

The directors submit herewith their annual report together with the audited accounts for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES

The principal activity of the company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 33 on the accounts.

The analyses of the principal activities and geographical locations of the operations of the company and its subsidiaries during the financial year are set out in note 3 on the accounts.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

| | Percentage of the group's total | |
|-------------------------------------|------------------------------------|-----------|
| | Sales | Purchases |
| The largest customer | 37% | |
| Five largest customers in aggregate | 76% | |
| The largest supplier | | 22% |
| Five largest suppliers in aggregate | | 66% |

At no time during the year have the directors, their associates or any shareholder of the company (which to the knowledge of the directors owns more than 5% of the company's issued share capital) had any interest (as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules")) in these major customers and suppliers.

ACCOUNTS

The loss of the group for the year ended 31 March 2001 and the state of the company's and the group's affairs as at that date are set out in the accounts on pages 17 to 62.

The directors do not recommend the payment of any dividends in respect of the year ended 31 March 2001 (2000: HK\$Nil).

CHANGE OF COMPANY'S NAME

By a special resolution passed on 5 April 2000, the name of the company was changed from Hwa Kay Thai Holdings Limited to HiNet Holdings Limited and the company adopted, for the purpose of identification only, "光通數網控股有限公司" as the new Chinese name on the same date as replacement of the old Chinese name "華基泰集團有限公司".

By a board resolution passed on 2 May 2001, the Chinese name of the company, for identification purpose only, was changed to “光通數網國際控股有限公司” with effect from 7 May 2001.

FIXED ASSETS

Details of movements in fixed assets during the year are set out in note 12 on the accounts.

SHARE CAPITAL

Details of the movements in share capital of the company during the year are set out in note 24 on the accounts. Shares were issued during the year to broaden the capital base of the company.

ACCUMULATED LOSSES AND RESERVES

Details of movements in accumulated losses and reserves of the company and the group during the year are set out in note 25 on the accounts.

DIRECTORS

The directors of the company during the financial year were:

Executive directors

Patrick K C Wong (Chairman)

Ho Chun Wai

Independent non-executive directors

Chow Siu Ngor

Ting Leung Huel, Stephen

Choy Hok Man, Constance

In accordance with bye-laws 85 and 86 of the company's bye-laws, Mr Chow Siu Ngor retires and, being eligible, offers himself for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

The non-executive directors were appointed by the board of directors for a term of one year commencing on their respective dates of appointment. Their remuneration is also determined by the board of directors on the anniversary of the date of their appointment.

No director proposed for re-election and re-appointment at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the company, its holding company or any of their subsidiaries was a party, in which a director of the company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 March 2001, the following director had interests in shares and rights to subscribe for shares of the company that are required to be recorded in the register kept by the company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"):

(i) Ordinary shares of HK\$0.10 each ("Shares")

| Beneficial owner | Number of Shares | | | |
|------------------|--------------------|------------------|---------------------|-----------------|
| | Personal interests | Family interests | Corporate interests | Other interests |
| Patrick K C Wong | — | — | 1,355,260,000 | — |

(Note)

Note: 1,352,260,000 Shares were held by Shine United International Inc, a company wholly owned by Mr Patrick K C Wong and 3,000,000 Shares were held by another company which was wholly owned by Mr Patrick K C Wong. The interests disclosed herein were deemed to be the corporate interests of Mr Wong.

(ii) Warrants (Note 1)

| Beneficial owner | Nominal value of Warrants (HK\$) | | | |
|------------------|----------------------------------|------------------|---------------------|-----------------|
| | Personal interests | Family interests | Corporate interests | Other interests |
| Patrick K C Wong | — | — | 102,543,760 | — |

(Note 2)

Notes:

- Warrants represent the three-year bonus warrants issued by the company on the basis of one bonus warrant for every five Shares held on 31 January 2000, with initial exercise price of HK\$0.38 per Share, and expiring on 3 February 2003.
- Warrants in the nominal amount of HK\$102,543,760 were held by Shine United International Inc, a company wholly owned by Mr Patrick K C Wong and the interests disclosed herein were deemed to be the corporate interests of Mr Wong.

Save as disclosed above, none of the directors or chief executive had or was deemed to have any interests in any securities of the company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or chief executive, or their spouses or children under the age of 18, had any right to subscribe for the equity or debt securities of the company during the year.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Except for the warrants held by the director as mentioned above, at no time during the year was the company or any of its subsidiaries, its holding company or a subsidiary of its holding company a party to any arrangement to enable the directors or chief executive or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

SUBSTANTIAL SHAREHOLDER

As at 31 March 2001, according to the register of interests required to be kept by the company under Section 16(1) of the SDI Ordinance, the shareholder who was interested in 10% or more of the issued share capital of the company was as follows:

| | Number of Shares held | Percentage of total issued shares |
|--------------------------------|----------------------------------|--|
| Shine United International Inc | 1,352,260,000 | 26.84% |
| | <i>(Note)</i> | |

Note: Shine United International Inc is wholly owned by Mr Patrick K C Wong, a director and the Chairman of the company.

Other than as disclosed above, no other person is recorded in the register as having an interest in 10% or more of the issued share capital of the company.

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

The company and its subsidiaries have not purchased, sold or redeemed any of the company's listed securities during the year ended 31 March 2001.

CONNECTED TRANSACTIONS

As disclosed in a circular issued to shareholders dated 2 June 2000, on 28 April 2000, one of the company's subsidiaries entered into an agreement with Guangzhou South China Telecommunication Investment Limited ("GZSC") and Chang Tong Communication Engineering Limited for the construction of two fibre-optic trunk lines in the PRC for an aggregate consideration of RMB550,000,000. GZSC owned a 34% interest in SCFC, a subsidiary of the company on 2 June 2000. Accordingly GZSC, being a party to the agreement, was taken as a connected person of the company under the Listing Rules.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the company and the group as at 31 March 2001 are set out in notes 19 to 21 and 23 on the accounts.

FIVE YEAR FINANCIAL SUMMARY

A summary of the consolidated results and of the assets and liabilities of the group for the last five financial years is set out on page 63.

RETIREMENT BENEFIT SCHEMES

Particulars of the retirement benefit schemes of the group are set out in note 31 on the accounts.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the company's bye-laws or the laws in Bermuda, which would oblige the company to offer new shares on a pro-rata basis to existing shareholders.

CODE OF BEST PRACTICE

The company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2001.

AUDIT COMMITTEE

In compliance with the revised Code of Best Practice as set out in Appendix 14 of the Listing Rules, the company operates an Audit Committee (the "Committee") with written terms of reference, for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the group. The Committee comprises two independent non-executive directors.

AUDITORS

Deloitte Touche Tohmatsu resigned as auditors of the company on 9 August 1999. KPMG were appointed subsequently on 11 August 1999 and have remained as the company's auditors since then. Apart from this, there was no change in auditors of the company in any of the preceding three years.

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board
Patrick K C Wong
Chairman

Hong Kong, 31 May 2001