cost less impairment losses (see note 1(i)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor or venturer, in which case, it is accounted for in accordance with note 1(f).

**(e)** Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries:

- for acquisitions before 1st July, 2001, positive goodwill is eliminated against reserves and is reduced by impairment losses (see note 1(i)); and
- for acquisitions on or after 1st July, 2001, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(i)).

In respect of acquisitions of jointly controlled entities, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. The cost of positive goodwill less any accumulated amortisation and any impairment losses (see note 1(i)) is included in the carrying amount of the interest in jointly controlled entities.

Negative goodwill arising on acquisitions of controlled subsidiaries and jointly controlled entities represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:

- for acquisitions before 1st July, 2001, negative goodwill is credited to a capital reserve; and
- for acquisitions on or after 1st July, 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated profit and loss account.

In respect of any negative goodwill not yet recognised in the consolidated profit and loss account:

- for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Goodwill (continued)

- for jointly controlled entities, such negative goodwill is included in the carrying amount of the interests in jointly controlled entities.

On disposal of a controlled subsidiary or a jointly controlled entity during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account or which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

### (f) Investment in securities

The Group's policies for investments in securities other than investments in subsidiaries and jointly controlled entities are as follows:

- (i) Dated debt securities that the Group has the ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less any provisions for diminution in value. Provisions are made when carrying amounts are not expected to be fully recovered and are recognised as an expense in the profit and loss account, such provisions being determined for each investment individually.
- (ii) 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.
- (iii) Provisions against the carrying value of held-to-maturity securities and 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.
- (iv) Profits or losses on disposal of investments in 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.

### (g) Fixed assets and depreciation

#### (i) Valuation

Fixed assets are stated at cost less accumulated depreciation and impairment losses (see note 1(i)). The carrying amount of fixed assets is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount.

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.

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(g) Fixed assets and depreciation (continued)**

**(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.

**(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) 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**

Where 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. Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(i). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(j)(iv).

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Leased assets (continued)

#### (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.

#### (i) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than properties carried at revalued amounts);
- investments in subsidiaries and jointly controlled entities (except for those accounted for at fair value);
- intangible assets; and
- positive goodwill (whether taken initially to reserves or recognised as an asset).

If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, or are amortised over more than 20 years from the date when the asset is available for use or goodwill that is amortised over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

#### (i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

#### (ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised.

**1 SIGNIFICANT ACCOUNTING POLICIES** (continued)**(j) 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 and the customer has accepted the goods and the related risks and rewards of ownership. Revenue is stated after deduction of any trade discounts.

**(ii) Internet and telecommunications services**

Revenue from the provision of Internet and telecommunications services are recognised at the time when the services are rendered.

**(iii) Project consultancy and application service provider ("ASP") service income**

Project consultancy and ASP service income are recognised when the services are rendered.

**(iv) Rental income from operating leases**

Rental income receivable under operating leases 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) Network services**

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

**(vii) Interest income**

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

**(viii) Dividends**

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

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (k) 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.

### (l) 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.

### (m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (n) 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.

### (o) 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.

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)****(o) Research and development costs (continued)**

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.

**(p) Retirement costs**

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

**(q) 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.

**(r) 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.

**(s) 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.

**(t) Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.



## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) Segment reporting (continued)

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, corporate and financing expenses and minority interests.

## 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 pages 75.

Turnover represents the sale of goods to customers, revenue from Internet and telecommunications services, income from data centre and network services, and project consultancy and application service provider (“ASP”) service income earned during the year. An analysis of turnover is as follows:

	The Group	
	2002 HK\$'000	2001 HK\$'000
Sale of goods	29,554	7,208
Internet services	30,224	15,211
Telecommunications services	2,657	—
Data centre services	1,076	315
Network services	891	39
Project consultancy and ASP services	3,050	5,390
Dividend income from unlisted securities	—	143
	<b>67,452</b>	<b>28,306</b>

