



Annual Report
2004-2005

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

The Directors collectively and individually accept full responsibility for this report which is given in compliance with the requirements (Rules Governing the Listing of Securities on the Growth Enterprise Market) of the Stock Exchange. The Directors confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, (i) the information contained in the report are accurate and complete in all material aspects and not misleading; (ii) there are no other facts the omission of which would make any statement herein misleading; and (iii) opinions expressed in this report have been arrived at after due and careful consideration on the basis and assumptions of reasonableness and fairness.

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iAdvantage

Super e-Technology

Super e-Network

SuperStreets

SuperHome

Red-Dots

Venture Capital

Financial Highlights & Summary

FINANCIAL HIGHLIGHTS

For the Quarter Ended	30 Jun 05 HK\$'000	31 Mar 05 HK\$'000	31 Dec 04 HK\$'000	30 Sep 04 HK\$'000
Turnover	65,093	62,585	59,605	60,785
Cost of sales	(40,139)	(37,980)	(37,260)	(39,088)
Gross profit	24,954	24,605	22,345	21,697
Other revenue	15,227	12,446	11,068	10,294
	40,181	37,051	33,413	31,991
Operating expenditures *	(14,208)	(9,653)	(12,267)	(11,652)
Profit from operations	25,973	27,398	21,146	20,339
Finance charge on finance leases	–	–	(1)	(2)
Profit from operations after finance costs	25,973	27,398	21,145	20,337

* Selling, general and administrative expenses

FINANCIAL SUMMARY

Consolidated Results	Year ended 30 June				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	248,068	227,822	242,770	240,540	197,621
Profit (loss) from operations	94,856	107,678	88,281	17,791	(117,751)
Net profit (loss) for the year	153,863	107,548	(340,772)	(633,850)	(171,080)

Assets and Liabilities	As at 30 June				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Total assets	3,276,871	3,111,849	2,989,626	4,121,612	4,849,798
Total liabilities	(125,463)	(112,846)	(98,171)	(854,352)	(926,362)
Minority interests	(18,706)	(10,314)	(10,314)	(26,331)	(40,432)
Shareholders' funds	3,132,702	2,988,689	2,881,141	3,240,929	3,883,004

Corporate Information

Board of Directors

Executive Directors

Kwok Ping-luen, Raymond (*Chairman*)
Kwok Ping-sheung, Walter
Kwok Ping-kwong, Thomas
So Sing-tak, Andrew (*Chief Executive Officer*)
Chan Kui-yuen, Thomas
Wong Yick-kam, Michael
Leung Kui-king, Donald
So Chung-keung, Alfred
Tung Chi-ho, Eric
Wong Chin-wah
Tung Yiu-kwan, Stephen

Non-Executive Director

Cheung Wing-yui

Independent Non-Executive Directors

Kao Kuen, Charles
Li On-kwok, Victor
Fong Ching, Eddy

Company Secretary

Tam Sai-ming, William

Qualified Accountant

Tsim Wing-kit, Alfred

Compliance Officer

Wong Yick-kam, Michael

Audit Committee

Kao Kuen, Charles (*Chairman*)
Li On-kwok, Victor
Fong Ching, Eddy
Cheung Wing-yui

Remuneration Committee

Fong Ching, Eddy (*Chairman*)
Kao Kuen, Charles
Li On-kwok, Victor
Cheung Wing-yui
So Sing-tak, Andrew

Nomination Committee

Li On-kwok, Victor (*Chairman*)
Kao Kuen, Charles
Fong Ching, Eddy
Cheung Wing-yui
So Sing-tak, Andrew

Authorised Representatives

So Sing-tak, Andrew
Tam Sai-ming, William

Registered Office

P.O. Box 309, Ugland House
South Church Street, George Town
Grand Cayman, Cayman Islands
British West Indies

Head Office and Principal Place of Business

MEGATOP, MEGA-iAdvantage
399 Chai Wan Road, Chai Wan, Hong Kong

Beijing Representative Office

Room 1117, 11/F., Office Tower 2
Sun Dong An Plaza
138 Wang Fu Jing Dajie
Beijing

Legal Advisers

As to Hong Kong Law

Woo Kwan Lee & Lo

As to Cayman Islands Law

Maples and Calder

Auditors

Deloitte Touche Tohmatsu

Principal Share Registrar and Transfer Office

Butterfield Bank (Cayman) Limited
Butterfield House
68 Fort Street,
Grand Cayman
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East, Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
The Hongkong & Shanghai Banking Corporation Limited
Standard Chartered Bank
The Bank of East Asia, Limited
Industrial and Commercial Bank of China (Asia) Limited
Sumitomo Mitsui Banking Corporation

Stock Code

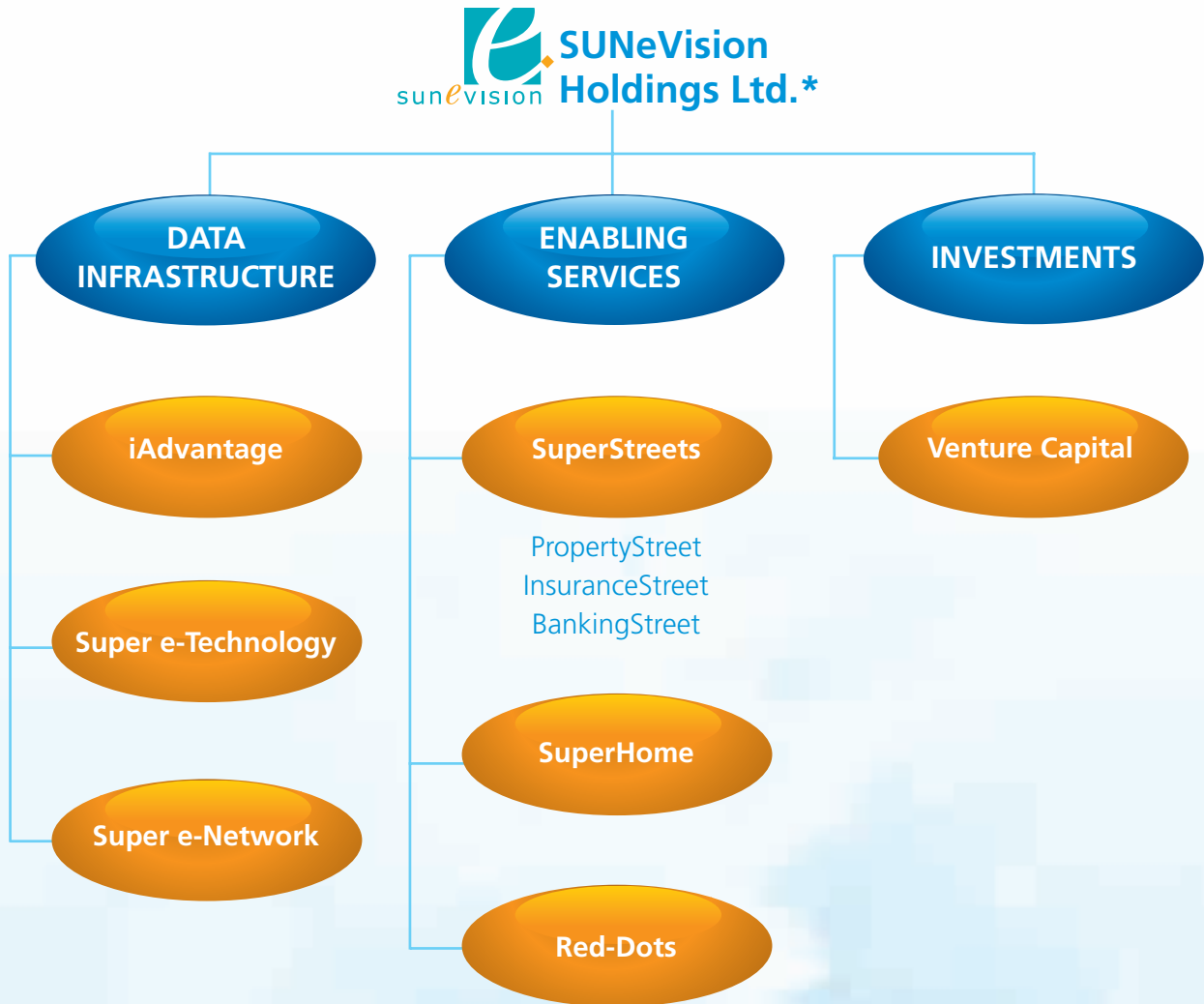
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Website

www.sunevision.com

Business Portfolio

The business portfolio of the Group as at 30 June 2005 is set out as follows:



* To be referred to as the "Company" or "SUNeVision". "Group" in this annual report means SUNeVision and its subsidiaries.

Chairman's Statement

SUNeVision continued to grow profitably during the financial year 2004-2005 and achieved its second year of profit, generating a net profit of HK\$154 million compared with HK\$108 million in the previous financial year.

FINANCIAL HIGHLIGHTS

Turnover was HK\$248 million, a nine percent increase over that in the previous financial year. Factors behind the growth included higher revenues, driven by increased demand, from the Group's Internet data centre and last-mile connectivity businesses. The year's gross profit of HK\$94 million was also higher than the previous financial year's, reflecting price improvements across the Group's businesses. Gross margin for the year was 38 percent, an eight percent improvement over that in the previous financial year.

Other revenue, being revenue in addition to turnover from operations, was HK\$49 million. This amount was significantly lower than that in the previous financial year, which had benefited from one-time early termination penalties received from a few customers of the Group's data centre business and from a one-time gain from the redemptions of several bond investments.

Operating expenditures were HK\$48 million, a 15 percent decline from that in the previous financial year. The Group's expenditures continued to fall due to continuous improvements in operations. In addition, following normal practice, the Group's investment properties were independently revalued as of 30 June 2005 on an open market value basis, resulting in a valuation surplus of HK\$59 million which reflected prevailing property market conditions. As a result, net profit for the financial year was HK\$154 million.

During the financial year, the Group reviewed its equity technology investments. No impairments were made, given prevailing technology market conditions and a prudent and conservative outlook for the investments. Further, following normal practice, the value of several listed investments were revalued as of 30 June 2005 on an open market value basis. As a result, as of 30 June 2005 the value of the Group's equity technology investments stood at HK\$112 million.

After these adjustments, shareholders' funds as of 30 June 2005 stood at HK\$3,133 million, or HK\$1.55 per share. The Group's financial position continues strong, with approximately HK\$1.5 billion in cash and interest-bearing securities.

As a result of the Group's achieving full-year profitability, and in line with the Group's normal dividend payout practice, the directors recommend the payment of a final dividend of HK\$0.045 per share for the year ended 30 June 2005, a moderate increase over that in the previous financial year.

BUSINESS REVIEW

iAdvantage continued to strengthen its leadership position in carrier-neutral data centres during the year. The business unit continued to anticipate and meet the needs of global financial services, telecommunications carriers, IT service providers, multinational corporations, and government authorities with its carrier-neutral, world-class Internet data centres in Hong Kong and Mainland China. Overall data centre occupancy during the year was approximately 65 percent, a significant improvement over that in the previous financial year. Demand for iAdvantage's services is anticipated to grow.

During the year, the Group's consumer enabling and property-related technology businesses continued to deliver value-added services to their customers. Productivity improved and the parent company's strong property heritage continued to provide valuable leverage.

PROSPECTS

SUNeVision's portfolio of data infrastructure and service provision businesses positions it well for sustained profitability and continued growth. iAdvantage will strive to raise the occupancy of its data centres, while the Group's consumer enabling and property-related technology businesses will continue to leverage the parent company's valuable relationships.

SUNeVision has always continued and will continue to maintain high standards of corporate governance and business ethics. The Group believes that by conducting its business in a corporate and socially responsible manner, its long-term interests and those of its shareholders will be maximised. Following corporate governance best practice, the roles of Chairman and Chief Executive Officer of the company had been separated beginning in the financial year 2005-2006. I shall continue to serve as Chairman while Mr. Andrew So will become the Chief Executive Officer.

I would like to close by thanking the board, management, and every member of staff for their ongoing dedication and hard work, and our shareholders for their continued confidence and support.

Kwok Ping-luen, Raymond

Chairman

Hong Kong, 9 September 2005

Chief Executive Officer's Report

OVERVIEW

SUNeVision achieved its second year of profit, generating a net profit of HK\$154 million in the financial year 2004-2005 compared with HK\$108 million in the previous financial year.

Turnover was HK\$248 million, a nine percent increase over that in the previous financial year. The growth came from increased demand for the Group's Internet data centre and last-mile connectivity businesses. The year's gross profit of HK\$94 million was also higher than the previous financial year's, reflecting price improvements across the Group's businesses. Gross margin for the year was 38 percent, an eight percent increase over that in the previous financial year.

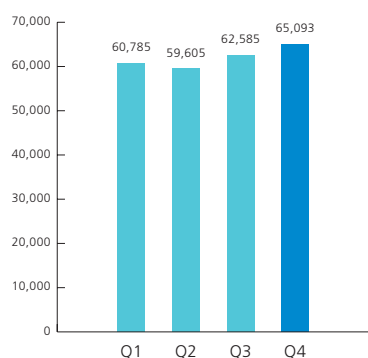
Other revenue, being revenue in addition to turnover from operations, was HK\$49 million. This amount was significantly lower than that in the previous financial year, which had benefited from one-time early termination penalties received from a few customers of the Group's data centre business and from a one-time gain from the redemptions of several bond investments.

As a result of continuous improvements in operations, operating expenditures for the year fell another 15 percent compared to those in the previous financial year, reaching HK\$48 million. Profit from operations was HK\$95 million.

Following normal practice, the Group's investment properties were independently revalued as of 30 June 2005 on an open market value basis, resulting in a valuation surplus of HK\$59 million which reflected prevailing property market conditions. As a result, net profit for the financial year was HK\$154 million.

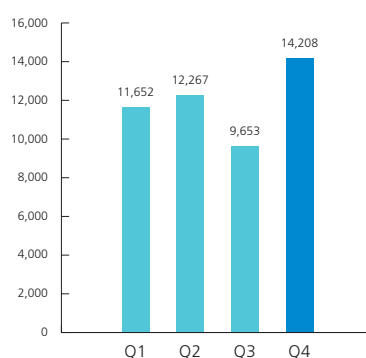
Turnover

(in HK\$'000)



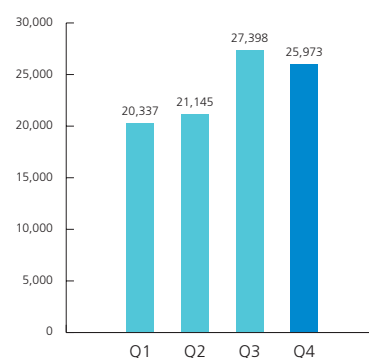
Operating expenditures*

(in HK\$'000)



Profit from operations after finance costs

(in HK\$'000)



* Include selling, general and administrative expenses

BUSINESS REVIEW

Data Infrastructure

iAdvantage

iAdvantage continued to strengthen its leadership position in carrier-neutral data centre services in Hong Kong and Mainland China. The company's world-class data centre infrastructure and quality of service enabled it to meet or exceed customers' stringent requirements for business continuity and outsourcing. During the year, iAdvantage added major multinational and local corporations as well as other organizations to its customer base. Overall data centre occupancy reached approximately 65 percent, a significant improvement over that in the previous financial year. Demand for iAdvantage's services is anticipated to grow.





Super eTechnology

A SUNeVision Company



Super e-Technology

Super e-Technology secured new contracts despite extremely competitive market conditions during the year, and is actively expanding its portfolio. The company developed a new remote monitoring-reporting application for its Super e-Shooter system and increased the total number of systems deployed to 15. The company also made significant progress in installing and maintaining systems for a major pay-TV operator, providing additional programming to approximately 80,000 households.

