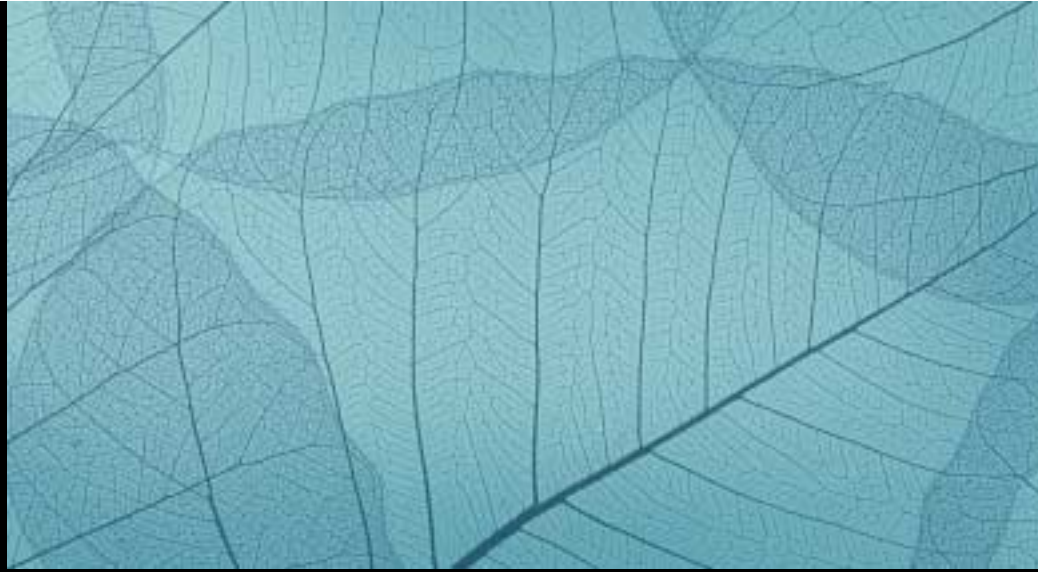




WITH A WIDER NETWORK COVERAGE AND

we will strive the best to meet the needs of our potential customers





OUR GRASP OF THE LATEST TECHNOLOGY



Fixed network coverage will achieve

500,000 home pass

by December 2001

- target to reach 1.2 million home pass by the end of 2002



管理階層討論及分析

MANAGEMENT'S DISCUSSION AND ANALYSIS

展望未來，營運效益將會是集團日後的重點方針。

財務回顧

經營業績

FINANCIAL REVIEW

Results of Operation

		2001	2000
		千港元 HK\$'000	千港元 HK\$'000
截至八月三十一日止年度	Year ended 31 August		
營業額	REVENUES		
國際電訊服務	International telecommunications services	861,338	1,119,148
固定電訊網絡服務	Fixed telecommunications network services	154,262	109,019
互聯網頁內容及電子商貿服務	Internet content and e-commerce services	1,034	5,960
		1,016,634	1,234,127
計入攤薄一間附屬公司權益所得 收益前之經營溢利／(虧損)	Operating profit / (loss) before gain on dilution of a subsidiary	28,082	(155,295)
攤薄一間附屬公司權益所得收益	Gain on dilution of interest in a subsidiary	-	185,811
淨利息	Net interest	30,896	25,629
除稅前溢利	Profit before tax	58,978	56,145
稅項	Tax	18,775	1,202
除稅後溢利	Profit after tax	40,203	54,943
少數股東權益	Minority interests	13,724	15,058
股東應佔溢利	Profit attributable to shareholders	53,927	70,001

二零零一財政年度，集團營業額為1,017,000,000港元，較去年下降18%，主要原因是國際電訊服務的收費持續下降，儘管撥出長途電話全年通訊量上升15%至580,000,000分鐘以及固網服務的營業額錄得顯著上升，整體營業額仍見下跌。

For the financial year 2001, turnover of the Group was HK\$1,017 million, representing a decrease of 18% from the previous year. This was mainly attributable to the continuous fall in the tariff rates of the international telecommunications services, which pulled down the total revenue, despite that the annual outgoing traffic volume has increased by 15% to 580 million minutes and there was a significant increase in revenue from the provision of fixed network services.

