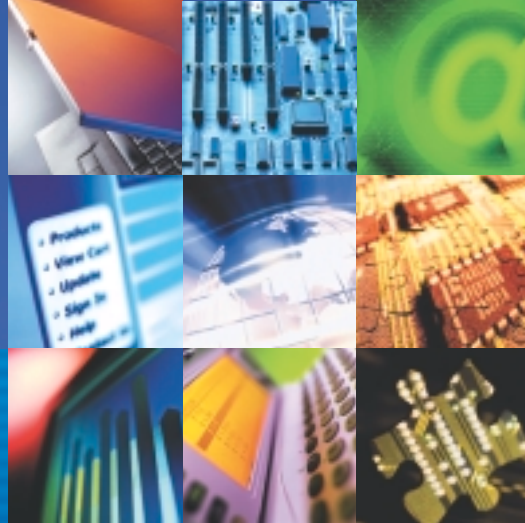




hendersoncyber



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 **2003**

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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), C. Eng., F.H.K.I.E., F.I.Mech.E., F.I.G.E.M., F.Inst.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

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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
Rooms 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\$83.8 million for the year ended 30th June, 2003, compared with HK\$67.5 million for the previous financial year. The Group's loss attributable to shareholders for the year ended 30th June, 2003 was HK\$17.0 million, compared with a loss of HK\$136.4 million for the previous financial year.

DIVIDENDS

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

BUSINESS REVIEW

The financial year ended 30th June, 2003 has presented challenging conditions for Henderson Cyber's businesses:

- Consumer Spending: While iCare has made every effort to adjust to challenging conditions, it has been difficult in an environment of weakened consumer spending.

- Business Spending: Henderson Data Centre ("HDC")'s and Eastar's business customers have been managing costs and reluctant to commit to IT expenditure during the financial year ended 30th June, 2003.
- Declining Property Market: Future Home's customers are developers and property managers who have been managing costs and reluctant to commit to IT expenditure during the financial year ended 30th June, 2003.
- Investments: Restraint was exercised in committing to further IT investments.

The main focus of the Group during the financial year ended 30th June, 2003 was to further refine and implement its strategies in the Internet services, data centre, high technology and network infrastructure businesses including its Local Fixed Carrier ("LFC") business. In light of the challenging conditions, the Group in refining its strategies sought to reduce expenses and preserve resources wherever possible.

During the financial year ended 30th June, 2003, the Group had written down HK\$3.9 million as provision for impairment loss on data centre and network equipment and facilities in response to a difficult operating environment.

iCare

iCare's major achievements during the financial year ended 30th June, 2003 included:

- The number of Internet Service Provider ("ISP") users (broadband and narrowband) has been growing

at a satisfactory rate with the support of various promotion programs including:

- The innovative iCare Broadband Zone within the MSN Live Channel targeting the online community.
- Special offers to staff of Henderson Group and China Gas, users of iCare IDD, 750,000 Hotmail users in Hong Kong and targeted groups such as Hongkong.com, Mingpao.com, House 18.com, Bank of East Asia, Dah Sing Bank, email users of Sina.com, Cityline.com, Cyber Senior.org.hk, MOV3.com.
- Ongoing monthly service fee waiver promotion targeting 1.5 million China Gas customers via China Gas bill insert, POP at Towngas Customer Centres and iCare Hotspots.
- Ongoing retention effort to encourage customers to renew expired broadband and 56K ISP service plans.
- Various up-selling programs to convert high-usage 56K ISP customers and Internet Content Provider ("ICP") users to broadband service.
- The registered iCare1608 IDD telephone lines rose to over 210,000 as at 30th June, 2003. IDD usage has grown at a satisfactory rate during the financial year ended 30th June, 2003 as a result of the following activities:
 - Asian destination promotion was supported by:
 - China Gas bill insert reaching 1.5 million households.
 - Direct mail to selected customers.
 - POP program at Towngas Customer Centres and iCare Hotspots.
 - Online ads on the iCare website.
 - Joint promotions with Citibank, Bank of America and Dah Sing Bank.
 - Satisfactory growth in prepaid calling card sales was achieved as a result of attractive tariff promotion.
 - A successful prepaid calling card distribution drive launched in the quarter ended 30th September, 2002 has successfully increased the number of distribution points.
 - On-going retention and usage stimulation program targeting at commercial IDD customers was carried out resulting in increased commercial accounts and usage.
- The iCare Internet-on-TV Set-Top Box (the "STB") subscribers, ISP users, ICP users and IDD subscribers grew to a total of about 326,000 by 30th June, 2003.
- The number of iCare Hotspots increased from 4 to 5 during the financial year ended 30th June, 2003. The iCare Hotspots are conveniently located in Causeway Bay, Quarry Bay, Tseung Kwan O, Tsuen Wan and Shatin.
- The iCare shopping website and the customer hotline continued to serve as effective sales channels for those customers who prefer to purchase through electronic means.
- iCare's B2C merchandising business was able to make rapid adjustments and offer products in response to the outbreak of Severe Acute Respiratory Syndrome (SARS).

Strong sales in the health and cleaning product categories were registered including titanium dioxide (TiO₂) electric fans and air purifiers and steam cleaning equipment, Amcor kaltan mosquito killer and automatic operated dust bins.

- Other products which achieved satisfactory sales during the financial year ended 30th June, 2003 included IBM Thinkpad notebook, Kodak digital camera and photo printer, OTO Accugizer and foot massager, Samsung video camera, Omron blood pressure monitor and ear thermometer, Steam Fast iron steamer, Puricom water filter, Cotteen bedding sets, Italian dining sets, Sony Wega television sets, Innotech water-filtered vacuum cleaners, steam cleaners, GE/DECT phones, Yukiko facial ionizers, Samsung DVDs and VCRs, Fujifilm Finepix digital camera, Superior leg slimmer, Rival ice-cream maker, Hitachi and Midea air conditioner, etc.
- The membership of iCare's frequent shopper club, iCare Club, grew to around 7,000 in end June 2003. Quarterly newsletters were sent to the members to update them on new products and promotions. A talk on magnetic wave therapy was organized in April 2003 with good response from members and a lot of health care and beauty products were sold during the event.
- Total revenue for the financial year ended 30th June, 2003 was HK\$77.0 million, an increase of 22.8% over the previous year. iCare narrowed its loss by HK\$40.5 million as compared with the previous year.

HDC

HDC's major achievements during the financial year ended 30th June, 2003 included:

- Continued the initiative to work with independent reseller agents to enhance the sales channels for HDC.
- Continued with the co-marketing effort with Henderson Group's companies to generate more customers for HDC.
- Continued to focus on cost management and efficiency improvement including:
 - Obtained supply of international internet bandwidth at a more economical cost.
 - Reconfigured the ATM connections for higher cost efficiency on the uses of local and international internet bandwidth.
 - Obtained supply of ATM and Fast Ethernet links at a more economical cost.
 - Conducted a joint study with iCare to improve the utilization of the broadband internet access links provided by PCCW.
 - Reduced maintenance costs of facilities through renegotiation with suppliers.
- Total revenue for the financial year ended 30th June, 2003 was HK\$1.9 million. In comparison, the total revenue for the prior financial year was HK\$3.3 million.

Eastar

Eastar's major achievements during the financial year ended 30th June, 2003 included:

- Received approval from Office of Telecommunications Authority ("OFTA") to convert the wireless FTNS licence to an LFC licence.
- Received the frequency assignment at 5.8/5.9 GHz from OFTA.
- Completed the second phase network rollout to meet the milestone commitments to OFTA and received "Certificate of Completion".
- Continued to focus on cost management and efficiency improvement including:
 - Reconfigured the backhaul links to wireless hub sites.
 - Modify the frequency allocations and site facilities of the broadband wireless access system for better performance.
 - Conducted a joint study with iCare in serving commercial customers by means of broadband wireless system.
- Concluded several agreements on virtual ISP services.
- Received a Block Licence from The Lands Department for installation of duct system on unleased Government land.
- Commenced the applications of road opening permits with Highways Department for cable laying.
- Continued with the implementation of blockwiring projects in some selective property sites of Henderson Group.

- Total revenue for the financial year ended 30th June, 2003 was HK\$2.4 million. In comparison, the total revenue for the prior financial year was HK\$1.3 million.