Super e-Network Broadband Service

A SUNeVision Company



Super e-Network

Super e-Network saw 19 percent growth in its customer base during the year, bringing the total number of households served to approximately 12,000. The growth came primarily from the introduction of broadband service to YOHO Town Phase 1. The company anticipates that its penetration within residential estates will continue to increase as the demand for broadband services rises.





A SUNeVision Company



Enabling Services

SuperStreets

SuperStreets continued to provide profitable mortgage referral and other property-related services to home buyers. The business should continue to benefit from the ongoing strength of Hong Kong's property market.



superhome.net

A SUNeVision Company



SuperHome

SuperHome continued to provide diversified and profitable on-line and on-site services to residential estates. Moderate growth is anticipated in the coming financial year.



A SUNeVision Company



Red-Dots

Red-Dots stayed profitable during the financial year with its trusted e-auction and e-commerce platform serving its core user community. Red-Dots will continue to offer greater value to its users and seek new ways to grow in the coming financial year.

Chief Executive Officer's Report

Investments

Venture Capital

No impairments were made during the financial year given prevailing technology market conditions and a prudent and conservative outlook for the investments. In addition, following normal practice, the value of several investments whose shares were listed were revalued as of 30 June 2005 on an open market value basis. As a result, as of 30 June 2005 the value of the Group's equity technology investments stood at HK\$112 million. The Group will maintain a prudent and conservative approach to investments, committing funds only where returns can be reasonably expected and are demonstrably attractive.

OTHER FINANCIAL DISCUSSION AND ANALYSIS

The Group practices prudent financial management and has a strong balance sheet, with ample liquidity and financial resources. As of 30 June 2005 the Group had cash and interest-bearing securities of approximately HK\$1.5 billion. The Group's gearing ratio as of the same date (calculated on the basis of net debt to shareholders' funds) was zero.

As of 30 June 2005 the Group had contingent liabilities in respect of guarantees for general banking facilities utilized by group subsidiaries and other guarantees in the aggregate amount of HK\$104.2 million. The Group's core operations are based in Hong Kong and its assets are primarily in Hong Kong or US dollars. It had no significant exposure to foreign exchange rate fluctuations. As of 30 June 2005 the Group had not pledged any of its assets, and there were no material acquisitions or disposals of subsidiaries or affiliated companies during the year under review.

EMPLOYEES

As of 30 June 2005 the Group had 174 full-time employees. Payroll costs remained stable during the year, and bonuses were paid to outstanding employees to recognize strong performance. Other remuneration and benefits, including medical coverage and provident fund contributions, remained at appropriate levels. Various training and development courses were offered to employees to upgrade their capabilities and skills.

The Group offers a share option scheme to reward employees who make significant contributions and to retain key staff, particulars of which are detailed in the relevant sections of this report.

OUTLOOK

SUNeVision's portfolio of data infrastructure and service provision businesses positions it well for sustained profitability and continued growth. iAdvantage will build on its leadership position and strive to raise the occupancy of its data centres in Hong Kong and Mainland China. The Group's consumer enabling and property-related technology businesses will continue to leverage the parent company's valuable relationships, and seek new ways to grow.

I would like to close by thanking every member of our staff for their commitment and hard work during the financial year, and our shareholders for their long-standing trust and support.

So Sing-tak, Andrew

Chief Executive Officer

Hong Kong, 9 September 2005

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

KWOK Ping-luen, Raymond (Age 52)

Chairman

Mr. Kwok was appointed a Director of the Company on 29 January 2000. He holds a Master of Arts degree in Law from Cambridge University, a Master degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong.

He is a Vice-Chairman & Managing Director of Sun Hung Kai Properties Limited, Chairman of SmarTone Telecommunications Holdings Limited, a Director of The Kowloon Motor Bus Holdings Limited and an Independent Non-Executive Director of Standard Chartered Bank (Hong Kong) Limited.

In civic activities, Mr. Kwok is a Non-Executive Director of the Securities and Futures Commission, a Director of The Real Estate Developers Association of Hong Kong, a Member of the General Committee of The Hong Kong General Chamber of Commerce, a Member of the Hong Kong Port Development Council, Vice-Chairman of the Council of The Chinese University of Hong Kong. He is also Chairman of the Management Committees of the Police Children's Education Trust and the Police Education and Welfare Trust. Mr. Kwok is the younger brother of Mr. Kwok Ping-sheung, Walter and Mr. Kwok Ping-kwong, Thomas.

KWOK Ping-sheung, Walter (Age 54)

Mr. Kwok was appointed a Director of the Company on 29 January 2000. He holds a Master of Science degree in Civil Engineering from Imperial College of Science and Technology, University of London, and is a Member of the Institution of Civil Engineers, U.K. and a Member of the Hong Kong Institution of Engineers. He is the Chairman & Chief Executive of Sun Hung Kai Properties Limited and a Director of The Kowloon Motor Bus Holdings Limited, Wilson Parking (Holdings) Limited and Hung Cheong Import & Export Co., Ltd.

He is also a Director of The Real Estate Developers Association of Hong Kong and Tsimshatsui East Property Developers' Association Ltd. and Honorary Treasurer of the Federation of Hong Kong Hotel Owners. On the community front, he is the Member of the Former Directors Committee of the Hong Kong Community Chest. He is also a Member of MBA Programmes Committee of The Chinese University of Hong Kong and an Honorary Member of The Court of The Hong Kong University of Science & Technology.

Mr. Kwok is an Honorary Citizen of Beijing & Guangzhou and a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. Mr. Kwok is the elder brother of Mr. Kwok Ping-kwong, Thomas and Mr. Kwok Ping-luen, Raymond.

KWOK Ping-kwong, Thomas (Age 53)

Mr. Kwok was appointed a Director of the Company on 29 January 2000. Mr. Kwok is a Vice-Chairman & Managing Director of Sun Hung Kai Properties Limited. He is also Chairman of Route 3 (CPS) Company Limited, Joint Chairman of IFC Development Limited and an Independent Non-Executive Director of The Bank of East Asia, Limited. Mr. Kwok holds a Master's degree in Business Administration from The London Business School, University of London and a Bachelor's degree in Civil Engineering from Imperial College, University of London.

He is Chairman of the Board of Directors of the Faculty of Business and Economics of the University of Hong Kong and Executive Vice President of The Real Estate Developers Association of Hong Kong. He also serves as a government appointed Member of the Exchange Fund Advisory Committee, the Economic and Employment Council, the Provisional Construction Industry Co-ordination Board and the Council for Sustainable Development.

In the past he served as a Member of the Business Advisory Group, the Land & Building Advisory Committee, the Registered Contractors' Disciplinary Board and the General Chamber of Commerce Industrial Affairs Committee. He was also Chairman of the Property Management Committee of the Building Contractors' Association and a Council Member of the Hong Kong Construction Association.

He previously served as a Board member of the Community Chest of Hong Kong, as a member of the Social Welfare Policies & Services Committee, and on the Council of The Open University of Hong Kong.

Mr. Kwok is an Honorary Citizen of Guangzhou and a Standing Committee Member of the Ninth Chinese People's Political Consultative Conference Shanghai Committee.

Mr. Kwok is the younger brother of Mr. Kwok Ping-sheung, Walter and the elder brother of Mr. Kwok Ping-luen, Raymond.

SO Sing-tak, Andrew (Age 40)

Chief Executive Officer and Authorised Representative

Mr. So was appointed a Director of the Company on 26 March 2002 and has been with Sun Hung Kai Properties Group since July 2001, as Special Assistant to Vice-Chairman and Managing Director of Sun Hung Kai Properties Limited, and involved in developing Sun Hung Kai Properties Limited's IT-related businesses and formulating growth strategies for the Company.

Mr. So holds both a BA from Harvard University and MBA from Harvard Business School, and he has over 14 years' experience in management and technology consulting, having worked extensively in the USA, UK, Hong Kong and elsewhere in Asia, formulating and executing strategies for companies in diverse industries.

Directors and Senior Management Profile

Prior to joining Sun Hung Kai Properties Group, Mr. So was Senior Vice President and Managing Director – Greater China, with Digitas Asia Limited, subsidiary of a Nasdaq-listed systems integrator and web solutions provider headquartered in Boston, Massachusetts. He set up Digitas' first office in Asia to serve global and local clients. Before that, Mr. So held the position of Managing Director – Telecommunications with Scient, a technology solutions provider based in San Francisco, where he led business development and solution delivery for Asian Telecom and Internet clients. He has also worked for the international consulting and systems integration firms Accenture and Cap Gemini, in the USA and Europe.

CHAN Kui-yuen, Thomas (Age 59)

Mr. Chan was appointed a Director of the Company on 29 January 2000 and is an Executive Director of Sun Hung Kai Properties Limited. Mr. Chan graduated from the United College, The Chinese University of Hong Kong. He joined the Sun Hung Kai Properties Group in 1973 and is now responsible for their land acquisitions and project planning matters.

WONG Yick-kam, Michael (Age 53)

Compliance Officer

Mr. Wong was appointed a Director of the Company on 29 January 2000.

He obtained his Bachelor's and Master's degrees in Business Administration from The Chinese University of Hong Kong. He was appointed an Executive Director of Sun Hung Kai Properties Limited in 1996 and is currently responsible for the Group's strategic planning, corporate development, infrastructure projects, financial investments and relations with the investment community.

Mr. Wong is the Deputy Chairman of RoadShow Holdings Limited, and also a Non-Executive Director of SmarTone Telecommunications Holdings Limited and USI Holdings Limited.

In community service, he is Chairman of the Hong Kong Youth Hostels Association.

LEUNG Kui-king, Donald (Age 49)

Mr. Leung was appointed a Director of the Company on 29 January 2000. He joined the Sun Hung Kai Properties Group in 1986 and is currently Assistant to Chairman as well as Executive Director of Sun Hung Kai Real Estate Agency Limited. Prior to that, Mr. Leung was with Wardley Ltd and Bank of America in Hong Kong and Los Angeles. Mr. Leung earned a Bachelor of Science degree in Business Administration from The University of California at Berkeley and completed the Advanced Management Program at Harvard University Graduate School of Business.

SO Chung-keung, Alfred (Age 56)

Mr. So was appointed a Director of the Company on 29 January 2000 and joined the Sun Hung Kai Properties Group in 1978. He is currently an Executive Director of Sun Hung Kai Real Estate Agency Limited, a subsidiary of Sun Hung Kai Properties Limited. Mr. So has been instrumental in the development of SuperHome and SuperStreets. He is a member of the Hong Kong Institute of Real Estate Administration and obtained his Estate Agent's Licence (Individual) in 1999. Mr. So is a committee member of the Corporate & Employee Contribution Programme (Property Group) Organising Committee of the Community Chest of Hong Kong. Mr. So received a Master of Science degree in Mathematics from the University of Toronto.

TUNG Chi-ho, Eric (Age 46)

Mr. Tung was appointed a Director of the Company on 29 January 2000 and has been with the Sun Hung Kai Properties Group for 18 years. He served as Project Director for various large-scale residential, commercial and mixed developments and oversaw the completion of data centres for major tenants such as JP Morgan and ING Barings. He is an Executive Director of Sun Hung Kai Real Estate Agency Limited, and is also the Chairman of iAdvantage Limited. Mr. Tung is a member of both the Hong Kong Institute of Architects and Royal Institute of British Architects and is a Registered Architect in Hong Kong and an Authorised Person (List One) with the Building Department. Mr. Tung is a graduate of the Architectural Programme of the University of Hong Kong.

WONG Chin-wah (Age 56)

Mr. Wong was appointed a Director of the Company on 29 January 2000 and is the Chief Executive Officer of Super e-Technology. His experience in infrastructure network technology commenced in early 1993 when he was appointed Chief Executive Officer of Super e-Technology. In July 1999, then as Managing Director of Red-Dots, he led a team of IT professionals to develop Sun Hung Kai Properties Group's first e-commerce site in Hong Kong which was launched in October 1999. Mr. Wong has held senior management positions in the Development Bank of Singapore, Mass Transit Railway Corporation and the Sun Hung Kai Properties Group. Mr. Wong is currently an Executive Director of Sun Hung Kai Real Estate Agency Limited. Mr. Wong received a Bachelor of Science (Estate Management) degree in 1976 from the National University of Singapore.

TUNG Yiu-kwan, Stephen (Age 50)

Mr. Tung was appointed a Director of the Company on 29 January 2000 and is now Chief Executive Officer of SuperHome, SuperStreets and Red-Dots. Mr. Tung has worked for international and local corporations in North America and Greater China including Philip Morris Inc, McCann Erickson Canada, and Leo Burnett Greater China. Prior to joining the Sun Hung Kai Properties Group in April 1997, Mr. Tung accumulated extensive experience in management, marketing, advertising and operation, and has worked with some of the world's most valuable brands such as Marlboro and Coca-Cola. Mr. Tung graduated from Syracuse University in New York with a Master of Science degree.

Directors and Senior Management Profile

NON-EXECUTIVE DIRECTOR

CHEUNG Wing-yui (Age 55)

Mr. Cheung was appointed a Director of the Company on 29 January 2000. Mr. Cheung is a Director of eight other publicly listed companies. He is the Vice Chairman of the Mainland Legal Affairs Committee of the Law Society of Hong Kong and is a Council Member of The Open University of Hong Kong. Mr. Cheung received a Bachelor of Commerce degree in accountancy from the University of New South Wales, Australia. Mr. Cheung is a member of the Australian Society of CPAs. He has been a practising solicitor in Hong Kong since 1979 and is a partner of the law firm Woo, Kwan, Lee & Lo. He was admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore.

INDEPENDENT NON-EXECUTIVE DIRECTORS

KAO Kuen, Charles (Age 71)

Professor Kao was appointed a Director of the Company on 29 January 2000. He is the Chairman and Chief Executive Officer of ITX Services Ltd, which offers consulting services and is currently on the Boards of several high-tech companies. Professor Kao was a pioneer in the field of optical fibre communications in the 1960s while working at the ITT research facility, Standard Telecommunications Laboratories in the UK. More recently, Professor Kao was the Vice Chancellor (President) of The Chinese University of Hong Kong and member of a number of advisory committees of the HKSAR Government. His international honours and awards include the Stewart Ballantine Medal, Rank Prize, L.M. Ericsson International Prize, Alexander Graham Bell Medal, Marconi International Fellowship, Faraday Medal of IEE, the Japan Prize and the Charles Stark Draper Prize.

LI On-kwok, Victor (Age 51)

Professor Li was appointed a Director of the Company on 29 January 2000. He is the Chair Professor of Information Engineering at the University of Hong Kong (HKU). Prior to joining HKU, Professor Li was Professor of Electrical Engineering at the University of Southern California (USC), and Director of the USC Communication Sciences Institute. Professor Li has chaired various committees of international professional organisations such as the Institute of Electrical and Electronic Engineers. Professor Li received his bachelor's, master's, engineer's and doctoral degrees in Electrical Engineering and Computer Science from the Massachusetts Institute of Technology in 1977, 1979, 1980 and 1981, respectively. He was awarded the Bronze Bauhinia Star by the Government of the HKSAR in 2002.

FONG Ching, Eddy (Age 58)

Dr. Fong Ching, Eddy was appointed as an independent non-executive director on 20 September 2004. He is a certified public accountant and was formerly a partner of the international accounting firm PricewaterhouseCoopers. He is currently an independent non-executive director of China Resources Power Holdings Company Limited and a non-executive director of Li Ning Company Limited, both listed in the Hong Kong Stock Exchange.