Going forward, efficiency is key and will underlie the way we do things in future.

我們的收益主要來自國際電訊服務，在過去一年，為集團帶來 861,000,000 港元之營業額，佔整體銷售量逾80%；此外，由於年內無線固網業務客戶基礎不斷擴大，為集團帶來 154,000,000 港元的銷售額，較去年同期增加42%。集團相信此項目的收益將可持續增加。至於互聯網內容及電子商貿等服務於年內並無重大發展，只錄得微量的收入。

由於集團成功維持低通話成本，令國際長途電話業務所錄得的毛利維持在令人滿意的水平，過去一年在這方面的成績，印證了我們已取得控制成本之成效並推進業務繼續穩步向前。年內，固網服務亦開始提供毛利貢獻，錄得逾50%之毛利率，主要是直接受惠於集團已逐漸使用自建的基建網絡，以取代依賴租用其他的網絡容量。

經濟效益對業務的最終表現有著決定性作用，對此自然不能忽視。自去年實施一系列有效的控制成本措施，集團的營運效益持續提升，整體經營開支（未計入網絡費用）下降 18%，尤以在廣告及市場推廣費用方面的控制更見成效。集團選擇減少使用電視廣告，轉而採用如電話直銷及街上宣傳推廣員等其他直接的市場推廣方式，以增加市場推廣效益。

國際電訊業務仍為我們最大的利潤來源，提供 117,000,000 港元經營溢利，較去年增長逾倍，創下集團歷年最高紀錄。而固網服務方面，由於客戶數量持續增長及成本控制得宜，於期內錄得 78,000,000 港元經營虧損，較去年在計入攤薄一間附屬公司權益所得收益前所錄得的 176,000,000 港元之虧損，有明顯改進。

The international telecommunications services continued to be our main revenue driver. During the year, the international telecommunications services generated a turnover of HK\$861 million, contributing to over 80% of our total turnover. The fixed network services contributed HK\$154 million in sales, representing a 42% increase from last year. This growth came mainly from the larger broadband Internet access subscribers base built during the year. The Group is confident that the growth in turnover from this service will continue. The contents and e-commerce services have been scaled down during the year resulting in an insignificant amount of revenue being recorded.

As a consequence of our success in securing low cost traffic capacity, the gross profit margin of the Group's IDD business has been maintained at a satisfactory level. This has been a major achievement in the past year, which demonstrated our success in controlling costs and the improved cost base will allow us to run a healthy business going forward. The fixed network services began to generate gross profit and a margin of over 50% was recorded for the year. This was a direct benefit from the use of the Group's owned network and infrastructure gradually instead of relying on leased capacity.

Efficiency is the key driver of the Group's bottom line, and it remains a high priority. The Group has continued to implement effective cost control measures. Overall, operating costs excluding the network costs were down by 18%. A major area of saving was advertising and marketing. The Group has used lesser television advertising, relying instead on direct marketing such as telesales or street level promoters to increase the efficiency of marketing results.

International telecommunications services remained our largest profit generating business, contributing HK\$117 million in operating profit. This has increased more than two folds as compared to last year, and is the highest record of the Group. The fixed network services recorded an operating loss of HK\$78 million, greatly improved from the loss of HK\$176 million recorded in the previous year before accounting for the gain on dilution of a subsidiary, attributable to the success in expanding subscribers base and implementing cost control measures.

管理階層討論及分析

MANAGEMENT'S DISCUSSION AND ANALYSIS

總括而言，期內的經營業績取得顯著進步，由去年的155,000,000港元虧損(未計入因攤薄受旗下一附屬業務所得收益)，扭轉為28,000,000港元之經營溢利。

縱使股東應佔溢利下跌23%至54,000,000港元，惟實因去年賬目中計入攤薄一間附屬公司權益所得收益港元186,000,000港元後所致，若扣除是項收益，去年應為虧損116,000,000港元。

業務回顧

國際電訊服務

過往十年，本港整體對外長途電話市場一直處於高增長期。對於未來，市場之增長幅度將漸趨穩定。在過往一年，集團憑著優質服務，具競爭性的價格以及龐大客戶基礎之優勢，在對外國際電訊業務取得高於業界之增幅，處理共580,000,000分鐘，較去年上升15%。現時，我們的市場佔有率更由年初的16%，上升至超過20%。中國仍然是我們主要的長途電話服務供應市場，佔總通訊量逾50%，美國及加拿大則緊隨其後。