## 3 OTHER REVENUE

	The Group	
	2002 HK\$'000	2001 HK\$'000
Interest income from held-to-maturity securities and bank deposits	22,010	44,841
Management fee income from an affiliated company	—	427
Others	456	91
	<b>22,466</b>	<b>45,359</b>

**4 OTHER NET LOSS**

	The Group	
	2002 HK\$'000	2001 HK\$'000
Loss on disposal of fixed assets	(5,265)	(5)
Gain on disposal of held-to-maturity securities	2,285	—
Exchange gain	3	—
	<u>(2,977)</u>	<u>(5)</u>

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**5 PROVISION FOR IMPAIRMENT LOSS**

	The Group	
	2002 HK\$'000	2001 HK\$'000
Impairment loss on data centre and network equipment and facilities (note 15)	60,260	—
Impairment loss on investment securities (note 18)	11,002	—
	<u>71,262</u>	<u>—</u>

During the year, the operating scale of the business services segment has been down-sized in response to the difficult operating environment and this had caused the Group to assess the recoverable amount of the related data centre and network equipment and facilities. Based on this assessment, the carrying amount of those data centre and network equipment and facilities was written down by HK\$60,260,000.

## 6 LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Finance costs		
- interest expenses on bank overdrafts repayable on demand	<b>21</b>	15
Staff costs (including retirement costs of HK\$1,352,000 (2001: HK\$1,023,000))	<b>34,911</b>	43,112
Less: Amount capitalised under fixed assets as installation costs of data centre and network equipment and facilities	<b>(1,678)</b>	(8,744)
	<b>33,233</b>	34,368
Operating lease charges in respect of hire of		
- telecommunications network facilities	<b>12,236</b>	11,594
- properties	<b>2,700</b>	1,631
Research and development costs	<b>1,087</b>	12,331
Less: Amount capitalised under fixed assets (note 15(b))	<b>(1,070)</b>	(11,297)
	<b>17</b>	1,034
Auditors' remuneration	<b>566</b>	539
Depreciation	<b>22,511</b>	17,281
Cost of inventories sold	<b>24,743</b>	5,718
Rental outgoings in excess of rental receivable from land and buildings	<b>49</b>	—

**7 TAXATION**

- (a) No provision has been made for Hong Kong Profits Tax as the Group sustained losses for taxation purposes during the year.
- (b) No provision for deferred taxation has been made as both the Group and the Company have 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	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Future benefit of tax losses	<b>52,230</b>	38,763	<b>390</b>	234
Tax depreciation allowances in excess of related accounting depreciation	<b>(3,463)</b>	(19,796)	<b>39</b>	4
	<b>48,767</b>	18,967	<b>429</b>	238

**8 DIRECTORS' REMUNERATION**

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	The Group	
	2002 HK\$'000	2001 HK\$'000
Executive directors		
Fees	<b>120</b>	—
Basic salaries and other allowances	<b>480</b>	—
	<b>600</b>	—
Independent non-executive directors		
Fees	<b>60</b>	—
Others	<b>160</b>	—
	<b>220</b>	—
Total	<b>820</b>	—

One executive director received emoluments of HK\$480,000 (2001: HK\$Nil) for the year and each of all the other executive directors received a director's fee of HK\$20,000 (2001:HK\$Nil) during the year.

Each independent non-executive director received a director's fee of HK\$20,000 (2001: HK\$ Nil) during the year. Each of the two independent non-executive directors who are also members of the Audit Committee of the Company received an additional fee of HK\$80,000 (2001: HK\$Nil).

The aggregate remuneration of each of the directors during the year were within the band of HK\$Nil to HK\$1,000,000.

There was no arrangement under which a director had waived or agreed to waive any remuneration during the year.

Except for one of the directors, all the other directors were granted share options.