Apart from pursuing a professional career, Dr. Fong is active in public and community service in Hong Kong. He is currently a non-executive director of the Securities and Futures Commission, a director of Hong Kong Applied Science and Technology Research Institute Company Limited and a Council Member of the Open University of Hong Kong. Dr. Fong was appointed as a Justice of the Peace in 1996 and awarded Silver Bauhinia star in 2000 by the Government of the Hong Kong Special Administrative Region of the Peoples' Republic of China.

Dr. Fong graduated from University of Kent in the United Kingdom and was conferred Honorary Doctor of Civil Law in 1997.

SENIOR MANAGEMENT

TSIM Wing-kit, Alfred (Age 42)

Group Financial Controller

Mr. Tsim is responsible for the overall financial planning and management of the Company. Prior to joining the Group in February 2000, he was an Assistant General Manager with Cable & Wireless HKT Mobile Services. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, United Kingdom, CPA Australia and CMA Canada. Mr. Tsim received his undergraduate degree from the City University of Hong Kong, a Master of Business Administration degree from the University of Sydney and a Diploma in Management Accounting from The Chinese University of Hong Kong.

TAM Sai-ming, William (Age 48)

Company Secretary & Authorised Representative

Mr. Tam has been practicing in the company secretarial and legal fields since 1980, holding senior positions with various international firms of lawyers and accountants before joining Sun Hung Kai Properties Limited in 1994 and presently still as Manager in their Company Secretarial & Legal Department.

He holds Master's Degrees in Laws, in Science (Real Estate) and in Business Administration. He is a fellow member of the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Chartered Secretaries and The Hong Kong Institute of Directors respectively and a member of the Hong Kong Securities Institute. Mr. Tam has been nominated by the Financial Secretary to sit in the Standing Committee on Company Law Reform since February 2001.

Directors' Report

The Directors present their Report for the year ended 30 June 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be holding investments in various subsidiaries. Details of the Company's principal subsidiaries and associate, including their respective activities, are set out in notes 34 and 16 respectively to the financial statements.

Turnover and contributions to operating results from overseas activities are immaterial. A segmented analysis of turnover and contributions to operating results profit for the Group is set out in note 5 to the financial statements.

GROUP RESULTS

The results of the Group for the year ended 30 June 2005 are set out in the consolidated income statement on page 64 of the annual report.

DIVIDEND

The Board of Directors recommend a final dividend of HK\$0.045 per share (2004: HK\$0.03), making a total dividend of HK\$0.045 per share for the full year ended 30 June 2005 (2004: HK\$0.03).

GROUP FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 30 June 2005 is set out on page 3 of the annual report.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out on page 67 of the annual report and in note 26 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

PROPERTIES

Particulars of properties held by the Group at 30 June 2005 are set out on page 108 of the annual report.

INVESTMENT PROPERTIES

The investment properties were revalued at 30 June 2005 and the resulting revaluation increase of HK\$59,200,000 has been credited to the consolidated income statement.

Details of the movements during the year in the investment properties of the Group are set out in note 13 to the financial statements.

BANK BORROWINGS

The Group did not have any bank borrowings during the year.

INTEREST CAPITALIZED

The Group has not capitalized any interest during the year.

DIRECTORS

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

Executive Directors:

Kwok Ping-luen, Raymond
 Kwok Ping-sheung, Walter
 Kwok Ping-kwong, Thomas
 So Sing-tak, Andrew
 Chan Kui-yuen, Thomas
 Wong Yick-kam, Michael
 Leung Kui-king, Donald
 So Chung-keung, Alfred
 Tung Chi-ho, Eric
 Wong Chin-wah
 Tung Yiu-kwan, Stephen
 Yen Shiao-hua, Sheridan (*Resigned with effect from 4 December 2004*)

Non-Executive Director:

Cheung Wing-yui

Independent Non-Executive Directors:

Kao Kuen, Charles
 Li On-kwok, Victor
 Fong Ching, Eddy

In accordance with Article 116 of the Company's Articles of Association, Messrs. KWOK Ping-luen, Raymond, KWOK Ping-sheung, Walter, LEUNG Kui-king, Donald, KAO Kuen, Charles and LI On-kwok, Victor will retire at the forthcoming Annual General Meeting and, being eligible, would offer themselves for re-election.

Directors' Report

1. Directors' Service Contracts

Executive Directors

Each of the executive directors has entered into a service agreement with the Company. Each agreement is for a period of three years commencing on 1 March 2003 and shall continue thereafter until terminated by either party giving to the other not less than six months' prior written notice.

Non-Executive Directors

The term of office of each of Professor Kao Kuen, Charles, Professor Li On-kwok, Victor and Mr. Cheung Wing-yui is for a period of three years up to 31 December 2005. The term of office of Doctor Fong Ching, Eddy is for a period from 20 September 2004 up to 30 June 2006.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

2. Directors' Interests In Contracts

During the year, the Group had certain transactions with Sun Hung Kai Properties Limited ("SHKP") and its affiliates other than members of the Group. Details of these transactions are set out in note 28 – related party transactions and balances to the financial statements. Messrs. Kwok Ping-luen, Raymond, Kwok Ping-sheung, Walter and Kwok Ping-kwong, Thomas have a trust interest in SHKP.

In addition, Mr. Cheung Wing-yui is a partner of Woo, Kwan, Lee & Lo, a solicitors firm which provided professional services to the Group and charged usual professional fees during the year.

Despite the interests as stated above, there was no contract of significance to which the Company or its subsidiaries, or its holding companies or any of its fellow subsidiaries was a party, and in which a director of the Company was material interested, whether directly or indirectly, subsisting during or at the end of the year.

3. Independent Non-Executive Directors

Confirmation of Independence

The Company has received from each of Messrs. Kao Kuen, Charles, Li On-kwok, Victor and Doctor Fong Ching, Eddy an annual confirmation of his independence pursuant to Rule 5.09 and the Company still considers the Independent Non-Executive Directors to be independent.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2005, the interests and short positions of Directors and Chief Executive in shares and, in respect of equity derivatives, underlying shares and debentures of the Company and its Associated Corporations as required to be disclosed under and within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") were as follows:

1. Long positions in shares and underlying shares of the Company:

Name of director	Personal	Child under 18 or spouse	Others	Equity derivatives (share option)	Total	% of shares in issue
Kwok Ping-luen, Raymond	–	–	1,742,500*	484,999	2,227,499	0.10
Kwok Ping-sheung, Walter	–	–	1,070,000*	258,334	1,328,334	0.06
Kwok Ping-kwong, Thomas	–	–	1,070,000*	258,334	1,328,334	0.06
So Sing-tak, Andrew	–	–	–	800,000	800,000	0.03
Chan Kui-yuen, Thomas	–	–	–	290,000	290,000	0.01
Wong Yick-kam, Michael	100,000	–	–	240,000	340,000	0.01
Leung Kui-king, Donald	–	–	–	240,000	240,000	0.01
So Chung-keung, Alfred	416	543	–	440,000	440,959	0.02
Tung Chi-ho, Eric	–	–	–	240,000	240,000	0.01
Wong Chin-wah	–	–	–	440,000	440,000	0.02
Tung Yiu-kwan, Stephen	–	–	–	440,000	440,000	0.02

Note:

- * Of these shares in the Company, Messrs. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond were deemed to be interested in 1,070,000 shares, which represented the same interests and were therefore duplicated amongst these three Directors for the purpose of the SFO.

Directors' Report

2. Long positions in shares and underlying shares of Sun Hung Kai Properties Limited:

Name of director	Personal	Child under 18 or spouse	Corporate	Others	Equity derivatives (share option)	Total	% of shares in issue
Kwok Ping-luen, Raymond	–	–	–	1,079,515,895 [#]	75,000	1,079,590,895	44.96
Kwok Ping-sheung, Walter	–	–	–	1,078,322,522 [#]	75,000	1,078,397,522	44.91
Kwok Ping-kwong, Thomas	1,901,281	304,065	–	1,076,372,214 [#]	75,000	1,078,652,560	44.92
Chan Kui-yuen, Thomas	–	66,000	126,500	–	75,000	267,500	0.01
Wong Yick-kam, Michael	70,904	–	–	–	75,000	145,904	–
Leung Kui-king, Donald	10,000	–	–	–	36,000	46,000	–
So Chung-keung, Alfred	189,985	6,500	–	–	60,000	256,485	0.01
Tung Chi-ho, Eric	–	–	–	–	60,000	60,000	–
Wong Chin-wah	–	–	–	–	36,000	36,000	–
Tung Yiu-kwan, Stephen	–	–	–	–	24,000	24,000	–

Note:

Of these shares in SHKP, Messrs. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond were deemed to be interested in 1,056,338,347 shares, which represented the same interests and were therefore duplicated amongst these three Directors for the purpose of the SFO.

3. Long positions in shares and underlying shares of other Associated Corporations:

(a) SmarTone Telecommunications Holdings Limited:

Name of Director	Child under 18 or spouse	Others	% of shares in issue
Kwok Ping-luen, Raymond	–	2,237,767	0.38
Li On-kwok, Victor	5,000	–	–

- (b) Each of Messrs. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond had the following interests in shares of the following Associated Corporations:

Name of Associated Corporation	Personal	Attributable		Actual holding through corporation	Actual % interests in issued shares
		Attributable holding through corporation	% of shares in issue through corporation		
Superindo Company Limited	10	–	–	–	10
Super Fly Company Limited	10	–	–	–	10
Splendid Kai Limited	–	2,500*	25	1,500	15
Hung Carom Company Limited	–	25*	25	15	15
Tinyau Company Limited	–	1*	50	1	50
Open Step Limited	–	8*	80	4	40

Note:

- * Messrs. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond were deemed to be interested in these shares, which represented the same interests and were therefore duplicated amongst these three Directors for the purpose of the SFO. Those shares were held by corporations in which they were entitled to control the exercise of one third or more of the voting rights in the general meetings of those corporations.

The interests of the Directors and the Chief Executive in the share options (being regarded for the time being as unlisted physically settled equity derivatives) of the Company and its Associated Corporations are stated in detail in the Share Option Schemes section below.

4. Sun Hung Kai Properties Limited Share Options

SHKP once adopted a share option scheme on 20 November 1997 ("the Old Scheme"). Since its adoption, SHKP had granted two lots of share options on 15 February 2000 and 16 July 2001. The first lot expired on 14 February 2005; while options granted and accepted under the second lot can still be exercised in whole before 15 July 2006, thereafter the options will expire.

Directors' Report

SHKP by ordinary resolutions passed at its extraordinary general meeting held on 5 December 2002 has adopted a new share option scheme ("the New Scheme") and terminated the Old Scheme in order to comply with the new requirements under the then revised Chapter 17 of the Listing Rules. No further options may be offered under the Old Scheme. However, the outstanding options granted under the Old Scheme mentioning in the following paragraphs shall continue to be subject to the provisions of the Old Scheme and the revised provisions of Chapter 17 of the Listing Rules. No option shares have been granted under the New Scheme to any person since its adoption.

The following shows the outstanding positions of the Directors and the Chief Executive as at 30 June 2005 with respect to their share options granted under the Old Scheme:

Name of Director	Date of Grant	Exercise price HK\$	Number of share options				Balance as at 30.6.2005
			Balance as at 1.7.2004	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	
Kwok Ping-luen, Raymond (Chairman)	16.7.2001	70.00	75,000	-	-	-	75,000
Kwok Ping-sheung, Walter	16.7.2001	70.00	75,000	-	-	-	75,000
Kwok Ping-kwong, Thomas	16.7.2001	70.00	75,000	-	-	-	75,000
Chan Kui-yuen, Thomas	15.2.2000	70.00	150,000	-	-	150,000	-
	16.7.2001	70.00	75,000	-	-	-	75,000
Wong Yick-kam, Michael	15.2.2000	70.00	150,000	-	-	150,000	-
	16.7.2001	70.00	75,000	-	-	-	75,000
Leung Kui-king, Donald	16.7.2001	70.00	36,000	-	-	-	36,000
So Chung-keung, Alfred	15.2.2000	70.00	120,000	-	-	120,000	-
	16.7.2001	70.00	60,000	-	-	-	60,000
Tung Chi-ho, Eric	15.2.2000	70.00	120,000	-	-	120,000	-
	16.7.2001	70.00	60,000	-	-	-	60,000
Wong Chin-wah	16.7.2001	70.00	36,000	-	-	-	36,000
Tung Yiu-kwan, Stephen	16.7.2001	70.00	24,000	-	-	-	24,000

Save as disclosed above, as at 30 June 2005, none of the Directors and the Chief Executive of the Company were, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in shares, underlying shares or debentures of the Company and its Associated Corporations, that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in GEM Listing Rule 5.46.

SHARE OPTION SCHEMES

1. Pre-IPO Share Options

The Company had adopted a share option scheme "Pre-IPO Share Options", the principal terms of which were summarized in the section headed "Statutory and General Information Share Option Schemes" in Appendix 5 to the Company's prospectus dated 6 March 2000. Since its adoption, the Company had granted four lots of share options.

The options at the exercise price of HK\$10.38 per share may be exercised in accordance with the terms of the relevant scheme as to:

- (a) one-third of the options within three years commencing on 31 December 2000;
- (b) a further one-third of the options within three years commencing on 31 December 2001;
- (c) the remaining one-third of the options within three years commencing on 31 December 2002; and
- (d) the options will expire at the close of business on 30 December 2005.

The options at the price of HK\$3.885 per share may be exercised in accordance with the terms of the relevant scheme as to:

- (a) one-third of the options within three years commencing on 15 November 2001;
- (b) a further one-third of the options within three years commencing on 15 November 2002;
- (c) the remaining one-third of the options within three years commencing on 15 November 2003; and
- (d) the options will expire at the close of business on 14 November 2006.

Directors' Report

The options at the exercise price of HK\$2.34 per share may be exercised in accordance with the terms of the relevant scheme as to:

- (a) one-third of the options within three years commencing on 20 March 2002;
- (b) a further one-third of the options within three years commencing on 20 March 2003;
- (c) the remaining one-third of the options within three years commencing on 20 March 2004; and
- (d) the options will expire at the close of business on 19 March 2007.

The options at the exercise price of HK\$1.43 per share may be exercised in accordance with the terms of the relevant scheme as to:

- (a) one-third of the options within three years commencing on 8 July 2003;
- (b) a further one-third of the options within three years commencing on 8 July 2004;
- (c) the remaining one-third of the options within three years commencing on 8 July 2005; and
- (d) the options will expire at the close of business on 7 July 2008.

2. SUNeVision Share Options

The Company by shareholders' resolutions passed at its Annual General Meeting held on 3 December 2002, has adopted a share option scheme "SUNeVision Share Options" and terminated the Pre-IPO Share Options. These have become effective on 5 December 2002 as a result of the passing of ordinary resolutions approving the same by the shareholders of the Company's holding company, SHKP, at its general meeting held on the same day. No further options may be offered under the Pre-IPO Share Options. However, the outstanding options granted under the Pre-IPO Share Options, as mentioned in the preceding paragraphs, shall continue to be subject to the provisions of the Pre-IPO Share Options and the provisions of Chapter 23 of the GEM Listing Rules. Since the adoption of the SUNeVision Share Options, the Company had granted one lot of share options at the exercise price of HK\$1.59 per share which may be exercised in accordance with the terms of the relevant scheme as to:

- (a) an amount up to one-third of the grant within three years commencing on 29 November 2004;
- (b) the remaining amount but up to two-thirds of the grant within three years commencing on 29 November 2005;
- (c) the remaining amount within three years commencing on 29 November 2006; and
- (d) the options will expire at the close of business on 28 November 2009.