年內所見的通話收費徘徊在相當低廉的水平。要在此業務中脫穎而出，經營商必須保持龐大通訊容量，使通話成本維持在更低水平。在過去十二個月內，集團的平均通話收費下降33%；猶幸在通話成本方面銳減44%，以及經營效益的提升，令經營溢利達14%。同時，中國加入世界貿易組織後，促使國內電訊市場更為開放，調低中國出入通訊成本，在降低成本方面必可令集團因而受惠。

Overall, our operating results remarkably improved to record a profit of HK\$28 million as compared to a loss of HK\$155 million before accounting for the gain on dilution of a subsidiary, representing a massive turnaround.

Although the profit attributable to shareholders seemed to have dropped by 23% to HK\$54 million, this result was in fact a turnaround from the loss of HK\$116 million for last year if the HK\$186 million gain on dilution of interest in a subsidiary is excluded.

BUSINESS REVIEW

International Telecommunications Services

Hong Kong's entire outgoing IDD market had experienced very rapid growth in the past ten years and it is expected that such growth rate will not be continued and the market has entered into a moderate growth phase. In spite of this, the Group still enjoyed a satisfactory growth in its IDD business last year thanks to its high quality services, competitive pricing, and long established customer base. The Group handled a total of 580 million outgoing call minutes, a 15% increase from the previous year, which is above the industry growth rate. The Group now accounts for over 20% of the Hong Kong outgoing IDD market, having risen from 16% at the beginning of the year. Our major IDD market remained to be China, representing over 50% of total traffic volume, followed by US and Canada.

The past year saw the calling rates hovering at a very low level. To win in this business, operators need to secure traffic capacity at an even lower price. During the course of the past 12 months, the average calling rates of the Group dropped 33%. This was matched, to our satisfaction, by an even larger decrease of our costs of traffic by 44%. Together with an improvement of operating efficiency, this culminated into a net gain and an operating profit margin of 14%. Meanwhile, the WTO entry of the PRC will lead to a more open telecommunications market, bringing down further the cost of traffic to and from China. This will bode well for the Group's costs of operation.

雖然現時的國際長途電話市場競爭仍然激烈，但亦有幫助減少新經營商的加入，過去一年亦證明了實力較弱的經營商會遭市場淘汰，然而，競爭壓力不會就此放緩。我們深明國際長途電話的客戶極具流動性，集團未來的策略將繼續以積極的價格以吸引客戶，在提供優質服務之餘，更可以相互推廣其他服務如優質的互聯網及寬頻服務。此外，集團正專注發展高利潤之產品以擴大收入基礎，如推出國際漫遊服務及預繳電話卡，以迎合不同使用模式的客戶。

固定網絡服務

撥號上網服務

正如國際長途電話市場般，撥號上網服務迅速增長之同時，市場上亦出現激烈競爭。飽和的市場及過時的技術使上網市場滯不前。集團現時擁有約 100,000 名撥號上網收費計劃用戶，為集團提供正面之現金收益及減少補貼，惟集團往後的互聯網業務將集中於具發展潛力的寬頻服務領域。

無線固定網絡服務

集團透過旗下香港寬頻有限公司(「香港寬頻」)迅速拓展無線固定網絡的覆蓋範圍，為集團其中一大業務成果。高速的覆蓋範圍增長，有賴三個主要因素：政府積極支持及協助我們進入物業進行安裝工程；成功與數個私人發展商的大型屋苑達成協議，獲得進入物業的權利；以及我們迅速滲透至香港房屋委員會管理的大型屋邨。

集團預期截至二零零一年底，無線固定網絡服務範圍將覆蓋全港逾 2,000 幢物業，包括 290 幢商業大廈、300 幢大學及教育機構樓宇、以及 1,430 幢住宅大廈，遍達 500,000 個單位，令集團在云云以銅纜鋪設住宅樓宇佈線網絡 (last meter) 的固網營辦商之中，站穩第二位，緊貼現時之主要營辦商電訊盈科。我們預期於二零零二年底將服務覆蓋範圍增至 1,200,000 個單位。目前，我們已擁逾 30,000 名寬頻服務客戶。