## 9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The emoluments of the five highest paid employees, none of them is a director, of the Group are set out below:

	The Group	
	2002 HK\$'000	2001 HK\$'000
Basic salaries, housing and other allowances and benefits in kind	5,262	5,917
Retirement scheme contributions	200	160
Performance bonuses	277	195
Inducement fee for joining the Group	—	218
	<u>5,739</u>	<u>6,490</u>

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

Remuneration bands: HK\$	The Group	
	2002 Number of individuals	2001 Number of individuals
Nil - 1,000,000	3	1
1,000,001 - 1,500,000	1	3
1,500,001 - 2,000,000	1	1
	<u>5</u>	<u>5</u>

## 10 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders includes a loss of HK\$183,815,000 (2001: HK\$555,000) which has been dealt with in the accounts of the Company.

## 11 DIVIDENDS

No dividend has been approved and paid by the Company for the year ended 30th June, 2002 (2001: HK\$Nil).

## 12 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\$136,440,000 (2001: HK\$84,257,000) and on the weighted average number of 5,000,000,000 (2001: 4,975,342,465) shares in issue during the year. The weighted average number of shares for the prior year has been adjusted for the effect of capitalisation issue following the initial public offering of the Company's shares.

### (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 year.

### 13 CHANGES IN ACCOUNTING POLICIES

In prior years, positive or negative goodwill arising on acquisition of subsidiaries and jointly controlled entities was eliminated against reserves or was credited to a capital reserve respectively. With effect from 1st July, 2001, in order to comply with Statement of Standard Accounting Practice 30 ("SSAP 30") issued by the Hong Kong Society of Accountants, the Group adopted a new accounting policy for goodwill as set out in note 1(e).

The Group has elected not to restate positive or negative goodwill previously eliminated against reserves or credited to capital reserve. Accordingly, goodwill arising on acquisitions prior to 1st July, 2001 is held in reserves and will be charged to the profit and loss account at the time of disposal of the relevant subsidiary or jointly controlled entity, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st July, 2001 are credited to income at the time of disposal of the relevant subsidiary or jointly controlled entity.

In addition, in prior years, interests in certain subsidiaries of the Company were stated in the Company's balance sheet at the par value of shares issued by the Company in exchange for such interests. In order to comply with SSAP 30, the interests in these subsidiaries are restated at the fair value of the Company's shares at the date of acquisition. As a result of the new accounting policy, the Company's net assets as at 30th June, 2002 have been increased by HK\$82,685,000 (2001: HK\$82,685,000). There is no impact on the Company's loss for the year (2001: HK\$Nil). The new accounting policy has been adopted retrospectively, with the opening balance of reserves and the comparative information adjusted for the amounts relating to prior periods.

## 14 SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

The Group comprises the following main business segments:

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

The Group

	Retailing		Business services		Building system services		IT investments		Elimination		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	62,435	22,419	1,967	354	3,050	5,390	—	143	—	—	67,452	28,306
Other revenue	63	45	393	473	—	—	—	—	—	—	456	518
Revenue from external customers	62,498	22,464	2,360	827	3,050	5,390	—	143	—	—	67,908	28,824
Inter-segment revenue	100	3	1,306	289	—	—	—	—	(1,406)	(292)	—	—
Total	62,598	22,467	3,666	1,116	3,050	5,390	—	143	(1,406)	(292)	67,908	28,824
Segment result	(35,493)	(71,318)	(44,829)	(45,075)	(1,338)	(868)	—	143	(40)	(34)	(81,700)	(117,152)
Interest income from held-to-maturity securities and bank deposits											22,010	44,841
Unallocated income net of expenses											752	(1,581)
Loss from operations											(58,938)	(73,892)
Provision for impairment loss	(7,882)	—	(52,378)	—	—	—	(11,002)	—	—	—	(71,262)	—
Write off of inventories	(11,254)	(12,181)	—	—	—	—	—	—	—	—	(11,254)	(12,181)
Finance cost											(141,454)	(86,073)
											(21)	(15)
											(141,475)	(86,088)
Share of losses of jointly controlled entities											(23)	(10)
Loss from ordinary activities before taxation											(141,498)	(86,098)
Taxation											—	—
Loss from ordinary activities after taxation											(141,498)	(86,098)
Minority interests											5,058	1,841
Loss attributable to shareholders											(136,440)	(84,257)