Directors' Report

The following shows the outstanding positions of the Directors and Chief Executive as at 30 June 2005 with respect to their Pre-IPO Share Options and SUNeVision Share Options:

Name of Director	Date of grant	Exercise price HK\$	Number of share options				Balance as at 30.6.2005
			Balance as at 1.7.2004	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	
Kwok Ping-luen, Raymond (Chairman)	28.3.2000	10.38	503,333	–	–	251,667	251,666
	7.4.2001	2.34	350,000	–	–	116,667	233,333
Kwok Ping-sheung, Walter	28.3.2000	10.38	276,667	–	–	138,333	138,334
	7.4.2001	2.34	180,000	–	–	60,000	120,000
Kwok Ping-kwong, Thomas	28.3.2000	10.38	276,667	–	–	138,333	138,334
	7.4.2001	2.34	180,000	–	–	60,000	120,000
So Sing-tak, Andrew (Chief Executive Officer)	8.7.2002	1.43	400,000	–	–	–	400,000
	29.11.2003	1.59	400,000	–	–	–	400,000
Chan Kui-yuen, Thomas	28.3.2000	10.38	340,000	–	–	170,000	170,000
	7.4.2001	2.34	180,000	–	–	60,000	120,000
Wong Yick-kam, Michael	28.3.2000	10.38	240,000	–	–	120,000	120,000
	7.4.2001	2.34	180,000	–	–	60,000	120,000
Leung Kui-king, Donald	28.3.2000	10.38	240,000	–	–	120,000	120,000
	7.4.2001	2.34	180,000	–	–	60,000	120,000
So Chung-keung, Alfred	28.3.2000	10.38	240,000	–	–	120,000	120,000
	7.4.2001	2.34	180,000	–	–	60,000	120,000
	29.11.2003	1.59	200,000	–	–	–	200,000
Tung Chi-ho, Eric	28.3.2000	10.38	240,000	–	–	120,000	120,000
	7.4.2001	2.34	180,000	–	–	60,000	120,000
Wong Chin-wah	28.3.2000	10.38	240,000	–	–	120,000	120,000
	7.4.2001	2.34	180,000	–	–	60,000	120,000
	29.11.2003	1.59	200,000	–	–	–	200,000
Tung Yiu-kwan, Stephen	28.3.2000	10.38	240,000	–	–	120,000	120,000
	7.4.2001	2.34	180,000	–	–	60,000	120,000
	29.11.2003	1.59	200,000	–	–	–	200,000
Yen Shiao-hua, Sheridan (Resigned on 4 December 2004)	30.11.2000	3.885	450,000	–	–	450,000	–
	7.4.2001	2.34	350,000	–	–	350,000	–
	8.7.2002	1.43	800,000	–	533,333	267,667	–
	29.11.2003	1.59	800,000	–	–	800,000	–

3. Pre-IPO Share Options and SUNeVision Share Options granted to the employees of SUNeVision

A summary of the movements during the year ended 30 June 2005 of the share options granted under the Pre-IPO Share Options and the SUNeVision Share Options to the employees of the Company working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance, other than the directors and Chief Executive as disclosed above, is as follows:

Date of grant	Exercise price HK\$	Balance as at 1.7.2004	Number of share options			Balance as at 30.6.2005
			Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	
28.3.2000	10.38	993,333	–	–	506,667	486,666
30.11.2000	3.885	1,487,500	–	–	662,500	825,000
7.4.2001	2.34	885,000	–	–	295,000	590,000
8.7.2002	1.43	1,050,000	–	–	150,000	900,000
29.11.2003	1.59	1,550,000	–	–	150,000	1,400,000
						4,201,666

Other than the participants as stated above, SUNeVision has not granted since the adoption of the Pre-IPO Share Options and SUNeVision Share Options any share options to any other persons as required to be disclosed under GEM Listing Rules 23.07.

4. Valuation of options granted during the year

During the year ended 30 June 2005, neither the Company nor any of its subsidiaries had granted any share options.

5. Share Option Schemes of Subsidiaries

In addition to the Pre-IPO Share Options and the SUNeVision Share Options, the Group operates another share option scheme which was approved for iAdvantage Limited, a subsidiary of the Company. No option shares for iAdvantage Limited have been granted to any person since its adoption as required to be disclosed under the GEM Listing Rules.

Directors' Report

6. The major terms of the Group's share options schemes ("the Schemes") are summarized as follows:

- (a) Upon the passing of an ordinary resolution by the Shareholders at the general meeting approving the adoption of the SUNeVision Share Option Scheme and termination of the Pre-IPO Share Option Scheme on 3 December 2002, which was subsequently approved by the shareholders of SHKP on 5 December 2002, no further options may be offered under the Pre-IPO Share Option Scheme.
- (b) The purposes of the Schemes are to provide incentives to their respective participants.
- (c) The participants of the SUNeVision Share Option Scheme include (i) executive or non-executive directors (or any persons proposed to be appointed as such) or any employees (whether full-time or part-time) of each member of the Group; (ii) any consultants, professional and other advisers to each member of the Group (or persons, firms or companies proposed to be appointed for providing such services); (iii) any chief executives or substantial shareholders of the Company; (iv) any associates of a director, chief executive or substantial shareholder of the Company; and (v) any employees of substantial shareholder of the Company, as absolutely determined by the Board.

The participants of the Pre-IPO Share Option Scheme include full-time employee of the Company or its subsidiaries including executive directors of the Company or its subsidiaries.

The participants of the iAdvantage Share Option Scheme include full-time employee of iAdvantage or its subsidiaries including executive directors of iAdvantage or its subsidiaries.

- (d) The total number of Shares which may be issued upon exercise of all options to be granted under the Pre-IPO Share Option Scheme and SUNeVision Share Option Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the SUNeVision Share Option Scheme. The 10% limit may be refreshed with the approval by ordinary resolution of the shareholders. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Scheme and SUNeVision Share Option Scheme must not exceed 30% of the issued share capital of the Company from time to time (or such higher percentage as may be allowed under the GEM Listing Rules). As at 9 September 2005, the number of share available for issue in respect thereof was 202,673,083.

The maximum number of shares in respect of which options may be granted under the iAdvantage Share Option Scheme must not exceed 10% of the total number of shares of iAdvantage in issue from time to time. The issued share capital of iAdvantage as at 9 September 2005 is HK\$4. No option shares for the iAdvantage Share Option Scheme were granted to any person since their adoption.

- (e) Pursuant to SUNeVision Share Option Scheme, the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue. As at 9 September 2005, the total number of Shares in issue was 2,026,730,833.

Pursuant to the Pre-IPO Share Option Scheme and the iAdvantage Share Option Scheme, no participant shall be granted an option which, if exercised in full, would result in such participants' maximum entitlement to exceed 25% of the aggregate number of the Shares for the time being issued and issuable under the respective Scheme.

- (f) An option granted under the SUNeVision Share Option Scheme may be exercised at any time during the Option Period after the Option has been granted by the Board. An Option Period is a period to be determined by the Board at its absolute discretion and notified by the Board to each Grantee as being the period during which an Option may be exercised, such period to expire not later than 10 years after the date of the grant of the Option.

The exercise period of any option granted under the Pre-IPO Share Option Scheme must not be less than three years to be notified by the Board of the Company to each grantee which period of time shall commence on the date of grant of the option and expire on such date as determined by the Board or 28 February 2010, whichever is the earlier, and subject to the provisions for early termination contained therein.

The exercise period of any option granted under the iAdvantage Share Option Scheme must not be less than three years to be notified by the Board of iAdvantage Limited to each grantee which period of time shall commence on the date of grant of the option and expire on such date as determined by the Board of iAdvantage Limited or 28 February 2010, whichever is the earlier, and subject to the provisions for early termination contained therein.

- (g) Pursuant to the SUNeVision Share Option Scheme, there are neither any performance targets that need to be achieved by the Grantee before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised.

Pursuant to each of the Pre-IPO Share Option Scheme and the iAdvantage Share Option Scheme, an option may be exercised in accordance with the terms of the respective Scheme at any time during a period to be notified by the respective Board to each grantee.

Directors' Report

- (h) Pursuant to each of the Schemes, the acceptance of an offer of the grant of the respective options must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee.
- (i) The exercise price of an option to subscribe for shares granted pursuant to each of the SUNeVision Share Option Scheme and the Pre-IPO Share Option Scheme shall be the highest of:
 - the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made to a participant, which must be a business day;
 - the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an offer is made; and
 - the nominal value of the shares of the respective company.

The exercise price of an option to subscribe for shares granted pursuant to the iAdvantage Share Option Scheme shall be determined by the Board and notified to the grantee and shall not be less than the nominal value of the shares of iAdvantage Limited provided that in the case of a grantee which is a director of any holding company of iAdvantage Limited which is also listed on the GEM or the Main Board or his or her associate, the subscription price shall be determined on a fair and reasonable basis and not to be less than the latest audited net tangible assets per share of iAdvantage Limited.

- (j) The SUNeVision Share Option Scheme shall be valid and effective till 3 December 2012. Both the Pre-IPO Share Option Scheme and the iAdvantage Share Option Scheme shall be valid and effective till 28 February 2010.

7. Arrangement to purchase shares or debentures

Other than the share option schemes as mentioned above, at no time during the year was the Company or any of its 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 of any other body corporate.

EMOLUMENTS

1. Directors' Emoluments

The emoluments, pension and compensation arrangements paid/payable to the directors and past directors for their services on the Company for the year ended 30 June 2005 were as follows:

Name of Director	Fees	Salaries and Allowance	Contribution to pension scheme	Total 2005	Total 2004
Executive Directors					
Kwok Ping-luen, Raymond (Chairman)	30,000.00	1.00	–	30,001.00	30,001.00
Kwok Ping-sheung, Walter	20,000.00	1.00	–	20,001.00	20,001.00
Kwok Ping-kwong, Thomas	20,000.00	1.00	–	20,001.00	20,001.00
So Sing-tak, Andrew (Chief Executive Officer)	25,000.00	720,080.64	–	745,080.64	32,000.00
Chan Kui-yuen, Thomas	20,000.00	12,000.00	–	32,000.00	32,000.00
Wong Yick-kam, Michael	20,000.00	12,000.00	–	32,000.00	32,000.00
Leung Kui-king, Donald	20,000.00	12,000.00	–	32,000.00	32,000.00
So Chung-keung, Alfred	20,000.00	12,000.00	–	32,000.00	268,642.00
Tung Chi-ho, Eric	20,000.00	12,000.00	–	32,000.00	32,000.00
Wong Chin-wah	20,000.00	356,400.00	–	376,400.00	376,400.00
Tung Yiu-kwan, Stephen	20,000.00	1,633,084.32	–	1,653,084.32	1,630,662.50
Yen Shiao-hua, Sheridan (Resigned on 4 December 2004)	–	1,595,755.32	6,000.00	1,601,755.32	2,787,040.00
Non-Executive Director					
Cheung Wing-yui	120,000.00	–	–	120,000.00	120,000.00
Independent Non-Executive Directors					
Kao Kuen, Charles	120,000.00	–	–	120,000.00	120,000.00
Li On-kwok, Victor	120,000.00	–	–	120,000.00	120,000.00
Fong Ching, Eddy	94,000.00	–	–	94,000.00	–
Total				5,060,323.28	5,652,747.50

Directors' Report

The interests of the Directors (including past directors) and the Chief Executive in the share options of the Company and its Associated Corporations are stated in detail in the Share Option Schemes section above.

During the year, Yen Shiao-hua, Sheridan, a past director resigned on 4 December 2004, had exercised 533,333 share options on 3 March 2005 with exercise price of HK\$1.43 and the closing price of HK\$1.46 on 2 March 2005.

Save as disclosed above, as at 30 June 2005, none of the Directors and past Directors of the Company had emoluments, pension and compensation arrangements that were required to be disclosed pursuant to GEM Rule 18.28.

2. Group's Emoluments Policy

(a) General description of the emolument policy and long term incentive schemes of the Group

Emolument Policy

The philosophy of the emolument policy of SUNeVision could be summarized as follows:

- (i) The company will benchmark periodically with the market to ensure the competitiveness of the overall package
- (ii) We adopt a performance driven policy so that each individual is motivated to perform to the best they can
- (iii) Individual competence, contribution and responsibility are taken into account when considering the remuneration level for each staff
- (iv) Different remuneration elements are adopted for different functions, such as commission schemes for sales and special allowances for staff working on shift, to meet the special characteristics of each function
- (v) The Company also offers provident fund, medical insurance and leave benefits to provide basic coverage to staff for sickness, retirement, rest and relaxation reasons
- (vi) Share option grants are made from time to time to better link the corporate performance as reflected in the share price performance and the contributions made by the senior staff in the intermediate to longer time frame
- (vii) The affordability of the Company is considered also in coming up with the overall remuneration budget for the whole company

Incentive Scheme

To enhance the performance culture, SUNeVision also has adopted a discretionary bonus scheme. A couple of factors, such as the affordability of the Company and the overall financial performance, have been taken into account before determining the payout for each individual. The payout of the bonus still remains at the sole discretion of the Company.

(b) Basis of determining emolument to directors

The remuneration philosophy of the Company applies also to the directors. Apart from benchmarking against the market, we also look into individual competence and contributions and the affordability of the Company in determining the exact level of remuneration for each director. Share option is also granted to gain a better line of sight between the overall performance of the Company in terms of share price and the contributions made by the directors.

3. Highest Emoluments

The five individuals whose emoluments were the highest in the Group for the financial year ended 30 June 2005 include Tung Yiu-kwan, Stephen and Yen Shiao-hua, Sheridan who are directors of the Company. Details of the other individuals whose emoluments were the highest are disclosed as follows:

Aggregate basic salaries, housing allowances and benefits in kind	Aggregate contribution to pension scheme	Aggregate discretionary Bonus	Aggregate inducement to join	Aggregate compensation for loss of office	Total 2005	Total 2004
1,324,470.40	66,123.00	336,000.00	-	-	1,726,593.40	1,464,611.20
1,020,000.00	51,000.00	85,000.00	-	-	1,156,000.00	1,071,000.00
840,000.00	42,000.00	140,000.00	-	-	1,022,000.00	882,000.00
Total					3,904,593.40	3,417,611.20

Directors' Report

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, the long positions of every person, other than a Director or the Chief Executive of the Company, being 10% or more in the interest in shares of the Company as recorded in the register required to be kept under section 336 of the SFO, were as follows:

Name	Total number of shares	% of shares in issue
Sunco Resources Limited ¹ ("Sunco")	1,713,613,500	84.55
SHKP ²	1,713,613,500	84.55
HSBC International Trustee Limited ³	1,717,623,249	84.74

Notes:

1. Sunco is the beneficial owner of the 1,713,613,500 shares.
2. As Sunco is a wholly-owned subsidiary of SHKP, SHKP is deemed to have interest in the 1,713,613,500 shares of the Company held by Sunco by virtue of the SFO.
3. HSBC International Trustee Limited is deemed to have interest in the 1,713,613,500 shares of the Company held by SHKP. Of the shares in SHKP in which HSBC International Trustee Limited was interested, 1,056,338,347 shares were the shares referred to in Note to sub-section 2 of the section on "Directors' and Chief Executive's Interests".

Save as disclosed above, as at 30 June 2005, none of the substantial shareholders were taken to be interested or deemed to have any other interests or short positions in shares, underlying shares or debentures of the Company that were required to be entered into the register kept by the Company pursuant to section 336 of the SFO.

INTERESTS OF OTHER PERSONS

As at 30 June 2005, other than the interests in shares and underlying shares of the Company and its Associated Corporations held by the Directors, Chief Executive and substantial shareholders stated above, there were no other persons with interests recorded in the register required to be kept under section 336 of the SFO.