While competition in the IDD market is severe for existing players, on the brighter side, this precludes new operators from entering the market, and smaller operators would be crowded out, as is the case in the past year. Nonetheless, competitive pressures will not be eased. Realising that IDD customers can switch providers very easily, the Group adopts a strategy that attracts customers with aggressive pricing and then retains them with superior service offerings and cross promotions with Internet and broadband services. On the other hand, the Group has focused on developing higher margin products to enlarge the revenue base. For example, mobile roaming services and prepaid cards have been launched to attract customers of different usage patterns.

Fixed Network Services

Dial-up Internet Access Services

Like the market for IDD, Internet access business has seen dramatic expansion and aggressive competition. The saturated market and the older technology have left this end of the online market rather stagnant. The Group now has about 100,000 users on paying scheme. This generated a positive cash inflow and reduced the amount of subsidies we had to make. The Group's strategy for the Internet services going forward however is to concentrate on the Broadband where the growth potential lies.

Wireless Fixed Network Services

One of the major achievements of the Group has been the rapid increase in wireless fixed network coverage, through our subsidiary Hong Kong Broadband Network Limited ("HKBN"). The fast growth of coverage can be attributed to three factors: active government support in facilitating our entry to buildings; our breakthrough in gaining access to large housing estates developed by private developers, and our quick penetration in large public housing estates managed by the Housing Authority.

It is estimated that by the end of calendar year 2001, the Group's wireless fixed network will span over 2,000 buildings around the Hong Kong territory, consisted of around 290 commercial buildings, 300 universities and educational institutes buildings and 1,430 residential buildings. The total number of home pass is expected to reach 500,000. This will put the Group firmly in the number two position following PCCW as a fixed network operator providing in-building blockwiring telecommunications access via copper-wire connectivity in the residential market. The Group plans to increase its home pass coverage to reach 1.2 million by the end of 2002. Currently, the Group has over 30,000 broadband users.

管理階層討論及分析

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憑藉上述的基建，我們將可為客戶提供一系列獨特的先進服務，包括本地話音服務、寬頻互聯網服務、video-on-demand及收費電視服務等。集團視固網服務為旗下一創新及富挑戰性的經營業務，期望可增加經營收入及為集團維持其創新及先進科技電訊服務供應商之美譽。

內容及電子商貿

有鑑低迷的市場環境，集團於二零零一財政年度內已減少在提供互聯網內容及電子商貿服務方面的參與，日後將不會對集團資源造成損害。

展望

儘管預期二零零二年的經濟環境依然嚴峻，我們對業務的展望仍保持樂觀態度。

憑藉集團在市場上的領導地位及取得低通訊成本的能力，我們堅信國際長途電話業務將可繼續獲利，加上我們早前開始投資的 Japan-US 及 APCN2 兩條海底電纜，預計於二零零二年投入服務，屆時將可再進一步降低成本。

集團認為，本地固定網絡服務的前景明朗，政府大力推動市場進一步開放，於二零零三年將准許更多本地固定網絡經營商加入市場。以集團現時大力投資興建網絡及本身的技術專長而言，將大大有助成功取得有線固網牌照，令集團全身投入市場發展。我們有意由現時無線固網牌照過渡至有線固網服務，並計劃將已安裝樓宇佈線銅纜網絡的物業，接駁上我們的有線及無線固網，為用戶提供更全面的電訊服務。

此外，我們已計劃於二零零二年透過本身的基礎建設，為客戶提供話音服務，為集團開闢另一收入來源。

展望未來，營運效益將會是集團日後的重點方針。我們將在不影響服務質素的大前提下，力求於營運及成本方面取得營運效益。我們深信此舉才會為整體業績帶來更高盈利。

With this infrastructure, the Group can offer an array of unique services such as local telephony service, broadband Internet access, video-on-demand and pay-TV services. The Group sees the fixed network as a new and exciting part of the Group's operations that could expand operating revenue and position it as a cutting edge provider of innovative telecommunications services.

CONTENT AND E-COMMERCE SERVICES

The Group has scaled down its involvement in providing content and e-Commerce services as of financial yearend 2001 in view of market situation. There will be no further drain to the Group's resources from this business.