14 SEGMENTAL INFORMATION (continued)

The Group

	Retailing		Business services		Building system services		IT investments		Elimination		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Depreciation for the year	9,181	7,435	12,399	9,461	142	52	—	—				
Impairment loss for the year	7,882	—	52,378	—	—	—	11,002	—				
Significant non-cash expenses (other than depreciation)	12,781	12,181	2,751	—	—	—	—	—				
Segment assets	25,568	48,861	69,737	152,732	1,044	165	50,058	61,060	(546)	(90)	145,861	262,728
Interests in jointly controlled entities											24	1
Unallocated assets											669,678	736,988
Total assets											815,563	999,717
Segment liabilities	(13,166)	(19,908)	(1,559)	(34,547)	(471)	(182)	—	—	472	56	(14,724)	(54,581)
Unallocated liabilities											(2,677)	(9,221)
Total liabilities											(17,401)	(63,802)
Capital expenditure incurred during the year	5,767	25,623	4,616	111,020	612	1	—	6,058				

No geographical analysis is shown as the activities of the Group during the current and the prior years were mainly carried out in Hong Kong.



## 15 FIXED ASSETS

The Group

	Land and buildings 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, 2001	45,113	11,111	7,924	132,237	196,385
Additions	—	802	—	10,207	11,009
Disposals	—	(6,660)	(7,329)	(3)	(13,992)
Price adjustment (Note)	—	—	—	(17,647)	(17,647)
At 30th June, 2002	<u>45,113</u>	<u>5,253</u>	<u>595</u>	<u>124,794</u>	<u>175,755</u>
Accumulated depreciation:					
At 1st July, 2001	1,024	1,694	3,302	11,538	17,558
Charge for the year	1,017	2,652	3,095	15,747	22,511
Provision for impairment loss (note 5)	—	—	—	60,260	60,260
Written back on disposal	—	(2,425)	(5,802)	(1)	(8,228)
At 30th June, 2002	<u>2,041</u>	<u>1,921</u>	<u>595</u>	<u>87,544</u>	<u>92,101</u>
Net book value:					
At 30th June, 2002	<u>43,072</u>	<u>3,332</u>	<u>—</u>	<u>37,250</u>	<u>83,654</u>
At 30th June, 2001	<u>44,089</u>	<u>9,417</u>	<u>4,622</u>	<u>120,699</u>	<u>178,827</u>

Note:

Price adjustment represents the reduction in the original cost of network equipment and facilities acquired in the previous year, granted by the manufacturer during the year.

**15** **FIXED ASSETS** (continued)

The Company

	Leasehold improvements, furniture, fixtures and office equipment HK\$'000
	<hr/>
Cost:	
At 1st July, 2001	1,273
Additions	14
Disposals	(1,060)
	<hr/>
At 30th June, 2002	227
Accumulated depreciation:	
At 1st July, 2001	331
Charge for the year	789
Written back on disposal	(990)
	<hr/>
At 30th June, 2002	130
Net book value:	
At 30th June, 2002	97
	<hr/> <hr/>
At 30th June, 2001	942
	<hr/> <hr/>

- (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\$124,794,000 (2001: HK\$132,237,000), there were HK\$1,070,000 (2001: HK\$11,297,000) relating to development costs capitalised during the year.
- (c) Included in the Group's data centre and network equipment and facilities of HK\$124,794,000 (2001: HK\$132,237,000), there were HK\$3,109,000 (2001: HK\$2,489,000) relating to network under construction as at 30th June, 2002.
- (d) The Group leases out land and buildings and set-top boxes under operating leases. The leases of land and buildings typically run for an initial period of two to three years, with an option to renew the lease after that date at which time all terms are renegotiated. The leases of set-top boxes are renewable on a monthly basis. None of the leases include contingent rentals.