Future Home

Future Home's major achievements during the financial year ended 30th June, 2003 included:

- Installed private broadband infrastructure at forty-four management offices of Hang Yick Properties Management Limited.
- Installed Car Park Management System in four Henderson Group estates.
- Installed a traffic control system in a Henderson Group estate.
- Installed Attendance and Access Control System with smart card and image verification facility in five construction sites of E Man Construction Company Limited.
- Implemented the idHOME System which includes Property Management System, Customer Relationship Management System, Facilities Booking System and information broadcast through TV in two estates.
- Installed an attendance management system in a Henderson Group estate managed by Well Born Real Estate Management Limited.
- Installed a payroll and attendance system for Megastrength Security Services Company Limited.
- Installed a smart card access control system in a Henderson Group estate.
- Completed installation of a Closed Circuit Television ("CCTV") system in a Henderson Group estate.

- Total revenue for the financial year ended 30th June, 2003 was HK\$7.1 million. In comparison, the total revenue for the prior financial year was HK\$3 million.

IT Investments

IT Investments' major achievements during the financial year ended 30th June, 2003 included:

- Increased its stake in Google Technology (HK) Limited from approximately 11.02% to approximately 11.81% as at 30th June, 2003 by further subscription of shares at a cash consideration of HK\$1.5 million in February 2003.
- Reviewed a number of opportunities during the financial year ended 30th June, 2003 but did not proceed with any additional investments.

PROSPECTS

The overall economic climate shows some signs of stabilising or even improving during the coming year. However, in spite of cautious optimism on the outlook for the general economy, the Group will remain cautious in the implementation of its strategies during the financial year ending 30th June, 2004 due to a more uncertain outlook for the existing businesses of the Group.

The Internet, telecommunication and high technology industries are dynamic, fast changing, subject to intense competition and often require large capital investments. The Group must be flexible and versatile in order to respond to such changes but must also ensure that such businesses are sustainable and attractive.

The Group will seek to integrate its existing businesses where such

integration contributes to a sustainable and attractive business. If the return is too uncertain or distant, integration of the existing businesses will not be an objective.

The Group has been and will continue to explore a range of partnerships and alliances with leading technology companies to accelerate access to technologies and further enhance the relationship with the large customer bases of Henderson Group and China Gas.

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

iCare

iCare aims to become a well-established and widely accepted brand for the distribution of goods, Internet and telecommunication services:

- With respect to distribution of goods, iCare, via its website, direct marketing channels and Hot Spots, will continue to seek growth while achieving satisfactory margins.
- With respect to Internet services, iCare will continue to develop market share in broadband services and retain ISP customers.
- With respect to telecommunication services, iCare will seek to continue with the encouraging growth of iCare1608.
- iCare will continue to expand the breadth of its infotainment and e-commerce offerings on its

portal site. The rich content and desirable offerings will make it a popular site for both STB subscribers and PC users via broadband or the ISP.

In spite of the difficult conditions facing retailers in Hong Kong during the financial year ended 30th June, 2003, we are cautiously optimistic that iCare is well positioned to succeed in establishing itself as a widely accepted brand for the distribution of goods, Internet and telecommunication services.

HDC

In light of the challenging operating environment faced during the financial year ended 30th June, 2003, HDC will continue to optimize operational efficiency and explore cost-effective sales channels with respect revenue-generation potential.

Eastar

Eastar will continue to assess the viability of proceeding with any further substantial investment in its LFC business having regard to:

- Intense price and product competition, and thus a long payback period.
- The risks of fast changing technologies, and thus the possibility of extraordinary write-offs due to pre-mature obsolescence.
- Uneconomical operation unless a sizeable customer base is developed, and thus the costs and time to acquire market share.

Should Eastar conclude that any further substantial investment is viable, Eastar considers that cost

benefit and time efficiency can be achieved by combining both wireless and wireline technologies for future service delivery. Partnering with affiliated entities and leveraging on available resources within Henderson Group will maximize efficiencies.

Future Home

Future Home will continue to provide IT infrastructure consolidation and upgrade for companies in the Henderson Group but will focus on providing systems to customers outside of the Henderson Group in the future. Future Home will focus on the development, installation and promotion of the idHOME system, smart card system, car park management systems and attendance and access control systems.

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, 16th September, 2003

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, 2003, shareholders' funds of the Group amounted to HK\$780.7 million, representing a slight decrease from the corresponding figure recorded as at 30th June, 2002, after accounting for HK\$17.0 million loss attributable to shareholders that was incurred during the current financial year.

As at the end of June, 2003, current assets of the Group amounted to HK\$613.7 million which was represented by HK\$428.1 million in cash and cash equivalents and HK\$130.4 million in investment-grade debt securities which have remaining life to maturity of less than one year. The Group's other current assets recorded at 30th June, 2003 mainly comprised HK\$3.5 million in inventories and HK\$51.1 million in accounts receivable, deposits and prepayments, showing an increase of 9.4% and 206.0% when compared to their respective levels recorded as at the end of June, 2002. A substantial rise in accounts receivable, deposits and prepayments was recorded as at the end of the current financial year mainly due to certain investment-grade debt securities that matured just prior to the financial year-end date and these were reclassified as account receivables as such debt securities were pending settlement in

the usual manner. Current liabilities of the Group amounted to HK\$19.8 million, representing an increase of 13.8% as compared to those recorded as at the end of June, 2002 comprising HK\$19.2 million in accounts payable and accrued expenses and HK\$0.6 million in unsecured bank overdrafts. The Group maintained a financially liquid position with net current assets recorded at HK\$594.0 million showing an increase of 14.9% as compared with that recorded as at 30th June, 2002. In addition, the Group still held HK\$54.4 million in investment-grade debt securities with remaining life to maturity longer than one year as at 30th June, 2003.

Significant investments

Investment-grade debt securities were held by the Group mainly for the purpose of enhancing treasury investment yield. As some of the debt securities matured during the current financial year, debt securities holdings amounted to HK\$184.8 million as at 30th June, 2003, representing a reduction of 49.2% as compared to that recorded as at 30th June, 2002. In addition, the Group increased its stake in Googol Technology (HK) Limited from approximately 11.02% to approximately 11.81% as at 30th June, 2003 by further subscription of shares for a cash consideration of HK\$1.5 million in February 2003. Other than the above-mentioned investments, the Group did not make other investments of any significant amount during the current financial year.

Material acquisitions and disposals of subsidiaries and affiliated companies

The Group had not made significant disposals or acquisitions of subsidiaries and affiliated companies during the current financial year.

Segmental information

Business Turnover

For the year ended 30th June, 2003, total turnover of the Group amounted to approximately HK\$83.8 million representing an increase of 24.1% as compared to HK\$67.5 million that was recorded in the previous financial year. 89.6% of the total turnover amount, which amounted to approximately HK\$75.1 million was generated from the Retailing segment representing an increase of 20.4% over that recorded in the previous financial year for the same segment as a result of the successful strategy implemented by iCare in combining the effective reach of China Gas bill inserts, iCare Hot Spots and the iCare shopping mall website. Turnover of the Business Services segment reduced by 20% to around HK\$1.6 million during the financial year under review as compared to that registered in the previous financial year. Turnover of the Building System Services segment was recorded at HK\$7.1 million for the current financial year, showing substantial increase as compared to that shown in the previous financial year mainly as a result of the increased number of various management and control systems installed in Henderson Group developments by Future Home.

Operating Results

For the financial year under review, the loss attributable to shareholders of the Group was recorded at approximately HK\$17.0 million, representing a substantial reduction of 87.5% in loss as compared with the corresponding loss figure of HK\$136.4 million shown in the previous financial year. The loss attributable to shareholders included a loss of HK\$13.1 million from operations (which was reduced by 77.8% when compared to the corresponding loss figure of HK\$58.9 million of the previous financial year), and a provision for impairment loss of HK\$3.9 million in respect of data centre and network equipment and facilities.

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\$31.0 million for the financial year under review, representing a reduction of 62.1% as compared to the corresponding consolidated loss figure of HK\$81.7 million registered in the previous financial year. For each of the Retailing, Business Services, and Building System Services segments during the financial year under review, the segmental results were recorded at a loss of HK\$14.2 million, a loss of HK\$17.0 million, and a profit of HK\$0.2 million respectively during the financial year under review. Direct costs and operating expenses of HK\$96.3 million were recorded in the financial year under review and showed a decrease of

15.7% as compared to the corresponding figure registered in the previous financial year. Interest income mainly from held-to-maturity securities and bank deposits showed a decrease of 13.6% as compared to that registered in the previous financial year and was recorded at HK\$19.0 million resulting from the continuously low interest rates environment in the financial year under review. Selling, distribution and administrative expenses were recorded at HK\$24.5 million under the current financial year, a reduction of 22.7% compared to the corresponding figure of HK\$31.7 million registered in the previous financial year mainly as a result of the Group's successful efforts made on improvement in its operating efficiency and cost control.