PROSPECTS

The Group's business prospects look bright despite the difficult economic environment anticipated for 2002.

With its leading market position and ability to obtain low cost traffic, the Group is confident that the IDD business will sustain its trend of profitability. The two undersea cables, APCN2 and Japan-US, which the Group invests in, will be completed and ready for use in 2002, further lowering its cost base.

The Group sees exciting opportunities coming from the local fixed network services. With further drive to liberalization, the Government will allow more local fixed line network operators in year 2003. With its heavy investment in building the existing network and technical expertise, the Group will be a strong contender to obtain the fixed line licence, which will allow the Group to fully participate in the market. The Group intends to migrate its existing wireless licence to a wired one and to integrate all buildings that have been installed with its in-building blockwiring access within its wired and wireless network for reception of a wider array of telecommunications services.

In addition, the Group has planned to offer voice services via its infrastructure in 2002 which will offer the Group with yet another stream of revenue.

Going forward, efficiency is key and will underlie the way we do things in future. We will strive to achieve efficiency in operation and costs, without, of course, compromising services and quality. Only this will we maximize returns to our bottom line.

幾經逆境的挑戰，集團致力維持業務發展及保持競爭優勢，令我們更穩固、更完善，既重視營運效益，亦能獲取利潤，並為股東增值。

匯率

年內本公司並未因匯率波動而受到重大影響。

流動資金及資本資源

於二零零一年八月三十一日，集團之銀行存款及現金項目共約 514,000,000 港元，及維持低借貸水平。年內資本性開支為 221,000,000 港元，其中 145,000,000 港元用於本港興建固定電訊網絡，另外 62,000,000 港元用於國際電訊設施。

上述建設工程項目惟需要持續的資本開支，需要時將動用內部儲備作支援。

員工薪資

於二零零一財政年度年底，員工人數為 851 人，員工開支總數為 149,000,000 港元。集團為員工提供的薪酬計劃包括基本薪金、獎金及其他福利。發放獎金無附帶條件，並按集團整體的業務表現及個別員工的工作表現而定。集團亦為員工提供全面的醫療保障、吸引人的退休福利計劃，及採納一項購股權計劃。

集團承諾不斷提升服務素質，為此，我們正積極聘請優質的人才。透過加強既有技術專才，特別在技術工程方面，將有助集團於計劃基建工程、縮短施工時間、提供更佳服務，及提升營利。我們亦透過提供內部、在職及專業的訓練機會予資訊科技部的員工，令他們的技術知識不斷更新。年內，集團已資助總數 22 名員工修讀專業資訊科技訓練課程。

The Group weathered the last regional downturn and endeavour to maintain our current progress and keep our competitive advantages. This will allow the Group to become stronger and better, one that values efficiency, makes a profit and achieves ever-greater shareholder value.

EXCHANGE RATES

During the year, the Group was not affected to any significant extent by fluctuations in exchange rates.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 August 2001, the Group had cash and bank balances of approximately HK\$514 million with a low debt level. Capital expenditure was HK\$221 million for the year, of which HK\$145 million was for building the fixed network in Hong Kong. HK\$62 million was spent on enhancing the international telecommunications facilities.

These installation and enhancement will require ongoing capital expenditure which will be met by internal reserves.

EMPLOYEE REMUNERATION

As at the end of financial year 2001, the Group had 851 staff and the total staff-related cost for the year was HK\$149 million. The Group provides remuneration package consisting of basic salary, bonus and other benefits. Bonus payments are discretionary and dependent on both the Group's and individual performances. The Group also provides comprehensive medical coverage, competitive retirement benefits schemes, and operates an Employee Share Option Scheme.

The Group is committed to improving its service quality. To this end, we are actively recruiting qualified personnel. Through strengthening the pool of expertise, especially in the field of engineering, the Group will achieve better efficiency in its planning of the infrastructure, enjoy shorter construction time, deliver better services and improve profit making ability. The Group also endeavors to keep the technical knowledge of our IT staff up to date by providing both in-house, on-the-job and professional training opportunities. In the past year, the Group has sponsored a total of 22 employees for attendance of professional IT training courses.