MANAGEMENT SHAREHOLDERS

So far as the Directors are aware, other than Sunco and SHKP as disclosed above, there was no other person during the period who was directly or indirectly interested in 5% or more of the shares then in issue and who was able, as a practical matter, to direct or influence the management of the Company.

DIRECTORS INTERESTS IN COMPETING BUSINESS

The Independent Non-Executive Directors of the Company, Professor Kao Kuen, Charles and Professor Li On-kwok, Victor, are well recognized leaders in the field of information technology development and have been appointed to various positions including consultants and Directors to institutions and business entities which are engaged in research, development and business. These institutions and business entities may be in competition with the Group.

Save as disclosed in this section, none of the Directors or the management shareholders of the Company have any interest in any business which may compete with the business of the Group.

Directors' Report

CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 30 June 2005 are disclosed in note 28 to the financial statements.

1. Expired Continuing Connected Transactions – Ongoing Connected Transactions approved by the Independent Shareholders on 9 June 2003

At the extraordinary general meeting of the Company held on 9 June 2003 (the "EGM"), the Ordinary Resolution approving the Ongoing Connected Transactions (as defined and more particularly described in the Circular of the Company to its shareholders dated 23 May 2003) was duly passed by the Shareholders, in respect of the following continuing connected transactions subject to the caps for the respective periods as stated below. All of the Advertising and e-Commerce Agreement, the Networking Agreement, the Maintenance Agreement, the Estate Agency Agreement, the Insurance Agreement, the Extra Management Services Agreement, the Retrofitting Agreement, the Technical Services Agreement, the Non-core Services Agreement, the Space and Rack Rental Agreement, the Cable and Network Rental Agreement, the Promotional Services Agreement and the Construction Services Agreement as mentioned below were executed on 6 May 2003 for a period commencing 9 June 2003 (other than the Investment Management Services Agreement which have not been commenced yet and the services arrangement thereof was not conducted before the Independent Shareholders' approval was obtained), being the date of approval of the independent shareholders of the Company as defined under the GEM Listing Rules of the transactions under the respective Agreements, and expired on 30 June 2005 (both days inclusive):

Category of Ongoing Connected Transactions	Caps (HK\$) For each of the two financial years ended 30 June 2005
a. Lease Arrangement	the amount determined according to the terms of the relevant lease agreements
b. Advertising and e-Commerce Transactions	15,000,000
c. Networking Arrangement	39,000,000
d. Maintenance Arrangement	42,000,000
e. Estate Agency Arrangement	1,200,000
f. Insurance Arrangement	3,600,000
g. Property Management Arrangement	9,100,000
h. Retrofitting Arrangement	6,400,000
i. Technical Services Arrangement	1,400,000
j. Non-core Services Arrangement	1,400,000
k. Space and Rack Rental Arrangement	2,800,000
l. Investment Management Service Arrangement	2,500,000
m. Cable and Network Rental Arrangement	2,600,000
n. Promotion Services Arrangement	1,600,000
o. Construction Services Arrangement	13,000,000

(a) Lease arrangement between the Group and members of SHKP Group

As disclosed in the Prospectus, CST iAdvantage has leased from members of the SHKP Group certain premises in the PRC ("Lease Arrangement") for use by the Group as its office premises and data centre. The Lease Arrangement is covered by the Original Waiver. Information regarding such leases is set out below:

- (i) Units 809 to 817, 8th Floor, Tower 1, Sun Dong An Plaza, 138 Wangfujing Dajie, Beijing, the PRC

On 30 June 2000, CST iAdvantage, a subsidiary of the Group, entered into a tenancy agreement with Beijing Sun Dong An Company Limited, which SHKP has 50% of interest in the capital thereof, to rent the captioned premises situate at Units 809 to 817, 8th Level, Tower 1, Sun Dong An Plaza, 138 Wangfujing Dajie, for a term of six years commencing on 1 May 2000 (with five renewal options for a term of three years each), including the Original Waiver Period. In relation to the period covered by the Original Waiver, the rental was US\$11,090 per month for the period from 1 May 2000 to 30 April 2002, US\$12,199 per month for the period from 1 May 2002 to 31 October 2002, US\$9,273 per month for the period from 1 November 2002 to 16 March 2003, all rental being exclusive of air-conditioning, management fees and other outgoings; and in relation to the remainder of the term, the rental was US\$9,273 per month for the period from 17 March 2003 to 30 April 2004, US\$10,116 per month for the period from 1 May 2004 to 30 April 2006, open market rent (subject to a cap of \pm 35% of the rent of the 6th year of the term) for the period from 1 May 2006 to 30 April 2009 (optional) and open market rent for the period from 1 May 2009 to 30 April 2020 (four renewal options for a term of three years each (subject to government regulation)), all rental being exclusive of air-conditioning, management fees and other outgoings. Air-conditioning and property management charges were RMB35,488 per month for the period from 1 May 2000 to 30 October 2002 and RMB26,976 per month for the period from 1 November 2002 to 30 April 2006 (during the rent-free periods, 50% of the aforesaid monthly charges).

There was a rent-free period of 12 months being the aggregate of the periods from 1 May 2000 to 31 August 2000, 1 May 2001 to 30 June 2001, 1 May 2003 to 30 June 2003, 1 May 2004 to 30 June 2004, and 1 May 2005 to 30 June 2005.

Directors' Report

- (ii) Level 37, Shanghai Central Plaza, 381 Huaihai Zhong Road, Shanghai, the PRC

On 1 April 2000, CST iAdvantage, a subsidiary of the Group, entered into a tenancy agreement with Shanghai Central Plaza Property Co. Limited, a cooperative joint venture in which SHKP Group has a 75% equity interest, to rent the premises situate at Level 37, Shanghai Central Plaza, 381 Huihai Central Road, Luwan District, Shanghai for a term of six years commencing on 1 April 2000 (with five renewal options for a term of three years each), including the Original Waiver Period. In relation to the period covered by the Original Waiver, the rental (excluding air-conditioning, management fees and other outgoings) was US\$17,891.55 per month for the period from 1 April 2000 to 16 March 2003; and in relation to the remainder of the term, the rental is US\$17,891.55 from 17 March to 31 March 2003, US\$20,542.15 from 1 April 2003 to 31 March 2006, and if the option to renew is exercised, open market rent subject to a cap of $\pm 35\%$ of the rental for the sixth year for the period from 1 April 2006 to 31 March 2009, and if any of the four further options to renew are exercised at an open market rent for the period from 1 April 2009 to 31 March 2021, all rental being exclusive of air-conditioning, management fees and other outgoings. Air-conditioning and property management charges was RMB24,372.90 per month.

There were rent-free periods of six months being the periods from 1 April 2000 to 31 May 2000, 1 April 2001 to 31 May 2001, and 1 April 2002 to 31 May 2002.

During the year ended 30 June 2005, the aggregate rental paid to SHKP Group was HK\$3,133,348.

(b) e-Commerce transactions, advertising, and internet-related services provided by the Group to the SHKP Group

The Group entered into an Advertising and e-Commerce Agreement with SHKP Group pursuant to which SHKP Group agrees to procure members of the SHKP Group to use and the Group agrees to procure its members to provide services including advertisements services and any e-commerce services which include the setting-up of e-management systems and resident communities, reservation and booking services, systems maintenance and management services, website development and maintenance services and online marketing campaign services. During the year ended 30 June 2005, the aggregate consideration received from SHKP Group was HK\$3,689,682.

(c) Installation, operation and provision of cable networking by the Group for buildings owned and/or managed by SHKP Group

The Group entered into a Networking Agreement with SHKP Group pursuant to which the Group agrees to procure relevant members of the Group to provide services in connection with the design, installation, operation and provision of Satellite Master Antenna Television System and Communal Aerial, Broadcasting Distributing and other security surveillance systems and laying of network cabling system (such as voice and data network), optical fibre network, broadband network and other IT infrastructure in buildings owned and/or managed by the SHKP Group. During the year ended 30 June 2005, the aggregate consideration received from SHKP Group was HK\$23,526,075.

(d) Maintenance and repair of network infrastructure and security systems by the Group for buildings owned and/or managed by the SHKP Group

The Group entered into a Maintenance and Repair Agreement with SHKP Group pursuant to which the Group agrees to procure relevant members of the Group to provide maintenance and repair works for cable, broadband, computer systems, and other IT infrastructure network and security surveillance systems to buildings owned and/or managed by SHKP or other members of the SHKP Group. During the year ended 30 June 2005, the aggregate consideration received from SHKP Group was HK\$37,827,358.

(e) Estate agency services provided by members of the SHKP Group to the Group

The Group entered into an Estate Agency Agreement with SHKP Group pursuant to which SHKP Group agrees to procure members of the SHKP Group to provide estate agency services to members of the Group in relation to the letting of premises owned by the Group. During the year ended 30 June 2005, the aggregate consideration paid to SHKP Group was HK\$748,125.

(f) Provision of insurance services by the SHKP Group to the Group

The Group entered into an Insurance Agreement with SHKP Group pursuant to which Sun Hung Kai Properties Insurance Limited ("SHKP Insurance"), a subsidiary of SHKP, agrees to provide insurance services to the Group. During the year ended 30 June 2005, the aggregate consideration paid to SHKP Group was HK\$1,777,123.

(g) Provision of property management services by the SHKP Group to the Group

The Group entered into a Property Management Agreement with SHKP Group pursuant to which SHKP Group agrees to provide cleaning and sanitary services, security guard services, ad hoc facilities fixing services, small scale and miscellaneous repairs services to the properties owned by the Group. During the year ended 30 June 2005, the aggregate consideration paid to SHKP Group was HK\$8,413,301.

Directors' Report

(h) Provision of retrofitting services by the SHKP Group to the Group

The Group entered into a Retrofitting Agreement with SHKP Group pursuant to which SHKP Group agrees to procure members of the SHKP Group to provide retrofitting services including reinstating, upgrading and renovating structure and systems in data centers and other premises of the members of the Group whenever requested by the relevant members of the Group. During the year ended 30 June 2005, the aggregate consideration paid to SHKP Group was HK\$46,630.

(i) Provision of various technical and technical-related services by the SHKP Group to the Group

The Group entered into a Technical Services Agreement with SHKP Group pursuant to which SHKP Group agrees to procure members of the SHKP Group to provide various technical and technical-related services, including mechanical and engineering services and miscellaneous labour services in connection with broadband interconnection whenever requested by the relevant members of the Group. During the year ended 30 June 2005, the aggregate consideration paid to SHKP Group was HK\$729,870.

(j) Provision of non-core IT value added services by the Group to the SHKP Group

The Group entered into a Non-core Services Agreement with SHKP Group pursuant to which the Group agrees to procure relevant members of the Group to provide dataline application hosting services, web traffic report services, domain name registration, equipment procurement and report on xerox plotter meter charges services to the relevant members of the SHKP Group. During the year ended 30 June 2005, the aggregate consideration received from SHKP Group was HK\$449,463.

(k) Space and rack rental arrangement

The Group entered into a Space and Rack Rental Agreement with SHKP Group pursuant to which the Group agrees to procure relevant members of the Group to lease space and racks located in the data centres owned and operated by the Group to the relevant members of the SHKP Group. During the year ended 30 June 2005, the aggregate consideration received from SHKP Group was HK\$2,541,247.

(l) Provision of investment management service by SHKP Group in relation to the investment portfolio of the Group

The Group and SHKP Group intend to enter into an Investment Management Services Agreement pursuant to which SHKP Group will agree to procure the relevant member or members of the SHKP Group to provide the investment management services. During the year ended 30 June 2005, no consideration was paid to SHKP Group.

(m) Rental of cable and network systems from SHKP Group

The Group entered into a Cable and Network Rental Agreement with SHKP Group pursuant to which SHKP Group agrees to procure members of the SHKP Group to lease to the relevant members of the Group and the Company agrees to procure the Group to lease from relevant members of SHKP Group, the cable and data network systems and accessories installed in certain property developments owned and/or managed by SHKP Group. During the year ended 30 June 2005, the aggregate consideration paid to SHKP Group was HK\$1,744,064.

(n) Engagement of promotion services at the property sites owned and/or managed by SHKP Group

The Group entered into a Promotion Services Agreement with SHKP Group pursuant to which SHKP Group agrees to procure members of the SHKP Group to promote the broadband communication services operated by the Group to the residents in certain residential property developments owned and/or managed by the SHKP Group. During the year ended 30 June 2005, the aggregate consideration paid to SHKP Group was HK\$1,073,270.

(o) Design, construction and renovation services for properties developed by the SHKP Group

The Group entered into a Design, Construction and Renovation Services Agreement with SHKP Group pursuant to which the Group agrees to procure relevant members of the Group to the provision of design, construction and renovation services in relation to the showflats and property units developed by SHKP Group to the relevant members of the SHKP Group. During the year ended 30 June 2005, no consideration was received from SHKP Group.

The above Expired Continuing Connected Transactions have been reviewed by the Independent Non-Executive Directors of the Company. The Independent Non-Executive Directors have confirmed that the Expired Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Directors, including the Independent Non-Executive Directors, of the Company have confirmed that the above Expired Continuing Connected Transactions (a) have received the approval of the Board; (b) were in accordance with the pricing policies of the Company; (c) have been entered into in accordance with the relevant agreement governing the transactions; and (d) have not exceeded the cap disclosed in previous announcements.

Directors' Report

2. Renewed Continuing Connected Transactions

On 23 May 2005, the Company renewed the agreements governing the Transactions Requiring Approval and the Transactions Exempt from Approval with SHKP each for a term of three years commencing from 1 July 2005 and ending on 30 June 2008. It is also expected that the Lease Arrangements may continue for the period from 1 July 2005 to 30 June 2008.

Details of the Transactions Requiring Approval, the Transactions Exempt from Approval and the Lease Arrangements are as follows:

(a) TRANSACTIONS REQUIRING APPROVAL

At the extraordinary general meeting of the Company held on 23 June 2005 (the "2005 EGM"), the Ordinary Resolution approving the Transactions Requiring Approval (as defined and more particularly described in the Circular of the Company to its shareholders dated 7 June 2005) was duly passed by the Independent Shareholders, in respect of the following renewed continuing connected transactions subject to the caps for the respective periods as stated below.

(i) *Installation, operation and provision of cable networking by the Group for buildings owned and/or managed by the SHKP Group*

Super e-Network and Super e-Technology have been providing and they will continue to provide, and other members of the Group may in the future provide, services to members of the SHKP Group in connection with the design, installation, operation and provision of SMATV/CABD and other security systems and laying of network cabling system (such as voice and data network, building services access, and power supply), optical fiber network, broadband network and other IT infrastructure network in buildings owned and/or managed by the SHKP Group (the "Networking Arrangement"). The Group charges and will continue to charge the relevant members of the SHKP Group service fees for the provision of such services.

The annual amount of service fees to be received by the Group in respect of the Networking Arrangement during the three financial years ending 30 June 2008 will not exceed HK\$45,000,000.

(ii) *Maintenance and repair of network infrastructure and security systems by the Group for buildings owned and/or managed by the SHKP Group*

Super e-Network and Super e-Technology have been engaged and they will continue to be engaged, and other members of the Group may in the future be engaged, by certain members of the SHKP Group to carry out maintenance

and repair works for SMATV/CABD and other security systems and cabling systems (such as voice and data network, building services access, and power supply), optical fiber network, broadband network, computer systems and other IT infrastructure networks in buildings owned and/or managed by the SHKP Group ("Maintenance Arrangement"). The Group charges and will continue to charge fees for services provided under the Maintenance Arrangement after the expiry of the warranty periods of the cable, broadband, computer systems and other IT infrastructure networks and security systems provided, installed or laid by the Group.