Employees

The number of employees of the Group increased to 102 as at 30th June, 2003 as compared to 80 recorded as at 30th June, 2002 mainly due to iCare's expansion in striving to establish itself as a widely accepted brand for the distribution of goods, Internet and telecommunications services. The staff cost incurred in the current financial year decreased by 22.6% to HK\$27.0 million as compared with HK\$34.9 million incurred in the previous financial year, as a result of the Group's continuous effort in controlling its operating expenses. Remuneration of employees was generally in line with the market trend and commensurable to the level of pay in the industry. Discretionary year-end bonus was paid to employees based on individual performance. Employees of the Group

may be granted share options. Other benefits to the Group's employees include medical insurance, retirement schemes, training programmes and educational subsidies.

Charges on group assets

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

Future plans for material investments or capital assets

Capital commitments of the Group was recorded at HK\$0.9 million as at the end of the financial year under review representing a reduction of 35.7% as compared to the corresponding figure of HK\$1.4 million registered as at 30th June, 2002.

Gearing ratio

Although the Group recorded bank borrowings of HK\$0.6 million as at 30th June, 2003, the gearing ratio of the Group which is expressed as the ratio of total net bank borrowings to shareholders' fund remained at zero, being the same as that recorded as at 30th June, 2002.

Exposure to fluctuations in exchange and related hedges

The core operations of the Group remain to be not exposed to any significant foreign exchange risks. The HK\$184.8 million investment-grade debt securities and an equivalent of approximately HK\$410.1 million in bank deposits held by the Group as at 30th June, 2003 are denominated in U.S. Dollars and no arrangement has been made to hedge the associated exchange rate risks.

Contingent liabilities

In support of the banking facilities extended to the Group, the Company and a subsidiary of the Group had given guarantees to commercial banks and as at the balance sheet date, the total amount of contingent liabilities relating to the utilized portions of such banking facilities summed up to HK\$1.2 million. This represented a substantial decrease in the amount of contingent liabilities of the Group that was recorded as at 30th June, 2002 since contingent liabilities in respect of a performance bond guarantee in the amount of HK\$12.0 million issued on behalf of a subsidiary of the Group was no longer required.

The Directors have pleasure in submitting to shareholders their annual report together with the audited accounts for the year ended 30th June, 2003.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of its subsidiaries are Internet services, merchandising services, data centre services, 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 13 to the accounts on pages 56 and 57.

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, 2003 are set out on page 70.

RESULTS

Details of the Group's results for the year ended 30th June, 2003 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 38 to 71.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 30th June, 2003.

CHARITABLE DONATIONS

The Group made no charitable donations during the year (2002:HK\$200,000).

FIXED ASSETS

Particulars of the movements in fixed assets during the year are set out in note 14 to the accounts on pages 58 to 60.

BANK OVERDRAFTS

The Group's bank overdrafts as at 30th June, 2003 was unsecured and repayable on demand.

INTEREST CAPITALISED

No interest was capitalised by the Group for the year ended 30th June, 2003.

RESERVES

Particulars of the movements in the reserves of the Group and the Company for the year ended 30th June, 2003 are set out in note 25 to the accounts on page 65.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 24 to the accounts on pages 63 and 64.

USE OF PROCEEDS OF IPO

Of the total net proceeds of approximately HK\$894 million raised from the initial public offering on 14th July, 2000, approximately HK\$185 million had been used up to 30th June, 2002. During the year ended 30th June, 2003, further amount of HK\$6.3 million was used for iCare hardware, HK\$3.2 million was used for iCare advertising, HK\$2.8 million was used for Eastar's telecommunication network infrastructure and HK\$1.5 million for IT investment. The amount unutilised as at 30th June, 2003 was HK\$695.2 million, represented by net bank balances of HK\$427.5 million, investment in debt securities of HK\$231 million and working capital of HK\$36.7 million.

GROUP FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last three years and the proforma combined results of the Group for the two years ended 30th June, 1999 and 2000 are summarized on page 72.

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 54.

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

Woo Ka Biu, Jackson

Mr. Lee Ka Shing, Dr. Li Kwok Po, David and Professor Ko Ping Keung 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 ("HL") since 1976 and the Chairman of Henderson Investment Limited ("HI") 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 ("China Gas") 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. Dr. Lee is a director of Henderson Development Limited, HL, HI and China Gas which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

CHAN Wing Kin, Alfred, *B.Sc.(Eng), M.Sc.(Eng), C.Eng., F.H.K.I.E., F.I.Mech.E., F.I.G.E.M., F.Inst.E.*, aged 52. Mr. Chan joined The Hong Kong and China Gas Company Limited ("China Gas") 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 China Gas in January 1997 and as Managing Director in May 1997. 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 28 years of experience in marketing, business development, manufacturing, engineering and administration. He is a director of China Gas, Towngas Investment Company Limited and Technology Capitalization Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

LAM Ko Yin, Colin, *B.Sc., A.C.I.B., M.B.I.M., F.C.I.L.T.*, aged 52. Mr. Lam joined Henderson Land Development Company Limited ("HL") 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 ("HI") 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 30 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 ("China Gas") and Miramar Hotel and Investment Company, Limited. Mr. Lam is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited, HL, HI, China Gas, Best Selection Investments Limited and Felix Technology Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

LEE Ka Kit, aged 40, 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 (“HL”) since 1985 and Vice Chairman since 1993. He has also been an Executive Director and Vice Chairman of Henderson Investment Limited (“HI”) 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 (“China Gas”). He is a director of Henderson Development Limited, HL, HI and China Gas which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

LEE Ka Shing, aged 32, a Committee Member of the 9th Guangxi Zhuangzu Zizhiqu Committee of Political Consultative Conference, PRC., 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 (“HL”) and Henderson Investment Limited (“HI”) since 1993. He was educated in Canada. He is also a director of The Hong Kong and China Gas Company Limited (“China Gas”). He was appointed a Director of the Company in April 2000. Mr. Lee is a director of Henderson Development Limited, HL, HI, China Gas, Best Selection Investments Limited and Felix Technology Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

YIP Ying Chee, John, LL.B., F.C.I.S., aged 54. Mr. Yip joined Henderson Land Development Company Limited (“HL”) as Group Company Secretary in 1996 and has been an Executive Director of HL 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. Mr. Yip is a director of HL which has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

Douglas H. MOORE, LL.B., aged 45, 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. He practised international taxation law for 10 years before joining Credit Suisse and has extensive experience in finance, management, high technology and strategic planning. Mr. Moore is General Manager of Strategic Planning Department of Henderson Land Development Company Limited which has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

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 64. Dr. Li was appointed to the Board of Directors of The Hong Kong and China Gas Company Limited ("China Gas") 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 PCCW 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. Dr. Li is a director of China Gas which has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

Professor KO Ping Keung, *Ph.D., F.I.E.E.E., F.H.K.I.E., J.P.*, aged 52. 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 41, was appointed a Director of the Company in September 2002. He is a director of N M Rothschild & Sons (Hong Kong) Limited ("Rothschild"). 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. Mr. Woo is the son of Sir Po-shing Woo. 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 which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

Senior Management

LEE Wai Kwong, Sunny, *M.Sc., M.Eng., M.B.C.S., C.Eng., M.H.K.C.S.*, aged 44, 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 40, Manager of Future Home Limited ("Future Home"). Mr. Lai graduated from the Lingnan College and possesses an Honour Diploma of Computer Studies. He has 16 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 42, 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 19 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 41, 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 39, 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 17 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 39, 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 39, 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 19 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 53. Mr. Au holds a Bachelor of Science degree in Pure Mathematics and a Graduate Diploma in Information Systems and has 31 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 55. 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 42, 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 38, 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 59. Mr. Chan joined The Hong Kong and China Gas Company Limited ("China Gas") 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 China Gas as Finance Director in 1988 and as Executive Director of China Gas in 1995. He has more than 33 years' experience in the utilities businesses and finance in Hong Kong and was appointed a Director of iCare.com Limited in November 1999.