As at 30th June, 2002, the gross carrying amounts of land and buildings and set-top boxes of the Group held for use in operating leases were HK\$19,672,000 (2001: set-top boxes of HK\$7,924,000) and the related accumulated depreciation charges were HK\$1,458,000 (2001: set-top boxes of HK\$3,302,000).

**15 FIXED ASSETS** (continued)**(d)** (continued)

At 30th June, 2002, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	1,574	—
After one but within five years	2,383	—
	<b>3,957</b>	—

**16 INTERESTS IN SUBSIDIARIES**

	The Company	
	2002 HK\$'000	2001 HK\$'000 (restated)
Unlisted shares, at cost	89,875	89,875
Amounts due from subsidiaries	1,003,399	986,301
	<b>1,093,274</b>	1,076,176
Amounts due to subsidiaries	—	(44,778)
	<b>1,093,274</b>	1,031,398
Provision for impairment loss	(249,561)	—
	<b>843,713</b>	1,031,398

Details of the principal subsidiaries are set out on pages 75.

**17 INTERESTS IN JOINTLY CONTROLLED ENTITIES**

	The Group	
	2002 HK\$'000	2001 HK\$'000
Share of net liabilities	(33)	(10)
Amounts due from jointly controlled entities	57	11
	<b>24</b>	1

Details of the jointly controlled entities are set out on page 76.

**18 INVESTMENT SECURITIES**

	The Group	
	2002 HK\$'000	2001 HK\$'000
Unlisted equity securities, at cost	61,060	61,060
Provision for impairment loss (note 5)	(11,002)	—
	<b>50,058</b>	61,060

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**19 HELD-TO-MATURITY SECURITIES**

	The Group			
	2002		2001	
	HK\$'000 Non-current	HK\$'000 Current	HK\$'000 Non-current	HK\$'000 Current
Debt securities				
Listed outside Hong Kong	11,699	71,424	—	—
Unlisted	135,632	145,276	—	—
	<b>147,331</b>	<b>216,700</b>	—	—
Market value of listed securities	12,093	72,174	—	—

During the year, held-to-maturity securities with an amortised cost HK\$38,998,000 were disposed of at a profit of HK\$2,285,000 (2001: HK\$Nil). These held-to-maturity securities were disposed of due to the availability of alternative investments with better yield rates.

**20 INVENTORIES**

Inventories of the Group represent trading goods.

Included in trading goods are inventories of HK\$Nil (2001: HK\$11,511,000), stated net of a provision made in order to state these inventories at the lower of their cost and estimated net realisable value.

**21 ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS**

(a)

	The Group	
	2002 HK\$'000	2001 HK\$'000
Trade receivable	5,082	1,860
Other receivables, deposits and prepayment	11,658	7,590
	<b>16,740</b>	9,450

At 30th June, 2002, included in the accounts receivable, deposits and prepayments, are amounts due from fellow subsidiary companies of HK\$1,580,000 (2001: HK\$Nil) and deposits paid to fellow subsidiary companies of HK\$2,535,000 (2001: HK\$2,535,000).

## 21 ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS (continued)

### (a) (continued)

The accounts receivable, deposits and prepayments of the Group include rental deposits of HK\$2,834,000 (2001: HK\$2,834,000) which are not expected to be repaid within one year. Apart from the above, all of the balances are expected to be recovered within one year.

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

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

	The Group	
	2002 HK\$'000	2001 HK\$'000
Under 1 month overdue	4,060	1,280
More than 1 month overdue but less than 3 months overdue	917	390
More than 3 months overdue but less than 6 months overdue	71	130
More than 6 months overdue	34	60
	<b>5,082</b>	<b>1,860</b>

## 22 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Deposits with banks	292,189	733,867	—	—
Cash at bank and in hand	5,671	1,358	6	1
	<b>297,860</b>	<b>735,225</b>	<b>6</b>	<b>1</b>

23 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	The Group	
	2002 HK\$'000	2001 HK\$'000
Trade payable	11,242	17,523
Other payables and accrued expenses	6,159	44,451
	<b>17,401</b>	<b>61,974</b>

At 30th June, 2002, included in the accounts payable and accrued expenses, are amounts due to intermediate holding company and fellow subsidiary companies of HK\$1,896,000 (2001: HK\$5,345,000), and HK\$51,000 (2001: HK\$Nil) respectively.