The annual service fees in respect of the Maintenance Arrangement to be received by the Group during the three financial years ending 30 June 2008 will not exceed HK\$56,000,000.

(b) TRANSACTIONS EXEMPT FROM APPROVAL

Transactions of each category of the Transactions Exempt from Approval and the Lease Arrangements will constitute non-exempt continuing connected transactions of the Company of which relevant announcement were published on 23 May 2005 subject to the reporting and announcement requirements under the GEM Listing Rules.

(i) e-Commerce transactions, advertising, and internet-related services provided by the Group to the SHKP Group

Members of the SHKP Group have been using, and will continue to use, the Group's internet services whereby they place advertisements on or conduct promotion activities via various internet websites operated by members of the Group, such as superhome.net, superstreets.net, red-dots.com and reinsurancemall.com (the "Advertising Transactions"). Members of the Group also provide, and will continue to provide, internet-related services to members of the SHKP Group which services include the setting-up of e-management systems and resident communities, reservation and booking services, systems maintenance and management services, website development and maintenance services and online marketing campaigns (the "e-Commerce Transactions" and together with the Advertising Transactions are collectively referred to as the "Advertising and e-Commerce Transactions"). The Group charges, and will continue to charge, the relevant members of SHKP Group service fees for the provision of such services.

The aggregate annual amount of service fees receivable by the Group in respect of the Advertising Transactions and e-Commerce Transactions during the three financial years ending 30 June 2008 will not exceed HK\$7,000,000.

Directors' Report

(ii) *Space and rack rental*

Members of the SHKP Group has been renting and will continue to rent spaces and racks located in the Group's data centres ("Space and Rack Rental Arrangement"). The Group charges and will continue to charge the relevant members of the SHKP Group rent at rates no less favourable to the Group than the rates at which the Group charges other independent third party customers of the Group taking into account the area of space and/or number of racks rented and the rental term.

The annual amount of rental to be received by the Group in respect of the Space and Rack Rental Arrangement during the three financial years ending 30 June 2008 will not exceed HK\$3,700,000.

(iii) *Provision of property management services by the SHKP Group to the Group*

Kai Shing Management Services Limited, a wholly-owned subsidiary of SHKP, is the manager of both Kodak House II at North Point, Hong Kong and Millennium City at Kwun Tong, Kowloon. The building manager is appointed by the owners of the buildings, and performs duties for the benefit of all owners of the respective buildings in accordance with the terms of the relevant deeds of mutual covenant. As the Group owns certain units of these two buildings, the relevant members of the Group pay property management fees to the relevant building manager, which is on the same basis as the other owners of the buildings in accordance with the relevant deeds of mutual covenant ("Building Management Services").

Members of the SHKP Group also provide and will continue to provide cleaning and sanitary services, security guard services, ad hoc facilities fixing services, small scale and miscellaneous repairs services in relation to data centres owned by iAdvantage, such properties include ONE-iAdvantage in Millennium City at Kwun Tong, Kowloon, Jumbo-iAdvantage in Tsuen Wan, New Territories and Mega-iAdvantage in Chai Wan, Hong Kong. iAdvantage pays monthly service fee to the SHKP Group for the services provided at the same rates to those chargeable by the SHKP Group to other owners/tenants requesting for the same types of services ("Extra Management Services" and arrangements under the Building Management Services are collectively referred to as the "Property Management Arrangement").

The annual amount of fees payable by the Group in respect of the Property Management Arrangement during the three financial years ending 30 June 2008 will not exceed HK\$9,000,000.

(c) THE LEASE ARRANGEMENTS

CST iAdvantage has been leasing and will continue to lease from members of the SHKP Group certain premises in the PRC ("Lease Arrangements"). Set out below is information regarding such leases.

(i) *Units 809 to 817, 8th Floor, Tower 1, Sun Dong An Plaza, 138 Wangfujing Dajie, Beijing, the PRC*

Date of agreements:	30 June 2000 - original lease agreement 6 November 2002 - surrender agreement (see remarks below)
Landlord:	Beijing Sun Dong An Company Limited, a jointly controlled entity in which SHKP is interested in 50%
Tenant:	CST iAdvantage
Term:	Six years commencing on 1 May 2000 (with five renewal options for a term of three years each)
Rental:	<p>In relation to the period covered by the Existing Approval, the rental was US\$9,273 per month for the period from 9 June 2003 to 30 April 2004, US\$10,116 per month for the period from 1 May 2004 to 30 June 2005; and</p> <p>in relation to the remainder of the term, the rental is US\$10,116 per month for the period from 1 July 2005 to 30 April 2006; if the option to renew is exercised, the rental for the period from 1 May 2006 to 30 April 2009 will be at open market rent (subject to a cap of $\pm 35\%$ of the rent of the 6th year of the term), and will be at open market rent for the period from 1 May 2009 to 30 April 2021 (four renewal options for a term of three years each (subject to government regulation)); and</p> <p>all rental being exclusive of air-conditioning, management fees and other outgoings</p>

Directors' Report

Rent free periods:	12 months being the aggregate of the periods from 1 May 2000 to 31 August 2000, 1 May 2001 to 30 June 2001, 1 May 2003 to 30 June 2003, 1 May 2004 to 30 June 2004, and 1 May 2005 to 30 June 2005
Air-conditioning and property management charges:	RMB26,976 per month for the period up to 30 April 2006 (during the rent free periods, 50% of the aforesaid monthly charges), and the charges after 30 April 2006 will be determined by the parties in accordance with the agreement
User:	This property is used by the Group as its office premises and data centre
Remarks:	CST iAdvantage surrendered part of Room 809 with an area of 266 square meters to the landlord on 30 October 2002. There has been no change in the rent per square meter as agreed under the original lease agreement. However, due to a reduction in the area leased by CST iAdvantage, the monthly rental payable by CST iAdvantage from 1 November 2002 to 30 April 2004 has been reduced from US\$12,199 to US\$9,273 and from 1 May 2004 to 30 April 2006 has been reduced from US\$13,308 to US\$10,116

- (ii) *Level 37, Shanghai Central Plaza, 381 Huaihai Zhong Road, Shanghai, the PRC*

Date of agreement:	1 April 2000
Landlord:	Shanghai Central Plaza Property Co. Limited, a subsidiary of SHKP in which SHKP has a 75% interest
Tenant:	CST iAdvantage
Term:	Six years commencing on 1 April 2000 (with five renewal options for a term of three years each)
Rental:	<p>In relation to the period covered by the Existing Approval, the rental is US\$20,542.15 per month from 9 June 2003 to 30 June 2005, and</p> <p>in relation to the remainder of the term, the rental will be US\$20,542.15 per month from 1 July 2005 to 31 March 2006; and if the option to renew is exercised, the rental for the period from 1 April 2006 to 31 March 2009 will be at open market rent subject to a cap of $\pm 35\%$ of the rental for the sixth year, and if any of the four further options to renew are exercised, the rental for the period from 1 April 2009 to 31 March 2021 will be at an open market rent; and</p> <p>all rental being exclusive of air-conditioning, management fees and other outgoings</p>
Rent free periods:	Six months being the periods from 1 April 2000 to 31 May 2000, 1 April 2001 to 31 May 2001, and 1 April 2002 to 31 May 2002

Directors' Report

Air-conditioning and property management charges: RMB24,372.90 per month up to 31 March 2006 and the charges after 31 March 2006 will be determined by the parties in accordance with the agreement

User: This property is used by the Group as its office premises and data centre

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SIGNIFICANT CONTRACTS

During the year, the Group had certain transactions with Sun Hung Kai Properties Limited ("SHKP") and its affiliates other than members of the Group. Details of these transactions are set out in note 28 – related party transactions and balances to the financial statements. There was no contract of significance between the Company or its subsidiaries and a controlling shareholder or any of its subsidiaries subsisting during or at the end of the year. Furthermore, there was no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest suppliers of the Group accounted for about 35% of its operating costs and the largest suppliers, being SHKP Group, accounted for about 21% of the total operating costs.

During the year, the five largest customers of the Group accounted for about 49% of the turnover of the Group and the largest customer, being SHKP Group, accounted for about 28% of the total turnover.

As at 30 June 2005, Messrs. Kwok Ping-luen, Raymond, Kwok Ping-sheung, Walter and Kwok Ping-kwong, Thomas had maintained equity interests in SHKP Group as stated in detail in the Directors' and Chief Executive's Interests section.

Save as disclosed above, none of the Directors, their respective associates and shareholders of the Company (which to the knowledge of the Directors own more than 5% of the issued capital of the Company) had any interest in any of the five largest customers of the Group for the financial year ended 30 June 2005.

All transactions between the Group and its customers were carried out on normal commercial terms.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors.

PENSION SCHEME

With effect from 1 December 2000, the Group has participated in Mandatory Provident Fund Scheme ("MPF Scheme") for all its employees and one executive director in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Pursuant to the GEM Listing Rules of the MPF Scheme, the Group and its employees are each required to make contributions to the scheme at 5% of their monthly relevant income, up to HK\$1,000 per month. On top of the mandatory contributions, employees may elect to make voluntary contribution at 5% on their salaries less the amount of mandatory contribution. For employees making such an election, the Group will match an equal amount of contribution. Contributions of the Group to the MPF Scheme are charged to income statement as incurred. During the year, the retirement benefit scheme contributions borne by the Group amounted to HK\$1,514,949 (2004: HK\$1,861,000).

All other executive Directors of the Group participate in a retirement benefit scheme which is operated by the SHKP Group for all qualified employees. The assets of this scheme are held separately from those of the SHKP Group in independently managed and administered funds. Contributions to this scheme are made by both the employer and employees at rates ranging from 5% to 10% on the employees' salaries.

Forfeited contributions for the year 2005 amounted to HK\$95,500 and is used to offset future contributions during 2005. Forfeited contributions in the amount of HK\$18,908.10 are available at the balance sheet date to reduce the contributions payable in the future years.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 54 to 62 of the annual report.

On behalf of the Board

Kwok Ping-luen, Raymond

Chairman

Hong Kong, 9 September 2005

Corporate Governance Report

Introduction

Maintaining high standards of business ethics and corporate governance practices has always been one of the Group's goals. The Group believes that by conducting its business in a socially responsible and honest manner, the long-term interests of the Group can be best achieved and the shareholders' interests can be maximised.

Corporate Governance Practices

By applying rigorous corporate governance practices, the Group believes that its accountability and transparency will be improved and further instill confidence of shareholders and the public in the Group. Throughout the financial year ended 30 June 2005, the Group has complied with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules. The Board of directors has, since the amendments to the GEM Listing Rules regarding corporate governance practices were first proposed by the Stock Exchange, continued to monitor and review the Group's progress in respect of corporate governance practices to ensure compliance. Meetings were held throughout the year and where appropriate, circulars and other guidance notes were issued to directors and senior management of the Group to ensure awareness to issues regarding corporate governance practices.

The Board of Directors

Composition

The Board of directors, which currently comprises 15 directors, is responsible for supervising the management of the Group. Details of the Chairman and the other directors of the Company are set out in the Directors Report. All directors give sufficient time and attention to the affairs of the Group.

The presence of four non-executive directors, of whom three are independent, is considered by the Board to be a reasonable balance between executive and non-executive directors, and the Board is of the opinion that such balance has and shall continue to provide adequate checks and balances for safeguarding the interests of shareholders and the Group. The non-executive directors provide to the Group a wide range of expertise and experience and play an important role in the work of the Board of Directors, as well as ensure that the interests of all shareholders are taken into account. They contribute significantly to the development of the Group's strategies and policies through their informed comments and criticism. They are also responsible for participating in Board meetings, dealing with potential conflicts of interest, serving on Audit/Nomination and Remuneration Committees, and scrutinising the Group's performance and reporting. Through their active participation, they give to the Board (and the committees they serve on) the benefit of their skills, expertise and background experience, and the management process can be critically reviewed and controlled.

In full compliance with rule 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three independent non-executive directors, at least one of whom has appropriate professional qualifications or accounting or related financial management expertise. The Group has received from each independent non-executive director an annual confirmation of his independence, and the Group considers such directors to be independent in accordance with each and every guideline set out in rule 5.09 of the GEM Listing Rules. No independent non-executive director has served the Group for more than nine years.

All independent non-executive directors are identified as such in all corporate communications containing the names of the directors.

Mr. Kwok Ping-luen, Raymond (the Chairman of the Group), Mr. Kwok Ping-sheung, Walter and Mr. Kwok Ping-kwong, Thomas (both executive directors of the Group) are brothers. Besides the above, there is no family or other material relationship among members of the Board.

Board Meetings

The full Board regularly meets in person at least four times every year. The directors participated in person or through other electronic means of communication. At least 14 days notice of all board meetings were given to all directors, who were all given an opportunity to include matters in the agenda for discussion. The Company Secretary assists the Chairman in preparing the agenda for the meeting, and ensures that all applicable rules and regulations regarding the meetings are observed. The finalised agenda and accompanying board papers are then sent to all directors at least three days prior to the meeting.

Corporate Governance Report

In the financial year ended 30 June 2005, four board meetings were held and the following is an attendance record of the meetings by each director:

Attendants	Number of meetings attended/ Total	Attendance percentage
Executive Directors		
Kwok Ping-luen, Raymond	3/4	75%
Kwok Ping-sheung, Walter	0/4	0%
Kwok Ping-kwong, Thomas	0/4	0%
So Sing-tak, Andrew	4/4	100%
Chan Kui-yuen, Thomas	2/4	50%
Wong Yick-kam, Michael	4/4	100%
Leung Kui-king, Donald	3/4	75%
So Chung-keung, Alfred	3/4	75%
Tung Chi-ho, Eric	3/4	75%
Wong Chin-wah	4/4	100%
Tung Yiu-kwan, Stephen	4/4	100%
Yen Shiao-hua, Sheridan (retired on 4 December 2004)	2/2	100%
Non-Executive Director		
Cheung Wing-yui	3/4	75%
Independent Non-Executive Directors		
Kao Kuen, Charles	4/4	100%
Li On-kwok, Victor	3/4	75%
Fong Ching, Eddy	4/4	100%

During regular meetings of the Board, the directors discuss and formulate the overall strategies of the Group, monitor financial performances and discuss the annual and interim results, set annual budgets, as well as discuss and decide on other significant matters. Execution of daily operational matters is delegated to management.

The Company Secretary records the proceedings of each board meeting in detail by keeping detailed minutes, including all decisions by the board together with concerns raised and dissenting views expressed (if any). Drafts of board minutes are circulated to all directors for comment and approval as soon as practicable after the meeting. All minutes are open for inspection at any reasonable time on request by any director.

All directors have access to relevant and timely information at all times as the Chairman ensures that management will supply the Board and its committees with all relevant information in a timely manner. They may make further enquiries if in their opinion it is necessary or appropriate to request for further information. They also have unrestricted access to the advice and services of the Company Secretary, who is responsible to the Board of directors for providing directors with board papers and related materials, and ensuring that all proper Board procedures are followed and that all applicable laws and regulations are complied with. If considered to be necessary and appropriate by the directors, they may retain independent professional advisors at the Group's expense.

In case where a conflict of interest may arise involving a substantial shareholder or a director, such matter will be discussed through an actual meeting and will not be dealt with by written resolutions. Independent non-executive directors with no conflict of interest will be present at meetings dealing with such conflict issues.

The board committees, including the audit committee, the remuneration committee and the nomination committee, have all adopted the applicable practices and procedures used in board meetings for all committee meetings.