KWAN Yuk Choi, James, *B.Sc.(Eng), M.B.A., C.Eng., F.IGEM., F.H.K.I.E., F.Inst.E., F.C.I.B.S.E., F.I.Mech.E.*, aged 52, Director of iCare.com Limited ("iCare"). Mr. Kwan joined the Engineering Division of The Hong Kong and China Gas Company Limited ("China Gas") in 1975 and was appointed to the Board of Directors of China Gas 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 51, 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 40, 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 20 years' experience in the Information Technology industry. She joined The Hong Kong and China Gas Company Limited ("China Gas") in January 1988 and has held various management positions in China Gas. Ms. Shen joined iCare in December 1999.

DISCLOSURE OF INTERESTS

Directors' Interests in Shares

As at 30th June, 2003, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the GEM Listing Rules were as follows:

*Ordinary Shares (unless otherwise specified)**Long Position*

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Cyber Limited	Lee Chau Kee	1	173,898		4,244,996,094		4,245,169,992	84.90
	Lee Ka Kit	1				4,244,996,094	4,244,996,094	84.90
	Lee Ka Shing	1				4,244,996,094	4,244,996,094	84.90
	Lam Ko Yin, Colin		55				55	0.00
Henderson Land Development Company Limited	Lee Chau Kee	2			1,122,938,300		1,122,938,300	65.21
	Lee Ka Kit	2				1,122,938,300	1,122,938,300	65.21
	Lee Ka Shing	2				1,122,938,300	1,122,938,300	65.21
	Woo Ka Biu, Jackson	3		2,000			2,000	0.00
Henderson Investment Limited	Lee Chau Kee	4	34,779,936		2,075,859,007		2,110,638,943	74.92
	Lee Ka Kit	4				2,075,859,007	2,075,859,007	73.68
	Lee Ka Shing	4				2,075,859,007	2,075,859,007	73.68
Henderson China Holdings Limited	Lee Chau Kee	5			325,133,977		325,133,977	65.45
	Lee Ka Kit	5				325,133,977	325,133,977	65.45
	Lee Ka Shing	5				325,133,977	325,133,977	65.45
	Woo Ka Biu, Jackson		544,802				544,802	0.11

Ordinary Shares (unless otherwise specified) (cont'd)**Long Position**

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Development Limited	Lee Chau Kee	6			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Chau Kee	7			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Chau Kee	8	35,000,000 (Non-voting Deferred Shares)		15,000,000 (Non-voting Deferred Shares)		50,000,000 (Non-voting Deferred Shares)	100.00
	Lee Ka Kit	6				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	7				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	8				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	6				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	7				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	8				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
Angelfield Investment Limited	Lam Ko Yin, Colin	9			1		1	50.00
China Investment Group Limited	Woo Ka Biu, Jackson	10			16,000		16,000	5.33
Henfield Properties Limited	Lee Ka Kit	11			4,000	6,000	10,000	100.00
Heyield Estate Limited	Lee Chau Kee	12			100		100	100.00
	Lee Ka Kit	12				100	100	100.00
	Lee Ka Shing	12				100	100	100.00
Pettystar Investment Limited	Lee Chau Kee	13			3,240		3,240	80.00
	Lee Ka Kit	13				3,240	3,240	80.00
	Lee Ka Shing	13				3,240	3,240	80.00
Shellson International Limited	Lee Ka Kit	14			25	75	100	100.00

Save as disclosed above, none of the Directors or Chief Executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO.

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 4,350,000 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, 2003, 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, 2002	Number of share options granted during the year	Number of share options lapsed during the year	Number of share options outstanding at 30th June, 2003
Dr. Lee Chau 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, 2002	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, 2003
28/06/2000	1,250,000	—	—	1,850,000*

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, 2002	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, 2003
28/06/2000	14,500,000	—	100,000	13,800,000*

* This adjusted figure is due to the re-grouping of 600,000 share options from "Other Participants" to "Employees".

Subject to the terms and conditions of the 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) 30 per cent. of the share options so granted at any time after the expiry of 12 months from 14th July, 2000, (ii) a further 30 per cent. of the share options so granted at any time after the expiry of 24 months from 14th July, 2000 and (iii) the remaining share options at any time after the expiry of 36 months from 14th July, 2000 and, in each case, not later than four years from 14th July, 2000.

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, 2002	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, 2003
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) 30 per cent. of the share options so granted at any time after the expiry of 12 months from 16th October, 2000 (the date of acceptance of the share options), (ii) a further 30 per cent. of the share options so granted at any time after the expiry of 24 months from 16th October, 2000 and (iii) the remaining share options at any time after the expiry of 36 months from 16th October, 2000 and, in each case, not later than four years from 16th October, 2000.

As at 30th June, 2003, share options for a total of 27,650,000 shares in the Company under the Option Plan and 100,000 shares in the Company under the Share Option Scheme remained outstanding, representing in aggregate approximately 0.6 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	4	1,850,000
Other participants	41	13,800,000
	<u>54</u>	<u>27,650,000</u>
Share Option Scheme		
Employee	<u>1</u>	<u>100,000</u>

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, 2003.

(ii) Options to subscribe for shares in associated corporation

As at 30th June, 2003, 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, 2003, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Position

Name of Company	Number of Shares in which interested	% Interest
Technology Capitalization Limited	902,700,000	18.05
Towngas Investment Company Limited (Note 1)	902,700,000	18.05
The Hong Kong and China Gas Company Limited (Note 1)	902,700,000	18.05
Felix Technology Limited	3,333,213,616	66.67
Best Selection Investments Limited (Note 1)	3,333,213,616	66.67
Henderson Investment Limited (Note 1)	4,235,913,616	84.72
Henderson Land Development Company Limited (Note 1)	4,244,968,019	84.90
Henderson Development Limited (Note 1)	4,244,968,019	84.90
Rimmer (Cayman) Limited (Note 1)	4,244,996,094	84.90
Riddick (Cayman) Limited (Note 1)	4,244,996,094	84.90
Hopkins (Cayman) Limited (Note 1)	4,244,996,094	84.90

Notes:

- 1 Of these 4,244,996,094 shares, (i) 902,700,000 shares were owned by Technology Capitalization Limited, a wholly-owned subsidiary of Towngas Investment Company Limited which was 100% held by The Hong Kong and China Gas Company Limited ("China Gas") which in turn was 36.72% held by Henderson Investment Limited ("HI"); (ii) 3,333,213,616 shares were owned by Felix Technology Limited, a wholly-owned subsidiary of Best Selection Investments Limited which was 100% held by HI which in turn was 73.48% held by Henderson Land Development Company Limited ("HL"); (iii) 4,014,271 shares, 1,816,644 shares, 1,714,027 shares, 1,086,250 shares and 423,211 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which was 100% held by HL which in turn was 65.19% held by Henderson Development Limited ("HD"); and (iv) 28,075 shares were owned by Fu Sang Company Limited ("Fu Sang").

Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of HD and Fu Sang. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr. Lee Shau Kee. Dr. Lee Shau Kee was taken to be interested in these shares by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.

- 2 Of these shares, (i) 570,743,800 shares were owned by HD; (ii) 7,092,000 shares and 870,100 shares were respectively owned by Sandra Investment Limited and Mightygarden Limited, both of which were wholly-owned subsidiaries of HD; (iii) 222,045,300 shares, 145,090,000 shares, 61,302,000 shares, 55,000,000 shares and 55,000,000 shares were

respectively owned by Believegood Limited, Cameron Enterprise Inc., Prosglass Investment Limited, Fancy Eye Limited and Spreadral Limited, all of which were wholly-owned subsidiaries of Glorious Asia S.A. which in turn was 100% held by HD; (iv) 5,602,600 shares were owned by Superfun Enterprises Limited, a wholly-owned subsidiary of China Gas which was 36.72% held by HI. HI was 73.48% held by HL which in turn was 65.19% held by HD; and (v) 192,500 shares were owned by Fu Sang. Dr. Lee Shau Kee was taken to be interested in China Gas, HD and Fu Sang as set out in Note 1 and HL by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.

- 3 These shares were owned by the wife of Mr. Woo Ka Biu, Jackson.
- 4 Of these 2,075,859,007 shares, (i) 802,854,200 shares, 602,168,418 shares, 363,328,900 shares, 217,250,000 shares and 84,642,341 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which in turn was 100% held by HL; and (ii) 5,615,148 shares were owned by Fu Sang. Dr. Lee Shau Kee was taken to be interested in HL and Fu Sang as set out in Notes 1 and 2 and HI by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.
- 5 Of these shares, 175,000,000 shares, 75,233,977 shares and 74,900,000 shares were respectively owned by Primeford Investment Limited, Timsland Limited and Quantum Overseas Limited, all of which were wholly-owned subsidiaries of Brightland Enterprises Limited which in turn was 100% held by HL. Dr. Lee Shau Kee was taken to be interested in HL as set out in Note 2 and Henderson China Holdings Limited ("HC") by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.