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

	The Group	
	2002 HK\$'000	2001 HK\$'000
Due within 1 month and on demand	9,377	9,723
Due after 1 month but within 3 months	1,435	7,800
Due after 3 months but within 6 months	430	—
	<b>11,242</b>	<b>17,523</b>

24 SHARE CAPITAL

	Number of shares		Nominal value	
	2002 '000	2001 '000	2002 HK\$'000	2001 HK\$'000
Authorised				
Ordinary shares of HK\$0.1 each	10,000,000	10,000,000	1,000,000	1,000,000
Issued and fully paid				
Ordinary shares of HK\$0.1 each	5,000,000	5,000,000	500,000	500,000

(a) Under the Pre-IPO Share Option Plan ("Option Plan"), options to subscribe for an aggregate of 32,000,000 shares of the Company were granted to certain directors and employees of the Company, its holding companies, subsidiaries, fellow subsidiaries and affiliated company on 28th June, 2000 at the consideration of HK\$1.00 for each grant of options.

## 24 SHARE CAPITAL (continued)

### (a) (continued)

Subject to the terms and conditions of the Option Plan, each of the grantees 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.

### (b) Under the Share Option Scheme, options to subscribe for an aggregate of 150,000 shares of the Company were granted to certain employees of the Group on 4th October, 2000 at the consideration of HK\$1.00 for each grant of options.

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

### (c) Details of outstanding share options were as follows:

	Number of share options	
	Share Option Plan	Share Option Scheme
At 1st July, 2001	29,650,000	100,000
Share options lapsed during the year	(1,900,000)	—
At 30th June, 2002	<u>27,750,000</u>	<u>100,000</u>

## 25 RESERVES

The Group

	Capital reserve HK\$'000	Share premium (note a) HK\$'000	Profit and loss account HK\$'000	Total HK\$'000
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	—	862,500	—	862,500
Listing expenses	—	(43,463)	—	(43,463)
Capitalisation issue	—	(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>
At 1st July, 2001	86,179	443,707	(96,285)	433,601
Loss for the year	—	—	(136,440)	(136,440)
At 30th June, 2002	<u>86,179</u>	<u>443,707</u>	<u>(232,725)</u>	<u>297,161</u>

25 RESERVES (continued)

The Company

	Capital reserve HK\$'000	Share premium (note a) HK\$'000	Profit and loss account HK\$'000	Total HK\$'000
At 1st July, 2000				
- as previously reported	—	37,170	(300)	36,870
- prior year adjustment (note 13)	82,685	—	—	82,685
- as restated	82,685	37,170	(300)	119,555
Premium on issue of shares	—	862,500	—	862,500
Listing expenses	—	(43,463)	—	(43,463)
Capitalisation issue	—	(412,500)	—	(412,500)
Loss for the year	—	—	(555)	(555)
At 30th June, 2001	82,685	443,707	(855)	525,537
At 1st July, 2001	82,685	443,707	(855)	525,537
Loss for the year	—	—	(183,815)	(183,815)
At 30th June, 2002	82,685	443,707	(184,670)	341,722

(a) Share premium

The application of the share premium account is governed by section 146(1) 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.

(b) Distributable reserves

At 30th June, 2002, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK\$341,722,000 (2001(restated): HK\$525,537,000). However, the distribution of capital reserve and share premium are subject to the restrictions as stated in note 25(a) above.



## 26 RETIREMENT BENEFITS SCHEME

The Group's employees participate in the Henderson Staff Provident Fund (the "Fund"), a defined contribution provident 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, 2002 were HK\$1,352,000 (2001: HK\$1,023,000).