Chairman of the Group

The Chairman of the Group is Mr. Kwok Ping-luen, Raymond and the Chief Executive Officer of the Group is Mr. So Sing-tak, Andrew. The roles of Chairman and Chief Executive Officer are separate and not performed by the same individual to avoid power being concentrated in any one individual. The Chairman of the Group is primarily responsible for management of the Board, whereas the Chief Executive Officer is primarily responsible for the day-to-day management of the Group. The division of responsibilities between the Chairman and the Chief Executive Officer is set out in writing.

The Chairman is responsible for leading the Board and ensuring the Board functions effectively and smoothly. In doing so, the Chairman ensures that good corporate governance practices and procedures are established and followed, and that all directors are properly briefed and received all relevant information prior to each meeting.

The Chairman also encourages all directors, including the independent non-executive directors, to actively participate in all board and committee meetings.

Corporate Governance Report

Training and Support for Directors

All directors, including non-executive directors and independent non-executive directors, must keep abreast of their collective responsibilities as directors and of the business and activities of the Group. As such, the Group provides a comprehensive and formal induction to each newly appointed director upon his appointment. Briefings and orientations are provided and organised to ensure that the new directors are familiar with the role of the Board, their legal and other duties as a director as well as the business and governance practices of the Group. Such programmes are tailored to each individual director taking into account their background and expertise. The Company Secretary will continuously update all directors on latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance of the same by all directors.

All directors also participate in continuous professional development programmes provided or procured by the Group, such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board.

Each director will, upon his first appointment and thereafter on a yearly basis, disclose to the Group the number and nature of offices held by such director in public companies and organisations and other significant commitments.

Compliance with the required standard for dealing in Securities Transactions by Directors of Listed Issuers

The Group adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' securities transactions in securities of the Company. Upon the Group's specific enquiry, each director had confirmed that during the year ended 30 June 2005, he had fully complied with the required standard of dealings and there was no event of non-compliance.

Remuneration Committee

The Remuneration Committee was established in 2005. The Chairman of the committee is Dr. Fong Ching, Eddy, an independent non-executive director of the Company, and other members include Professor Kao Kuen, Charles, Professor Li On-kwok, Victor, Mr. Cheung Wing-yui and Mr. So Sing-tak, Andrew, the majority also being independent non-executive directors of the Company.

The Remuneration Committee is responsible for formulating and recommending to the Board the remuneration policy, determining the remuneration of executive directors and members of senior management of the Group, as well as reviewing and making recommendations on the Company's share option scheme, bonus structure, provident fund and other compensation-related issues. The Committee consults with the Chairman and/or the Chief Executive Officer on its proposals and recommendations, and also has access to professional advice if deemed necessary by the Committee. The Committee is also provided with other resources enabling it to discharge its duties.

The specific terms of reference of the Remuneration Committee is posted on the Group's website.

Appointment of Directors

Nomination Committee

The Nomination Committee was established in 2005. The chairman of the committee is Professor Li On-kwok, Victor, an independent non-executive director of the Company, and other members include Professor Kao Kuen, Charles, Dr. Fong Ching, Eddy, Mr. Cheung Wing-yui and Mr. So Sing-tak, Andrew, the majority also being independent non-executive directors of the Company.

The Nomination Committee is responsible for formulating nomination policy, and making recommendations to the Board on nomination and appointment of directors and board succession. The Committee will also develop selection procedures of candidates for nomination, review the size, structure and composition of the Board, as well as assess the independence of independent non-executive directors. The Committee is provided with sufficient resources enabling it to discharge its duties.

The specific terms of reference of the Nomination Committee is posted on the Group's website.

Term of Appointment and Re-election

All non-executive directors are appointed for a specific term of three years. All directors, including the executive and non-executive directors, would retire from office by rotation and are subject to re-election at annual general meeting once every three years. In accordance with Article 116 of the Company's Articles of Association, Mr. Kwok Ping-luen, Raymond, Mr. Kwok Ping-sheung, Walter, Mr. Leung Kui-king, Donald, Professor Kao Kuen, Charles and Professor Li On-kwok, Victor will retire by rotation at the forthcoming annual general meeting and, being eligible, would offer themselves for re-election.

According to the Company's Articles of Association, directors appointed to fill casual vacancy shall hold office only until the first annual general meeting after their appointment, and shall be subject to re-election by shareholders. All directors are subject to retirement by rotation at least once every three years.

Audit Committee and Accountability

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's performance and prospects. The Board is also responsible for preparing the accounts of the Company, which give a true and fair view of the financial position of the Group on a going concern basis, and other price-sensitive announcements and other financial disclosures. Management provides all relevant information and record to the Board enabling the Board to make the above assessment and to prepare the accounts and other financial disclosures.

In full compliance with rule 5.28 of the GEM Listing Rules, the Audit Committee, established in 2000, is currently chaired by Professor Kao Kuen, Charles, an independent non-executive director, and the other members are Professor Li On-kwok, Victor, Dr. Fong Ching, Eddy and Mr. Cheung Wing-yui, with the majority being independent non-executive directors of the Company.

Corporate Governance Report

No former partner of the Company's existing auditing firm acted as a member of the Audit Committee within one year on the date of his ceasing to be a partner or had any financial interest in the auditing firm.

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors during the year under review.

The Audit Committee's primary duties include ensuring the Group's financial statements, annual and interim reports, and the auditors' report present a true and balanced assessment of the Group's financial position; reviewing the Group's financial control, internal control and risk management systems; and reviewing the Group's financial and accounting policies and practices. Other duties of the Audit Committee are set out in its specific terms of reference, which is posted on the Group's website.

The Audit Committee is provided with sufficient resources enabling it to discharge its duties.

For the financial year ended 30 June 2005, the Audit Committee held four meetings. The individual attendance record of each member is as follows:

Attendants	Number of meetings attended/ Total	Attendance percentage
Kao Kuen, Charles	3/4	75%
Li On-kwok, Victor	3/4	75%
Fong Ching, Eddy (appointed on 20 September 2004)	3/3	100%
Cheung Wing-yui	3/4	75%

The Company Secretary keeps full minutes of all Audit Committee meetings. In line with practices consistent with Board meetings and other committee meetings, draft and final versions of Audit Committee meeting minutes are circulated to all members of the Audit Committee for comments, approval and record as soon as practicable after each meeting.

Internal Control

The Board is responsible for maintaining sound and effective internal control systems for the Group to safeguard the Group's assets and shareholders' interests, as well as for reviewing such systems' effectiveness. The Board will from time to time conduct a review of the Group's internal control systems. The Board has reviewed the effectiveness of the Group's internal control system, covering financial, operational and compliance controls and risk management functions, during the year under review.

In such review, the Board have considered factors such as changes since the last review; scope and quality of management's monitoring of risks; incidence of significant control failings and weaknesses identified; and effectiveness relating to financial reporting and compliance with the Listing Rules.

Delegation by the Board

The Board is responsible for decision in relation to the overall strategic development of the Group's business. All directors have formal letters of appointment setting out key terms and conditions relative to their appointment. Due to the diversity and volume of the Group's business, responsibility in relation to the daily operations and execution of the strategic business plans are delegated to management.

All committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, have specific terms of reference clearly defining the powers and responsibilities of the respective committees. All committees are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any actions.

The Board reviews, on a yearly basis, all delegations by the Board to different committees to ensure that such delegations are appropriate and continue to be beneficial to the Group as a whole.

Shareholders Relations

The Group is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its shareholders. This commitment to fair disclosure and comprehensive and transparent reporting of the Group's activities can be reflected in many aspects.

The Board strives to encourage and maintain constant dialogue with its shareholders through various means. The Annual General Meeting ("AGM") of the Company provides an excellent opportunity for the Board to meet and communicate with the Company's shareholders. All the directors of the Company make a special effort to attend the AGM so that they may answer any questions from the Company's shareholders.

Corporate Governance Report

The Chairman was also actively involved in organising, and personally held, the AGM in 2005 to ensure that shareholders' views were communicated to the Board. A separate resolution was proposed by the Chairman in respect of each separate issue at the AGM.

The proceedings of the AGM are reviewed from time to time to ensure the Company conforms to the best practices regarding corporate governance. The AGM circular, which is circulated to all shareholders at least 21 days prior to the AGM, sets out details in relation to each resolution proposed, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. At the beginning of the meeting, the Chairman again explains the procedures for demanding and conducting a poll. The Chairman indicates (except those where a poll is required) to the meeting the level of proxies lodged on each resolution, and the balance for and against such resolution. Results of votes are made available on the Company's website www.sunevision.com as soon as practicable and on the same day.

The Company also communicates to its shareholders through its annual, interim and quarterly reports. All such reports can also be accessed via the Company's website. The directors, Company Secretary or other appropriate members of senior management also respond to inquiries from shareholders and investors promptly.

Investor Relations

To strengthen its relationship with investors, the Group meets regularly with analysts and participates frequently in other conferences and presentations.

Auditors' Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF SUNEVISION HOLDINGS LTD.

新意網集團有限公司

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 64 to 107 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 financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements 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 Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, 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 financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 9 September 2005

Consolidated Income Statement

For the year ended 30 June 2005

		2005	2004
	Notes	HK\$'000	HK\$'000
Turnover	4	248,068	227,822
Cost of sales		(154,467)	(159,106)
Gross profit		93,601	68,716
Other revenue	6	49,035	95,192
Selling expenses		142,636	163,908
Administrative expenses		(9,258)	(7,966)
		(38,522)	(48,264)
Profit from operations	7	94,856	107,678
Finance charges on finance leases		(3)	(19)
Profit from operations after finance costs		94,853	107,659
Surplus on revaluation of investment properties		59,200	37,800
Impairment losses of equity technology investments		–	(37,950)
Share of loss of an associate		(190)	(223)
Profit before taxation		153,863	107,286
Taxation	8	–	262
Net profit for the year		153,863	107,548
Dividends:			
Proposed final dividend of HK\$0.045 (2004: HK\$0.03) per share based on 2,026,730,833 (2004: 2,026,197,500) shares		91,203	60,786
Earnings per share	10		
– Basic		7.59 cents	5.31 cents
– Diluted		N/A	5.31 cents

Consolidated Balance Sheet

At 30 June 2005

		2005	2004
	Notes	HK\$'000	HK\$'000
Non-current assets			
Investment properties	13	573,000	513,800
Property, plant and equipment	14	1,016,077	1,045,902
Investments	15	415,133	774,239
Interest in an associate	16	–	2,261
		2,004,210	2,336,202
Current assets			
Investments	15	447,688	99,871
Inventories	17	3,554	3,208
Trade and other receivables	18	59,449	52,061
Amounts due from customers for contract work	21	6,528	12,846
Bank balances and deposits	19	755,442	607,661
		1,272,661	775,647
Current liabilities			
Trade and other payables	22	125,054	112,400
Amounts due to customers for contract work	21	409	286
Obligations under finance leases			
– due within one year	23	–	141
Taxation		–	19
		125,463	112,846
Net current assets		1,147,198	662,801
Total assets less current liabilities		3,151,408	2,999,003
Minority interests	24	18,706	10,314
		3,132,702	2,988,689
Capital and reserves			
Share capital	25	202,673	202,619
Reserves		2,838,826	2,725,284
Proposed final dividend		91,203	60,786
		3,132,702	2,988,689

Directors:

Kwok Ping-uen, Raymond**So Sing-tak, Andrew**

Balance Sheet

At 30 June 2005

		2005	2004
	Notes	HK\$'000	HK\$'000
Non-current assets			
Investments in subsidiaries	11	–	–
Current assets			
Amounts due from subsidiaries	12	3,610,730	3,571,551
Bank balance		13	–
		3,610,743	3,571,551
Current liability			
Other payables		650	670
Net current assets		3,610,093	3,570,881
		3,610,093	3,570,881
Capital and reserves			
Share capital	25	202,673	202,619
Reserves	26	3,316,217	3,307,476
Proposed final dividend		91,203	60,786
		3,610,093	3,570,881

Directors:

Kwok Ping-luen, Raymond

So Sing-tak, Andrew

Consolidated Statement of Changes in Equity

For the year ended 30 June 2005

	Share capital	Share premium	Exchange reserve	Property revaluation reserve	Investments revaluation reserve	Accumulated losses	Proposed dividend	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2003	202,619	3,868,367	288	6,233	–	(1,196,366)	–	2,881,141
Net profit for the year	–	–	–	–	–	107,548	–	107,548
Proposed final dividend	–	–	–	–	–	(60,786)	60,786	–
At 30 June 2004 and 1 July 2004	202,619	3,868,367	288	6,233	–	(1,149,604)	60,786	2,988,689
Effect on initial adoption of Hong Kong Accounting Standard 39	–	–	–	–	–	54,368	–	54,368
As restated on 1 July 2004	202,619	3,868,367	288	6,233	–	(1,095,236)	60,786	3,043,057
Change in fair value on investments	–	–	–	–	(4,522)	–	–	(4,522)
Exchange differences arising from disposal of overseas subsidiaries	–	–	48	–	–	–	–	48
Issue of new shares upon exercise of share options	54	709	–	–	–	–	–	763
Release upon redemption/ disposals of investments	–	–	–	–	–	279	–	279
Dividends paid	–	–	–	–	–	–	(60,786)	(60,786)
Net profit for the year	–	–	–	–	–	153,863	–	153,863
Proposed final dividend	–	–	–	–	–	(91,203)	91,203	–
At 30 June 2005	202,673	3,869,076	336	6,233	(4,522)	(1,032,297)	91,203	3,132,702

Included in the accumulated losses above are losses of HK\$18,429,000 (2004: HK\$18,239,000) attributable to associates.

Consolidated Cash Flow Statement

For the year ended 30 June 2005

	2005	2004
	HK\$'000	HK\$'000
Operating activities		
Profit before taxation	153,863	107,286
Adjustments for:		
Share of loss of an associate	190	223
Finance charges on finance leases	3	19
Interest income	(47,550)	(48,929)
Loss on disposal of property, plant and equipment	203	566
Surplus on revaluation of investment properties	(59,200)	(37,800)
Impairment losses of equity technology investments	–	37,950
Loss (gain) on redemption/disposal of investments	1,723	(19,824)
Exchange loss (gain) on debt securities	1,284	(4,567)
Depreciation	45,817	48,667
Operating cash flows before movements in working capital	96,333	83,591
(Increase) decrease in inventories	(346)	362
(Increase) decrease in trade and other receivables	(9,269)	30,470
Decrease (increase) in amounts due from customers for contract work	6,318	(6,074)
Increase in trade and other payables	12,654	14,688
Increase in amounts due to customers for contract work	123	286
Cash from operations	105,813	123,323
Hong Kong Profits Tax refunded	–	258
Tax paid in other jurisdictions	(19)	(27)
Net cash from operating activities	105,794	123,554
Investing activities		
Proceeds from redemption/disposal of investments	112,199	372,749
Interest received	49,431	45,280
Proceeds from disposal of property, plant and equipment	415	147
Repayment to minority shareholders upon disposal of subsidiaries	(222)	–
Purchase of investments	(45,130)	(359,863)
Purchase of property, plant and equipment	(16,610)	(11,011)
Loan repaid from a jointly controlled entity	–	426
Net cash from investing activities	100,083	47,728
Financing activities		
Dividends paid	(60,786)	–
Repayment of obligations under finance leases	(141)	(268)
Finance charges on finance leases	(3)	(19)
Advance from an associate	2,071	–
Proceeds from issue of shares	763	–
Net cash used in financing activities	(58,096)	(287)
Net increase in cash and cash equivalents	147,781	170,995
Cash and cash equivalents at beginning of the year	607,661	436,666
Cash and cash equivalents at end of the year, represented by bank balances and deposits	755,442	607,661

Notes to the Financial Statements

For the year ended 30 June 2005

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. The shares of the Company are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Sun Hung Kai Properties Limited ("SHKP"), a company incorporated in Hong Kong with its shares listed on the main board of the Stock Exchange. SHKP together with its subsidiaries, other than members of the Group, are hereinafter referred to as the "SHKP Group".