- 6 These shares were held by Hopkins as trustee of the Unit Trust.
- 7 These shares were held by Hopkins as trustee of the Unit Trust.
- 8 These 15,000,000 shares were owned by Fu Sang.
- 9 The 1 share was held by Flourish Land Company Limited which was 99% owned by Mr. Lam Ko Yin, Colin.
- 10 These shares were held by Pearl Assets Limited which was 60% owned by Mr. Woo Ka Biu, Jackson.
- 11 Of these shares, (i) 4,000 shares were owned by Applecross Limited which was wholly-owned by Mr. Lee Ka Kit, and (ii) 6,000 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andco Limited which was wholly-owned by HC.
- 12 Of these shares, (i) 80 shares were owned by Tactwin Development Limited, a wholly-owned subsidiary of HL; (ii) 10 shares were owned by Henderson Finance Company Limited, a wholly-owned subsidiary of HD; and (iii) 5 shares each were owned by Perfect Bright Properties Inc. and Furnline Limited, both of which were wholly-owned subsidiaries of Jetwin International Limited. Triton (Cayman) Limited as trustee of a unit trust owned all the issued share capital of Jetwin International Limited. Triumph (Cayman) Limited and Victory (Cayman) Limited, as trustees of respective discretionary trusts, held units in the unit trust. The entire share capital of Triton (Cayman) Limited, Triumph (Cayman) Limited and Victory (Cayman) Limited were owned by Dr. Lee Shau Kee who was taken to be interested in such shares by virtue of the SFO. As discretionary beneficiaries of the discretionary trusts holding units in such unit trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in such shares by virtue of the SFO.
- 13 Of these shares, (i) 3,038 shares were owned by HL; and (ii) 202 shares were owned by Allied Best Investment Limited which was 50% held by each of Perfect Bright Properties Inc. and Furnline Limited, both of which were wholly-owned subsidiaries of Jetwin International Limited.
- 14 Of these shares, (i) 25 shares were owned by Shine King International Limited which was wholly-owned by Mr. Lee Ka Kit; and (ii) 75 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andco Limited which was wholly-owned by HC.

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, 2003, 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, 2003, 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\$4,538,000 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 equipment 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\$837,000 was payable by the Group in respect of the Licence Arrangements. As at 30th June, 2003, deposits of approximately HK\$212,000 were 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\$73,000 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 ("China Gas") 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 China Gas to the Group in respect of the Supporting Services Arrangements was approximately HK\$1,007,000.

- (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\$155,000 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\$1,382,000 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) 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. The agreement was extended for a further period of three years from 28th June, 2003. For the year ended 30th June, 2003, payment made to HL for the above services amounted to approximately HK\$1,000,000.

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, executive directors of the Company, 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. 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.

The office of each of the independent non-executive directors is for a term expiring on 31st December, 2003.

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, 2003:

- (a) the aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 34 per cent. of the Group's total purchases. The largest supplier accounted for approximately 15 per cent. of the Group's total purchases.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

A management discussion and analysis of the Group's annual results is shown on pages 8 to 11.

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 66.

AUDIT COMMITTEE

The Audit Committee was established on 25th May, 2000 and reports to the Board of Directors. The members of the Audit Committee are Dr. Li Kwok Po, David, Professor Ko Ping Keung and Mr. Woo Ka Biu, Jackson, all of whom are Independent Non-executive Directors. The written terms of reference include the authority and duties of the Audit Committee and amongst its principal duties are the review and supervision of the Company's financial reporting process and internal control procedures. The Audit Committee Members have reviewed the annual report and accounts, half-yearly report and quarterly reports of the Group for the financial year under review and Audit Committee meetings were held in January 2003 and September 2003.

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 was extended for a further period of three years on the same terms and conditions, and 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.

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

KPMG have been Auditors of the Company since its incorporation on 10th January, 2000. 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, 16th September, 2003



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

(Incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 38 to 71 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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, 2003 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, 16th September, 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30th June, 2003

	Note	2003 HK\$'000	2002 HK\$'000
Turnover	2	83,751	67,452
Other revenue	3	23,924	22,466
Other net loss	4	(4)	(2,977)
		<u>107,671</u>	<u>86,941</u>
Direct costs and operating expenses		(96,336)	(114,162)
Selling and distribution costs		(14,971)	(18,341)
Administrative expenses		(9,501)	(13,376)
		<u>(13,137)</u>	<u>(58,938)</u>
Loss from operations		(13,137)	(58,938)
Provision for impairment loss	5	(3,857)	(71,262)
Write off of inventories		—	(11,254)
		<u>(16,994)</u>	<u>(141,454)</u>
Finance costs	6	(18)	(21)
		<u>(17,012)</u>	<u>(141,475)</u>
Share of losses of jointly controlled entities		(13)	(23)
Loss from ordinary activities before taxation	6	(17,025)	(141,498)
Taxation	7(a)	—	—
Loss from ordinary activities after taxation		<u>(17,025)</u>	<u>(141,498)</u>
Minority interests		14	5,058
Loss attributable to shareholders	10	<u>(17,011)</u>	<u>(136,440)</u>
Loss attributable to shareholders is absorbed by:			
The Company and its subsidiaries		(16,998)	(136,417)
Jointly controlled entities		(13)	(23)
		<u>(17,011)</u>	<u>(136,440)</u>
Loss per share			
Basic	12	<u>HK0.34 cent</u>	<u>HK2.73 cents</u>

The notes on pages 42 to 71 form part of these accounts.

BALANCE SHEETS

At 30th June, 2003

	Note	The Group		The Company	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Non-current assets					
Fixed assets	14	81,155	83,654	66	97
Interests in subsidiaries	15	—	—	841,856	843,713
Interests in jointly controlled entities	16	30	24	—	—
Investment securities	17	51,558	50,058	—	—
Held-to-maturity securities	18	54,402	147,331	—	—
		<u>187,145</u>	<u>281,067</u>	<u>841,922</u>	<u>843,810</u>
Current assets					
Held-to-maturity securities	18	130,389	216,700	—	—
Other investment	19	656	—	—	—
Inventories	20	3,471	3,196	—	—
Accounts receivable, deposits and prepayments	21	51,139	16,740	115	242
Cash and cash equivalents	22	428,087	297,860	—	6
		<u>613,742</u>	<u>534,496</u>	<u>115</u>	<u>248</u>
Current liabilities					
Unsecured bank overdrafts	22	586	—	—	—
Accounts payable and accrued expenses	23	19,164	17,401	1,140	2,336
		<u>19,750</u>	<u>17,401</u>	<u>1,140</u>	<u>2,336</u>
Net current assets/(liabilities)		<u>593,992</u>	<u>517,095</u>	<u>(1,025)</u>	<u>(2,088)</u>
Total assets less current liabilities		<u>781,137</u>	<u>798,162</u>	<u>840,897</u>	<u>841,722</u>
Minority interests		<u>(441)</u>	<u>(1,001)</u>	<u>—</u>	<u>—</u>
Net assets		<u>780,696</u>	<u>797,161</u>	<u>840,897</u>	<u>841,722</u>
Capital and reserves					
Share capital	24	500,000	500,000	500,000	500,000
Reserves	25	280,696	297,161	340,897	341,722
		<u>780,696</u>	<u>797,161</u>	<u>840,897</u>	<u>841,722</u>

Approved and authorised for issue by the board of directors on 16th September, 2003

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

The notes on pages 42 to 71 form part of these accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June, 2003

	Note	2003 HK\$'000	2002 HK\$'000
Shareholders' equity at 1st July		<u>797,161</u>	<u>933,601</u>
Capital surplus contributed by minority shareholders	25	<u>546</u>	<u>—</u>
Net gains and losses not recognised in the profit and loss account		<u>546</u>	<u>—</u>
Net loss for the year	25	<u>(17,011)</u>	<u>(136,440)</u>
		<u>(16,465)</u>	<u>(136,440)</u>
Shareholders' equity at 30th June		<u><u>780,696</u></u>	<u><u>797,161</u></u>