## 27 SIGNIFICANT LEASING ARRANGEMENTS

(a) The Group leases out set-top boxes under operating leases. The leases of set-top boxes are renewable on a monthly basis. None of the leases includes contingent rentals. Further details of the carrying value of the set-top boxes are set out in note 15 above.

During the year ended 30th June, 2002, HK\$816,000 (2001: HK\$1,797,000) was recognised as rental income in the profit and loss account in respect of leasing of the set-top boxes.

(b) The Group leases out land and buildings under operating leases. The leases typically run for an initial period of two to three years respectively, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals. Further details of the carrying value of land and buildings are set out in note 15 above.

During the year ended 30th June, 2002, HK\$390,000 (2001: HK\$Nil) was recognised as rental income in the profit and loss account in respect of leasing of land and buildings.

(c) 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, 2002, HK\$12,236,000 (2001: HK\$11,594,000) was recognised as an expense in the profit and loss account in respect of leasing of telecommunications network facilities.

(d) 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, 2002, HK\$1,122,000 (2001: HK\$675,000) was recognised as an expense in the profit and loss account in respect of leasing of transmission sites.

28 COMMITMENTS

(a) Capital commitments

At 30th June, 2002, the Group had capital commitments authorised but not provided for in the accounts in respect of:

	The Group	
	2002 HK\$'000	2001 HK\$'000
Acquisition of telecommunications network infrastructure	—	5,421
System development costs	1,447	1,521
Refurbishment and equipment costs of data centre	—	1,376
Acquisition of other fixed assets	—	911
	<b>1,447</b>	<b>9,229</b>

(b) Operating leases commitments

At 30th June, 2002, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group			
	2002		2001	
	Properties HK\$'000	Telecommunications network facilities HK\$'000	Properties HK\$'000	Telecommunications network facilities HK\$'000
Within 1 year	1,366	5,711	2,460	7,512
After 1 year but within 5 years	838	1,438	1,868	98
	<b>2,204</b>	<b>7,149</b>	<b>4,328</b>	<b>7,610</b>

29 CONTINGENT LIABILITIES

(a) As at 30th June, 2002, there were guarantees given by the Company to banks in respect of banking facilities extended to certain subsidiaries. Of these facilities, HK\$369,000 (2001: HK\$369,000) was utilised by the subsidiaries as at 30th June, 2002.

(b) As at 30th June, 2002, there were contingent liabilities in respect of performance bond guaranteed by a bank on behalf of a subsidiary of the Group amounting to HK\$12,000,000 (2001: HK\$19,000,000). The performance bond was provided in accordance with the terms of the Fixed Telecommunications Network Services Licence granted to the subsidiary on 16th February, 2000 and amended on 30th May, 2002.

### 30 MATERIAL RELATED PARTY TRANSACTIONS

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

- (a) Pursuant to various agreements in 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\$952,000 (2001: HK\$675,000). Related deposits of HK\$186,000 (2001: HK\$320,000) have been paid by the Group as at 30th June, 2002.
  - (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\$1,364,000 (2001: HK\$2,929,000).
  - (iii) Services fees paid to fellow subsidiaries for management of the Group’s properties amounted to HK\$81,000 (2001: HK\$71,000).
  - (iv) Supporting service charges paid to an affiliated company of the Group at reimbursement costs amounted to HK\$756,000 (2001: HK\$280,000).
  - (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\$1,000,000 (2001: HK\$2,318,000).
  - (vi) Service fees received from fellow subsidiaries in respect of provision of software system support services to properties developed or managed by certain fellow subsidiaries amounted to HK\$1,220,000 (2001: HK\$2,461,000).
  - (vii) Income from provision of data centre services to fellow subsidiaries of the Group amounted to HK\$166,000 (2001: HK\$8,000).
  - (viii) No rental deposit was paid to any related parties during the year (2001: HK\$Nil). As at 30th June, 2002, there was a rental deposit of HK\$2,515,000 (2001: HK\$2,515,000) with a fellow subsidiary in respect of a building to be developed by the fellow subsidiary which will be leased to the Group. The construction of the building has not yet been completed as at 30th June, 2002.
- (b) Income from provision of data centre services totalling HK\$118,000 (2001: HK\$109,000) was received 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\$310,000 (2001: HK\$245,000).
- (d) Management fees received from an affiliated company of the Group amounted to HK\$Nil (2001: HK\$427,000).
- (e) Sale of goods to certain fellow subsidiaries and affiliated companies of the Group amounted to HK\$16,196,000 (2001: HK\$1,302,000).
- (f) Staff costs were reimbursed to a fellow subsidiary of the Group in the amount of HK\$211,000 (2001: reimbursed from a fellow subsidiary HK\$739,000), 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\$2,460,000 (2001: HK\$2,700,000), based on the costs incurred for sharing of administrative services.