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30th June, 2003

	Note	2003 HK\$'000	2002 HK\$'000
Operating activities			
Loss from ordinary activities before taxation		(17,025)	(141,498)
Adjustments for:			
Interest income		(18,995)	(22,010)
Exchange gain		(15)	—
Depreciation		11,086	22,511
Interest expenses		18	21
Loss on disposal of fixed assets		16	5,265
Gain on disposal of held-to-maturity securities		—	(2,285)
Share of losses of jointly controlled entities		13	23
Provision for impairment loss		3,857	71,262
Write off of inventories		—	11,254
Operating loss before changes in working capital		(21,045)	(55,457)
(Increase)/decrease in inventories		(275)	704
Increase in accounts receivable, deposits and prepayments		(2,484)	(830)
Decrease in accounts payable and accrued expenses		(851)	(12,847)
Net cash used in operating activities		(24,655)	(68,430)
Investing activities			
Purchase of fixed assets		(9,858)	(25,088)
Proceeds from disposal of fixed assets		12	499
Purchase of investment securities		(1,500)	—
Purchase of held-to-maturity securities		(40,930)	(406,876)
Proceeds from disposal of held-to-maturity securities		—	41,283
Proceeds from redemption of held-to-maturity securities		177,840	—
Advances to jointly controlled entities		(19)	(46)
Interest received		29,425	19,397
Net cash from/(used in) investing activities		154,970	(370,831)
Financing activities			
(Repayment to)/contributions from minority shareholders		(2,184)	3,745
Issue of shares to minority shareholders		2,184	—
Interest paid		(18)	(21)
Net cash (used in)/from financing activities		(18)	3,724
Net increase/(decrease) in cash and cash equivalents		130,297	(435,537)
Cash and cash equivalents at 1st July		297,860	733,397
Cash and cash equivalents at 30th June	22	428,157	297,860

The notes on pages 42 to 71 form part of these accounts.

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 modified by the revaluation of certain investments as explained in the accounting policies as set out below.

(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).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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).

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 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 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Goodwill (continued)

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
- 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investment in securities (continued)

- (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) Other investments are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.
- (v) 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 any 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.

(ii) Depreciation

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

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

(iii) Disposals

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Fixed assets and depreciation (continued)

(iv) Network under construction

Network under construction represents telecommunications and network equipment, sites facilities, operations support and related systems which are under construction and installation, and is stated at cost less any impairment losses (see note 1(i)). 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 completed 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(o)(iv).

(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;
- 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of assets (continued)

(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.

(j) 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.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)**(l) Employee benefits**

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.
- (ii) Contributions to the defined contribution scheme and Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the profit and loss account as incurred.
- (iii) When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligations is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

(m) 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.

(n) 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.

(o) 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Revenue recognition (continued)

(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 other investments is recognised when the shareholders’ right to receive payment is established.

(p) 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.

(q) Research and development costs

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) 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.

(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.

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 page 70.

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	
	2003 HK\$'000	2002 HK\$'000
Sale of goods	26,364	29,554
Internet services	32,191	30,224
Telecommunications services	16,548	2,657
Data centre services	776	1,076
Network services	791	891
Project consultancy and ASP services	7,081	3,050
	83,751	67,452

3 OTHER REVENUE

	The Group	
	2003 HK\$'000	2002 HK\$'000
Interest income from held-to-maturity securities and bank deposits	18,984	22,010
Other interest income	11	—
	18,995	22,010
Dividend income from other investment	656	—
Rental income	2,066	390
Share of loss by a business partner	1,283	—
Others	924	66
	23,924	22,466

4 OTHER NET LOSS

	The Group	
	2003 HK\$'000	2002 HK\$'000
Loss on disposal of fixed assets	(16)	(5,265)
Exchange gain	12	3
Gain on disposal of held-to-maturity securities	—	2,285
	<u>(4)</u>	<u>(2,977)</u>

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5 PROVISION FOR IMPAIRMENT LOSS

	The Group	
	2003 HK\$'000	2002 HK\$'000
Impairment loss on data centre and network equipment and facilities (note 14)	3,857	60,260
Impairment loss on investment securities (note 17)	—	11,002
	<u>3,857</u>	<u>71,262</u>

During the year, the difficult operating environment caused the Group to assess the recoverable amount of the data centre and network equipment and facilities. Based on this assessment, the carrying amount of these assets was written down by HK\$3,857,000 (2002: HK\$60,260,000).

6 LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

Loss from ordinary activities before taxation is arrived at after charging/(crediting):

	The Group	
	2003 HK\$'000	2002 HK\$'000
Finance costs		
- interest expenses on bank overdrafts repayable on demand	18	21
Staff costs		
- salaries, wages and other benefits	25,931	33,559
- contributions to defined contribution plans	1,070	1,352
	27,001	34,911
Less: Amount capitalised under fixed assets as installation costs of data centre and network equipment and facilities	—	(1,678)
	27,001	33,233
Operating lease charges in respect of		
- telecommunications network facilities	8,731	12,236
- properties	2,223	2,700
Research and development costs	821	1,087
Less: Amount capitalised under fixed assets (note 14(b))	(780)	(1,070)
	41	17
Auditors' remuneration	649	566
Depreciation	11,086	22,511
Cost of inventories sold	19,818	24,743
(Rental income less outgoings)/rental outgoings in excess of rental receivable from land and buildings	(1,178)	49

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 assets at the balance sheet date, the future realisation of which is uncertain.

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

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Future benefit of tax losses	65,279	52,230	739	390
(Tax depreciation allowances in excess of related accounting depreciation)/ accounting depreciation in excess of related tax depreciation allowances	(6,089)	(3,463)	15	39
	59,190	48,767	754	429

8 DIRECTORS' REMUNERATION

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

	The Group	
	2003 HK\$'000	2002 HK\$'000
Executive directors		
Fees	140	120
Basic salaries and other allowances	480	480
	<u>620</u>	<u>600</u>
Independent non-executive directors		
Fees	60	60
Others	160	160
	<u>220</u>	<u>220</u>
Total	<u>840</u>	<u>820</u>

One executive director received emoluments of HK\$480,000 (2002: HK\$480,000) for the year and each of all the other executive directors received a director's fee of HK\$20,000 (2002:HK\$20,000) during the year.

Each independent non-executive director received a director's fee of HK\$20,000 (2002: HK\$20,000) 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 (2002: HK\$80,000).

The aggregate remuneration of each of the directors during the year were within the band of HK\$Nil to HK\$1,000,000 (2002: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 current and prior years.

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 whom is a director, of the Group are set out below:

	The Group	
	2003 HK\$'000	2002 HK\$'000
Basic salaries, housing and other allowances and benefits in kind	4,781	5,262
Retirement scheme contributions	192	200
Performance bonuses	200	277
	<u>5,173</u>	<u>5,739</u>

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

Remuneration bands:	The Group	
	2003 Number of individuals	2002 Number of individuals
HK\$		
Nil - 1,000,000	3	3
1,000,001 - 1,500,000	2	1
1,500,001 - 2,000,000	—	1
	<u>5</u>	<u>5</u>

10 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders includes a loss of HK\$825,000 (2002: HK\$183,815,000) 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, 2003 (2002: 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\$17,011,000 (2002: HK\$136,440,000) and on the weighted average number of 5,000,000,000 (2002: 5,000,000,000) shares in issue during the year.

(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 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	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	75,103	62,435	1,567	1,967	7,081	3,050	—	—	—	—	83,751	67,452
Other revenue	1,602	63	2,558	393	15	—	—	—	—	—	4,175	456
Revenue from external customers	76,705	62,498	4,125	2,360	7,096	3,050	—	—	—	—	87,926	67,908
Inter-segment revenue	275	100	1,590	1,306	—	—	—	—	(1,865)	(1,406)	—	—
Total	76,980	62,598	5,715	3,666	7,096	3,050	—	—	(1,865)	(1,406)	87,926	67,908
Segment result	(14,177)	(35,493)	(17,016)	(44,829)	230	(1,338)	—	—	10	(40)	(30,953)	(81,700)
Interest income											18,995	22,010
Unallocated income net of expenses											(1,179)	752
Loss from operations											(13,137)	(58,938)
Provision for impairment loss	—	(7,882)	(3,857)	(52,378)	—	—	—	(11,002)	—	—	(3,857)	(71,262)
Write off of inventories	—	(11,254)	—	—	—	—	—	—	—	—	—	(11,254)
Finance costs											(16,994)	(141,454)
											(18)	(21)
											(17,012)	(141,475)
Share of losses of jointly controlled entities											(13)	(23)
Loss from ordinary activities before taxation											(17,025)	(141,498)
Taxation											—	—
Loss from ordinary activities after taxation											(17,025)	(141,498)
Minority interests											14	5,058
Loss attributable to shareholders											(17,011)	(136,440)

13 SEGMENTAL INFORMATION (continued)

The Group (continued)

	Retailing		Business services		Building system services		IT investments		Elimination		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Depreciation for the year	5,777	9,181	5,088	12,399	189	142	—	—				
Impairment loss for the year	—	7,882	3,857	52,378	—	—	—	11,002				
Significant non-cash expenses (other than depreciation)	—	12,781	—	2,751	—	—	—	—				
Segment assets	29,202	25,568	65,979	69,737	1,630	1,044	51,558	50,058	(182)	(546)	148,187	145,861
Interests in jointly controlled entities											30	24
Unallocated assets											652,670	669,678
Total assets											800,887	815,563
Segment liabilities	(12,923)	(13,166)	(4,417)	(1,559)	(641)	(471)	—	—	100	472	(17,881)	(14,724)
Unallocated liabilities											(1,869)	(2,677)
Total liabilities											(19,750)	(17,401)
Capital expenditure incurred during the year	7,574	5,767	4,897	4,616	1	612	1,500	—				

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.

14 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, 2002	45,113	5,253	595	124,794	175,755
Additions	—	666	—	11,806	12,472
Disposals	—	(54)	—	(13,462)	(13,516)
At 30th June, 2003	<u>45,113</u>	<u>5,865</u>	<u>595</u>	<u>123,138</u>	<u>174,711</u>
Accumulated depreciation and impairment loss:					
At 1st July, 2002	2,041	1,921	595	87,544	92,101
Charge for the year	1,017	1,115	—	8,954	11,086
Provision for impairment loss (note 5)	—	—	—	3,857	3,857
Written back on disposal	—	(26)	—	(13,462)	(13,488)
At 30th June, 2003	<u>3,058</u>	<u>3,010</u>	<u>595</u>	<u>86,893</u>	<u>93,556</u>
Net book value:					
At 30th June, 2003	<u>42,055</u>	<u>2,855</u>	<u>—</u>	<u>36,245</u>	<u>81,155</u>
At 30th June, 2002	<u>43,072</u>	<u>3,332</u>	<u>—</u>	<u>37,250</u>	<u>83,654</u>

14 FIXED ASSETS (continued)

The Company

	Leasehold improvements, furniture, fixtures and office equipment HK\$'000
Cost:	
At 1st July, 2002 and 30th June, 2003	227
Accumulated depreciation:	
At 1st July, 2002	130
Charge for the year	31
At 30th June, 2003	161
Net book value:	
At 30th June, 2003	66
At 30th June, 2002	97

- (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\$123,138,000 (2002: HK\$124,794,000), there were HK\$780,000 (2002: HK\$1,070,000) relating to development costs capitalised during the year.
- (c) Included in the Group's data centre and network equipment and facilities of HK\$123,138,000 (2002: HK\$124,794,000), there were HK\$3,109,000 (2002: HK\$3,109,000) relating to network under construction as at 30th June, 2003.
- (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, 2003, the gross carrying amounts of land and buildings and set-top boxes of the Group held for use in operating leases were HK\$28,351,000 (2002: HK\$19,672,000) and the related accumulated depreciation charges were HK\$2,476,000 (2002: HK\$1,458,000).

14 FIXED ASSETS (continued)

(d) (continued)

At 30th June, 2003, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Within one year	2,194	1,574
After one but within five years	1,332	2,383
	<u>3,526</u>	<u>3,957</u>

15 INTERESTS IN SUBSIDIARIES

	The Company	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	89,875	89,875
Amounts due from subsidiaries	1,021,227	1,003,399
	<u>1,111,102</u>	<u>1,093,274</u>
Amount due to a subsidiary	(509)	—
	<u>1,110,593</u>	<u>1,093,274</u>
Provision for impairment loss	(268,737)	(249,561)
	<u>841,856</u>	<u>843,713</u>

Details of the principal subsidiaries are set out on page 70.

16 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Share of net liabilities	(46)	(33)
Amounts due from jointly controlled entities	76	57
	<u>30</u>	<u>24</u>

Details of the jointly controlled entities are set out on page 71.

17 INVESTMENT SECURITIES

	The Group	
	2003 HK\$'000	2002 HK\$'000
Unlisted equity securities, at cost	62,560	61,060
Provision for impairment loss (note 5)	(11,002)	(11,002)
	<u>51,558</u>	<u>50,058</u>

18 HELD-TO-MATURITY SECURITIES

	The Group			
	2003		2002	
	HK\$'000 Non-current	HK\$'000 Current	HK\$'000 Non-current	HK\$'000 Current
Debt securities				
Listed outside Hong Kong	11,699	—	11,699	71,424
Unlisted	42,703	130,389	135,632	145,276
	<u>54,402</u>	<u>130,389</u>	<u>147,331</u>	<u>216,700</u>
Market value of listed securities	<u>11,443</u>	<u>—</u>	<u>12,093</u>	<u>72,174</u>

In 2002, held-to-maturity securities with an amortised cost of HK\$38,998,000 were disposed of at a profit of HK\$2,285,000. No held-to-maturity securities were disposed of during the current year.

19 OTHER INVESTMENT

	The Group	
	2003 HK\$'000	2002 HK\$'000
Unlisted investment	656	—

20 INVENTORIES

Inventories of the Group represent trading goods, stated at cost.

21 ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

(a)

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Trade receivables	6,866	5,082	—	—
Other receivables, deposits and prepayments	44,273	11,658	115	242
	<u>51,139</u>	<u>16,740</u>	<u>115</u>	<u>242</u>

At 30th June, 2003, included in the accounts receivable, deposits and prepayments, are amounts due from fellow subsidiaries of HK\$970,000 (2002: HK\$1,580,000) and deposits paid to fellow subsidiaries of HK\$2,713,000 (2002: HK\$2,535,000).

The accounts receivable, deposits and prepayments of the Group include rental deposits of HK\$2,931,000 (2002: 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 receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables.

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

	The Group	
	2003 HK\$'000	2002 HK\$'000
Under 1 month overdue	4,960	4,060
More than 1 month overdue but less than 3 months overdue	1,384	917
More than 3 months overdue but less than 6 months overdue	472	71
More than 6 months overdue	50	34
	<u>6,866</u>	<u>5,082</u>

22 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Deposits with banks	424,999	292,189	—	—
Cash at bank and in hand	3,088	5,671	—	6
Cash and cash equivalents in the balance sheet	428,087	297,860	—	6
Other investment (note 19)	656	—	—	—
Unsecured bank overdrafts	(586)	—	—	—
Cash and cash equivalents in the cash flow statement	<u>428,157</u>	<u>297,860</u>	<u>—</u>	<u>6</u>

23 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

(a)

	The Group		The Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Trade payables	11,846	11,242	—	—
Other payables and accrued expenses	7,318	6,159	1,140	2,336
	<u>19,164</u>	<u>17,401</u>	<u>1,140</u>	<u>2,336</u>

At 30th June, 2003, included in the accounts payable and accrued expenses, are amounts due to intermediate holding company and fellow subsidiaries of HK\$630,000 (2002: HK\$1,896,000), and HK\$16,000 (2002: HK\$51,000) respectively.

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

	The Group	
	2003 HK\$'000	2002 HK\$'000
Due within 1 month and on demand	11,331	9,377
Due after 1 month but within 3 months	112	1,435
Due after 3 months but within 6 months	403	430
	<u>11,846</u>	<u>11,242</u>

24 SHARE CAPITAL

	Number of shares		Nominal value	
	2003 '000	2002 '000	2003 HK\$'000	2002 HK\$'000
Authorised				
Ordinary shares of HK\$0.1 each	<u>10,000,000</u>	<u>10,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid				
Ordinary shares of HK\$0.1 each	<u>5,000,000</u>	<u>5,000,000</u>	<u>500,000</u>	<u>500,000</u>

(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 and vested share options were as follows:

	2003		2002	
	Number of share options		Number of share options	
	Option plan	Share Option scheme	Option Plan	Option Scheme
At 1st July	27,750,000	100,000	29,650,000	100,000
Share options lapsed during the year	(100,000)	—	(1,900,000)	—
At 30th June	27,650,000	100,000	27,750,000	100,000

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, 2001	86,179	443,707	(96,285)	433,601
Loss for the year	—	—	(136,440)	(136,440)
At 30th June, 2002	86,179	443,707	(232,725)	297,161
At 1st July, 2002	86,179	443,707	(232,725)	297,161
Capital surplus contributed by minority shareholders	546	—	—	546
Loss for the year	—	—	(17,011)	(17,011)
At 30th June, 2003	86,725	443,707	(249,736)	280,696

The Company

	Capital reserve HK\$'000	Share premium (note a) HK\$'000	Profit and loss account HK\$'000	Total HK\$'000
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
At 1st July, 2002	82,685	443,707	(184,670)	341,722
Loss for the year	—	—	(825)	(825)
At 30th June, 2003	82,685	443,707	(185,495)	340,897

(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, 2003, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK\$340,897,000 (2002: HK\$341,722,000). However, the distribution of capital reserve and share premium is 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, 2003 were HK\$1,070,000 (2002: HK\$1,352,000).