### 31 POST BALANCE SHEET EVENT

On 26th July, 2002, a subsidiary of the Group was granted a Local Fixed Telecommunications Network Services licence modified from the Wireless Fixed Telecommunications Network Services licence to include the operation of local fixed wireline-based Fixed Telecommunications Network Services from 1st January, 2003.

### 32 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company at 30th June, 2002 to be Henderson Development Limited, which is incorporated in Hong Kong.

### 33 COMPARATIVE FIGURES

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

## PRINCIPAL SUBSIDIARIES

At 30th June, 2002

Details of principal subsidiaries are as follows:

Name of company	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	
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	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	Provider of Internet services and content, telecommunications services, e-commerce services and merchandising services
Mingsway Limited	Hong Kong	2 shares of HK\$1 each	—	100	Property investment
Senway Technology Limited	The BVI	1 share of US\$1	—	100	Manages strategic investments
Superweb Limited	The BVI	1 share of US\$1	100	—	Investment holding
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 operating results or assets of the Group.

## JOINTLY CONTROLLED ENTITIES

At 30th June, 2002

Details of jointly controlled entities are as follows:

Name of jointly controlled entity	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
Cyberforce Limited	Incorporated	The BVI	2 shares of US\$1 each	—	50	Information technology services

## GROUP FINANCIAL SUMMARY

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

### RESULTS

	Year ended 30th June				2002 HK\$'000
	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	
Turnover	466	1,965	5,500	28,306	67,452
Loss from ordinary activities after taxation	(18)	(114)	(17,782)	(86,098)	(141,498)
Minority interests	—	—	173	1,841	5,058
Loss attributable to shareholders	(18)	(114)	(17,609)	(84,257)	(136,440)

ASSETS AND LIABILITIES	As at 30th June		
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000
Total assets	134,744	999,717	815,563
Total liabilities	(11,155)	(63,802)	(17,401)
Minority interests	(646)	(2,314)	(1,001)
	122,943	933,601	797,161

#### Notes:

- 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.
- 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 three 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 Tuesday, 29th October, 2002 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, 2002.
2. To re-elect retiring Directors and 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 option 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 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 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, 2002

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, Computershare Hong Kong Investor Services 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 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 share registrar in Hong Kong, Computershare Hong Kong Investor Services 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 2002 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 Tuesday, 29th October, 2002 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 Tuesday, 29th October, 2002 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

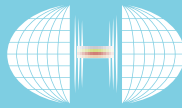
	FOR	AGAINST
1. To receive and consider the Audited Accounts and the Reports of the Directors and Auditors of the Company for the year ended 30th June, 2002	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. Lee Ka Kit as director	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect Mr. Yip Ying Chee, John as director	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect Mr. Woo Ka Biu, Jackson as director	<input type="checkbox"/>	<input type="checkbox"/>
To fix the remuneration of Directors	<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 Chairman 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, Computershare Hong Kong Investor Services 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.





**hendersoncyber**