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 14 above.

During the year ended 30th June, 2003, HK\$182,000 (2002: HK\$816,000) 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 14 above.

During the year ended 30th June, 2003, HK\$2,065,000 (2002: HK\$390,000) 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, 2003, HK\$8,731,000 (2002: HK\$12,236,000) 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 one to five years. None of the leases includes contingent rentals.

During the year ended 30th June, 2003, HK\$1,305,000 (2002: HK\$1,122,000) 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, 2003, the Group had capital commitments contracted but not provided for in the accounts in respect of system development costs amounting to HK\$907,000 (2002: HK\$1,447,000).

(b) Operating leases commitments

At 30th June, 2003, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group			
	2003		2002	
	Properties HK\$'000	Telecommunications network facilities HK\$'000	Properties HK\$'000	Telecommunications network facilities HK\$'000
Within 1 year	1,721	3,502	1,366	5,711
After 1 year but within 5 years	693	155	838	1,438
	<u>2,414</u>	<u>3,657</u>	<u>2,204</u>	<u>7,149</u>

29 CONTINGENT LIABILITIES

(a) As at 30th June, 2003, there were guarantees given by the Company to banks in respect of banking facilities extended to certain subsidiaries. Of these facilities, HK\$369,000 (2002: HK\$369,000) was utilised by the subsidiaries as at 30th June, 2003.

(b) As at 30th June, 2003, a subsidiary of the Group had contingent liabilities in respect of certain guarantees issued by a bank on behalf of the subsidiary amounting to HK\$878,000 (2002: HK\$1,200,000).

(c) 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. Such 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. As at 30th June, 2003, there were no such contingent liabilities.

30 MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following material 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\$837,000 (2002: HK\$952,000). Related deposits of HK\$212,000 (2002: HK\$186,000) have been paid by the Group as at 30th June, 2003.
 - (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\$4,538,000 (2002: HK\$1,364,000).
 - (iii) Services fees paid to fellow subsidiaries for management of the Group's properties amounted to HK\$73,000 (2002: HK\$81,000).
 - (iv) Supporting service charges paid to an affiliated company of the Group at reimbursement costs amounted to HK\$1,007,000 (2002: HK\$756,000).
 - (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 (2002: HK\$1,000,000).
 - (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\$1,382,000 (2002: HK\$1,220,000).
 - (vii) Income from provision of data centre services to fellow subsidiaries of the Group amounted to HK\$155,000 (2002: HK\$166,000).
 - (viii) As at 30th June, 2003, there was a rental deposit of HK\$2,515,000 (2002: 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, 2003.
- (b) Sale of goods to certain fellow subsidiaries and affiliated companies of the Group amounted to HK\$7,687,000 (2002: HK\$16,196,000).
- (c) Staff costs were reimbursed from an affiliated company of the Group in the amount of HK\$557,000 (2002: HK\$2,460,000), based on the costs incurred for sharing of administrative services.
- (d) Agency service fees totalling HK\$776,000 (2002: HK\$Nil) were received from an affiliated company of the Group.
- (e) Service fee received from an affiliated company of the Group for the provision of website design and production services amounted to HK\$900,000 (2002: HK\$Nil).
- (f) Service fee received from an affiliated company of the Group for the provision of printouts design, editing and production services amounted to HK\$600,000 (2002: HK\$Nil).
- (g) Marketing costs in the amount of HK\$950,000 (2002: HK\$Nil) were reimbursed from an affiliated company of the Group for joint promotion of the image and branding of the affiliated company and a subsidiary of the Group.

30 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(h) Payment to an affiliated company of the Group for costs of office space and utilities in the amount of HK\$768,000 (2002: HK\$Nil).

31 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company at 30th June, 2003 to be Henderson Development Limited, which is incorporated in Hong Kong.

32 COMPARATIVE FIGURES

The presentation and classification of items in the consolidated cash flow statement have been changed due to the adoption of the requirements of SSAP 15 (revised) "Cash flow statements". As a result, cash items from taxation, returns on investments and servicing of finance have been classified into operating, investing and financing activities respectively and a detailed breakdown of cash flows from operating activities has been included on the face of the consolidated cash flows statement.

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

PRINCIPAL SUBSIDIARIES

At 30th June, 2003

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")	83,500,000 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 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, 2003

Details of jointly controlled entities are as follows:

Name of company	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 The Company Subsidiaries		Principal activities
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

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

RESULTS

	Year ended 30th June				2003 HK\$'000
	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	
Turnover	<u>1,965</u>	<u>5,500</u>	<u>28,306</u>	<u>67,452</u>	<u>83,751</u>
Loss from ordinary activities after taxation	(114)	(17,782)	(86,098)	(141,498)	(17,025)
Minority interests	—	173	1,841	5,058	14
Loss attributable to shareholders	<u>(114)</u>	<u>(17,609)</u>	<u>(84,257)</u>	<u>(136,440)</u>	<u>(17,011)</u>

ASSETS AND LIABILITIES	As at 30th June			2003 HK\$'000
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	
Total assets	134,744	999,717	815,563	<u>800,887</u>
Total liabilities	(11,155)	(63,802)	(17,401)	<u>(19,750)</u>
Minority interests	(646)	(2,314)	(1,001)	<u>(441)</u>
	<u>122,943</u>	<u>933,601</u>	<u>797,161</u>	<u>780,696</u>

Notes:

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

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Shareholders of the Company will be held in the Ballroom, B3 Level, The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on Wednesday, 29th October, 2003 at 3:00 p.m. for the following purposes:

1. To receive and consider the Audited Statement of Accounts and the Reports of the Directors and Auditors for the year ended 30th June, 2003.
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 business 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.

“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 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.”

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.”

5. To consider as special business and, if thought fit, pass the following resolution as a Special Resolution:

“THAT:

the Articles of Association of the Company be and are hereby amended in the following manner:

(a) Article 2(1)

(i) by deleting the words “Section 2 of the Securities and Futures (Clearing House) Ordinance of Hong Kong” in the definition “clearing house” and substituting therefor the words “the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)”.

(ii) by adding the following definitions:

“Director” a director of the Company.

“Listing Rules” the rules which govern the listing of the shares of the Company on the Designated Stock Exchange as amended from time to time.

(b) Article 122

by deleting Article 122 in its entirety and substituting therefor the following paragraph:

“Any decision or action that may be taken by the Directors or a committee of Directors at a meeting may be passed as a resolution of the Directors or the committee of Directors if such resolution is consented to in writing or by telex, telegram, cable, facsimile, electronic mail or other written electronic communication by all the directors of the Company (or their respective alternates, where appropriate) or all the members of the committee of the Directors, as the case may be, without the need for any notice. Such written consent may be contained in one document or in several documents. Any resolution so passed shall be as valid and effectual as if the resolution had been passed at a meeting of the Directors or of the committee of the Directors respectively duly convened and held.”

(c) Article 159

by adding immediately following the words “facsimile transmission message” in the first sentence the words “, or electronic communication, including but not limited to, publication on the Company’s website and/or the Designated Stock Exchange’s website and/or by such other method of electronic communication to the extent permitted by and in accordance with the Listing Rules and any applicable laws,” and also immediately following the words “facsimile transmission number” in the first sentence the words “or electronic mail address”.

By Order of the Board

John Yip

Secretary

Hong Kong, 16th September, 2003

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 Annual General 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, Rooms 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 certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 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 2003 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 Ballroom, B3 Level, The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on Wednesday, 29th October, 2003 at 3:00 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 Ballroom, B3 Level, The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on Wednesday, 29th October, 2003 at 3:00 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, 2003	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. Lee Ka Shing as director	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect Dr. Li Kwok Po, David as director	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect Professor Ko Ping Keung 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"/>
SPECIAL RESOLUTION		
1. To amend the Articles of Association of the Company in the manner as set out in the notice convening the above annual general meeting	<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 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