The Company is an investment holding company. The principal activities of its principal subsidiaries and associate are set out in notes 34 and 16 respectively.

2. ADOPTION OF NEW ACCOUNTING STANDARDS AND POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new and revised Hong Kong Accounting Standards ("HKAS") and Hong Kong Financial Reporting Standards ("HKFRS") (hereinafter collectively referred to as "new HKFRS") which are effective for accounting periods beginning on or after 1 January 2005. HKFRS 3 Business Combinations is applicable to business combinations for which the agreement date is on or after 1 January 2005.

With effect from 1 July 2004, the Group has early applied HKAS 32 Financial Instruments: Disclosure and Presentation, which has no material effect on the presentation of the Group's financial statements and HKAS 39 Financial Instruments: Recognition and Measurement. The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39. The principal effects resulting from the application of HKAS 39 are as follows:

In previous accounting periods, the Group classified and measured its debt and equity investments in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24") issued by HKICPA. According to SSAP 24, "investment securities" are carried at cost less impairment, "other investments" are measured at fair value, with unrealised gain or losses included in the profit or loss, while "held-to-maturity investments" are carried at amortised cost less impairment.

Notes to the Financial Statements

For the year ended 30 June 2005

2. ADOPTION OF NEW ACCOUNTING STANDARDS AND POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS (continued)

Upon application of HKAS 39, the Group classifies and measures all its debt and equity investments as at 1 July 2004 as available-for-sale investments in accordance with HKAS 39. Available-for-sale investments which fair value can be measured are carried at fair value, with changes in fair values recognised in equity. For available-for-sale investments which fair value cannot be reliably measured are carried at cost less impairment. The aggregate difference between the carrying value as at 30 June 2004 of each investment and the respective fair value at 1 July 2004 of HK\$63,030,000, net of minority interest of HK\$8,662,000 has been recognised as an adjustment to the Group's accumulated losses.

HKAS 39 also requires the Group to classify and measure its financial assets and financial liabilities other than debt and equity investments in accordance with its requirements. However, there has been no material effect on how the results for the current accounting period are prepared and presented.

The Group has not early adopted other new HKFRS except for those mentioned above. The Group does not expect that these new HKFRS would have a significant impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain property interests and investments, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 June each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or disposal, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue and costs can be measured reliably. Revenue is recognised in the income statement as follows:

(i) *Use of Internet services centre and IT facilities*

Revenue from customers use of Internet services centre and IT facilities under operating leases is recognised ratably over the terms of the agreement while other service income from IT facilities is recognised when such services are rendered.

(ii) *Installation and maintenance fee of satellite master antenna television system ("SMATV"), communal aerial broadcast distribution ("CABD"), structural cabling and security systems*

Installation revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of estimated value of work done to date to total contract revenue. Income from maintenance contracts is recognised on a time basis over the terms of the contract.

(iii) *Rental income*

Rental income under operating leases is recognised on a straight line basis over the terms of the relevant lease.

(iv) *Building management service income*

Building management service income is recognised when the services are rendered.

(v) *Interest income*

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

(vi) *Sales of investments*

Sales of investments are recognised when the sale agreement becomes unconditional.

Notes to the Financial Statements

For the year ended 30 June 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

On consolidation the assets and liabilities of the Group's operation outside Hong Kong are translated at exchange rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rate for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such transaction differences are recognised as income or as expenses in the period in which the operation is disposed of.

Property, plant and equipment

Property, plant and equipment, other than land and buildings, are stated at cost less depreciation and accumulated impairment losses at the balance sheet date.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation is performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

The valuation of leasehold land is amortised over the period of the leases using the straight line method.

Depreciation is provided to write off the cost or valuation of other items of property, plant and equipment, over their estimated useful lives, using the straight line method, at the following rates per annum:

Buildings	2% – 5%
Internet services centre facilities	2% – 20%
SMATV equipment	10%
Computers, networks and related equipment	20% – 33 $\frac{1}{3}$ %
Office equipment, furniture and fixtures	20% – 33 $\frac{1}{3}$ %
Motor vehicles	30% – 33 $\frac{1}{3}$ %

Notes to the Financial Statements

For the year ended 30 June 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the terms of the relevant lease.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the net sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at open market value based on professional valuations. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment properties revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment properties revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation surplus subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease, including the renewable period, is 20 years or less.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

Financial instruments (continued)

Investments

Investments are recognised and derecognised on a trade date basis and are initially measured at fair value, plus directly attributable transaction costs.

Available-for-sale investment is measured at subsequent reporting dates at fair value except for certain unquoted equity technology investments which fair value cannot be reliably measured, which are measured at cost less impairment. Gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period.

Impairment losses recognised in profit or loss for debt securities classified as available-for-sale investment are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. For available-for-sale equity technology investment carried at fair value, increase in fair value subsequent to impairment provision is recognised in equity. For unquoted equity technology investment carried at cost less impairment, impairment losses are not reversed.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment losses.

Interest in an associate

The consolidated income statement includes the Group's share of the post-acquisition results of its associate for the year. In the consolidated balance sheet, interest in associate is stated at the Group's share of the net assets of the associate.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Notes to the Financial Statements

For the year ended 30 June 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rental payables are charged to the income statement on a straight line basis over the relevant lease terms.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes and the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as expenses as they fall due.

4. TURNOVER

Turnover represents revenue generated from the following activities:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from Internet services centre and IT facilities	148,444	129,215
Installation and maintenance fee of SMATV, CABD, structural cabling and security systems	68,793	66,899
Property rentals and building management services	30,831	31,708
	248,068	227,822

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

Business segment information is chosen as the primary reporting segment format. The principal activities of the main business segments of the Group are as follows:

Internet services centre and IT facilities cover the provision of data centre, facilities management, web applications and value added services.

SMATV, CABD, structural cabling and security systems comprise installation and maintenance services for the respective systems.

Properties holding refers to the Group's interests in rental properties.

Notes to the Financial Statements

For the year ended 30 June 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Segment information about these businesses is presented below:

For the year ended 30 June 2005

	Internet services centre and IT facilities	SMATV, CABD, structural cabling and security systems	Properties holding	Elimination	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER					
External	148,444	68,793	30,831	–	248,068
Inter-segment	2,114	797	2,313	(5,224)	–
Total	150,558	69,590	33,144	(5,224)	248,068
RESULTS					
Segment results	29,684	16,472	20,618	–	66,774
Unallocated corporate expenses					(16,461)
Interest income					47,550
Loss on redemption/disposal of investments					(1,723)
Exchange loss on debt securities					(1,284)
Profit from operations					94,856
Finance charges on finance leases					(3)
Profit from operations after finance costs					94,853
Surplus on revaluation of investment properties	–	–	59,200	–	59,200
Share of loss of an associate					(190)
Profit before taxation					153,863
Taxation					–
Net profit for the year					153,863

Inter-segment sales are charged at prevailing market rates.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)**Business segments** (continued)

At 30 June 2005

	Internet services centre and IT facilities	SMATV, CABD, structural cabling and security systems	Properties holding	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS					
Segment assets	1,051,981	32,131	577,133	–	1,661,245
Unallocated corporate assets					1,615,626
Consolidated total assets					3,276,871
LIABILITIES AND MINORITY INTERESTS					
Segment liabilities	62,909	18,372	15,157	–	96,438
Unallocated corporate liabilities					29,025
Minority interests					18,706
					144,169
Other information:					
Capital additions	14,740	1,870	–	–	16,610
Depreciation	44,555	1,017	–	245	45,817
Other significant non-cash expenses	493	–	1	1,284	1,778

Notes to the Financial Statements

For the year ended 30 June 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

For the year ended 30 June 2004

	Internet services centre and IT facilities	SMATV, CABD, structural cabling and security systems	Properties holding	Elimination	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER					
External	129,215	66,899	31,708	–	227,822
Inter-segment	1,502	873	2,785	(5,160)	–
Total	130,717	67,772	34,493	(5,160)	227,822
RESULTS					
Segment results	17,071	12,978	23,725	–	53,774
Unallocated corporate expenses					(19,416)
Interest income					48,929
Gain on redemption/disposal of investments					19,824
Exchange gain on debt securities					4,567
Profit from operations					107,678
Finance charges on finance leases					(19)
Profit from operations after finance costs					107,659
Surplus on revaluation of investment properties	–	–	37,800	–	37,800
Impairment losses of equity technology investments					(37,950)
Share of loss of an associate					(223)
Profit before taxation					107,286
Taxation					262
Net profit for the year					107,548

Inter-segment sales are charged at prevailing market rates.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)**Business segments** (continued)

At 30 June 2004

	Internet services centre and IT facilities	SMATV, CABD, structural cabling and security systems	Properties holding	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS					
Segment assets	1,075,511	34,423	518,970	–	1,628,904
Interest in an associate					2,261
Unallocated corporate assets					1,480,684
Consolidated total assets					3,111,849
LIABILITIES AND MINORITY INTERESTS					
Segment liabilities	53,573	21,768	8,574	–	83,915
Taxation					19
Unallocated corporate liabilities					28,912
Minority interests					10,314
					123,160
Other information:					
Capital additions	10,888	123	–	–	11,011
Depreciation	46,933	944	–	790	48,667
Other significant non-cash expenses	2,650	–	–	–	2,650

Geographical segments

The Group's turnover and results are substantially derived from Hong Kong. Accordingly, no analysis by geographical segment is presented.

Notes to the Financial Statements

For the year ended 30 June 2005

6. OTHER REVENUE

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	47,550	48,929
Others	985	2,588
Compensations received from tenants	500	19,284
Gain on redemption/disposal of investments	–	19,824
Exchange gain on debt securities	–	4,567
	49,035	95,192

7. PROFIT FROM OPERATIONS

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Retirement benefit scheme contributions	1,515	1,861
Staff costs including directors' emoluments (<i>note 9</i>)	42,217	52,196
Total staff costs	43,732	54,057
Auditors' remuneration	597	565
Depreciation	45,817	48,667
Exchange loss on debt securities	1,284	–
Loss on disposal of property, plant and equipment	203	566
Loss on redemption/disposal of investments	1,723	–
Minimum lease payments paid under operating leases in respect of land and buildings	3,370	3,360
and after crediting:		
Property rental income, net of outgoings of HK\$11,778,000 (2004: HK\$9,504,000)	19,053	22,204

8. TAXATION

No tax is payable on the profit for both years arising in Hong Kong since the estimated assessable profit is wholly absorbed by tax losses brought forward.

The credit for the year ended 30 June 2004 represented overprovision of Hong Kong Profits Tax in prior year.

The tax expense (credit) can be reconciled to the profit per the income statement as follows:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	153,863	107,286
Tax at Hong Kong Profits Tax rate of 17.5%	26,926	18,775
Tax effect of expenses not deductible for tax purpose	2,449	1,423
Tax effect of income not taxable for tax purpose	(17,601)	(16,390)
Tax effect of utilisation of deferred tax assets previously not recognised	(11,807)	(3,847)
Overprovision in respect of prior year	–	(262)
Tax effect of share of results of associates	33	39
Tax expense (credit) for the year	–	(262)

Details of deferred taxation are set out in note 31.

Notes to the Financial Statements

For the year ended 30 June 2005

9. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' emoluments:		
Non-executive director – fees	120	120
Independent non-executive directors – fees	334	240
Executive directors		
– fees	235	255
– salaries and allowances	4,365	5,026
– retirement benefit scheme contributions	6	12
	5,060	5,653

Details are set out on page 35 of the annual report.

Employees' emoluments:

In both years, the five highest paid individuals included two directors of the Company. The emoluments of the three remaining highest paid individuals are as follows:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and allowances	3,745	4,285
Retirement benefit scheme contributions	159	83
	3,904	4,368

The emoluments of the three highest paid individuals were within the following bands:

	Number of employees	
	2005	2004
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$1,500,001 to HK\$2,000,000	1	1
	3	3

In both years, no emoluments were paid by the Group to the directors or the five highest paid individuals, including two directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors have waived any emoluments in either year.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the purpose of basic and diluted earnings per share	153,863	107,548

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,026,371,381	2,026,197,500
Effect of dilutive potential ordinary shares: Share options	–	343,898
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,026,371,381	2,026,541,398

No diluted earnings per share has been presented for the year ended 30 June 2005 because the exercise price of the Company's outstanding share options was higher than the average market price of the shares of the Company during the year.

11. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY 2005 & 2004
	<i>HK\$'000</i>
Unlisted shares, at cost	–

Details of the Company's principal subsidiaries at 30 June 2005 are set out in note 34.

12. AMOUNTS DUE FROM SUBSIDIARIES THE COMPANY

The amounts due from subsidiaries are unsecured, interest-free and are repayable on demand. The carrying amount approximates their fair value.

Notes to the Financial Statements

For the year ended 30 June 2005

13. INVESTMENT PROPERTIES

	THE GROUP
	<i>HK\$'000</i>
At 1 July 2004	513,800
Surplus on revaluation	59,200
At 30 June 2005	573,000

The investment properties were revalued at their open market valuation at 30 June 2005 by DTZ Debenham Tie Leung Limited ("DTZ"), a firm of professional valuers. This valuation gave rise to a revaluation increase of HK\$59,200,000 which has been credited to the income statement.

The carrying amount of investment properties is as follows:

	THE GROUP	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties in Hong Kong held under:		
– long leases	223,000	183,400
– medium-term leases	350,000	330,400
	573,000	513,800

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Internet services centre facilities	SMATV equipment	Computers, networks and related equipment	Office equipment, furniture and fixtures	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP							
COST OR VALUATION							
At 1 July 2004	520,176	623,169	23,619	27,508	18,149	1,930	1,214,551
Additions	–	14,621	–	1,645	344	–	16,610
Disposals	–	(308)	(501)	(316)	(2,382)	–	(3,507)
At 30 June 2005	520,176	637,482	23,118	28,837	16,111	1,930	1,227,654
Comprising:							
At cost	–	637,482	23,118	28,837	16,111	1,930	707,478
At valuation – 2003	520,176	–	–	–	–	–	520,176
	520,176	637,482	23,118	28,837	16,111	1,930	1,227,654
DEPRECIATION							
At 1 July 2004	13,093	90,425	21,365	26,021	15,815	1,930	168,649
Provided for the year	13,455	29,042	469	1,474	1,377	–	45,817
Eliminated on disposals	–	(55)	(501)	(315)	(2,018)	–	(2,889)
At 30 June 2005	26,548	119,412	21,333	27,180	15,174	1,930	211,577
NET BOOK VALUE							
At 30 June 2005	493,628	518,070	1,785	1,657	937	–	1,016,077
At 30 June 2004	507,083	532,744	2,254	1,487	2,334	–	1,045,902

The net book value of Group's properties shown above comprises:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Properties in Hong Kong held under		
– long leases	352,164	362,251
– medium-term leases	141,464	144,832
	493,628	507,083

Notes to the Financial Statements

For the year ended 30 June 2005

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The leasehold land and buildings of the Group in Hong Kong were valued at 30 June 2003 by DTZ, on an open market value basis. In the opinion of the directors, the carrying value of the leasehold land and buildings of the Group as at 30 June 2005 approximates to their fair value.

If the leasehold land and buildings had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation at HK\$605,613,000 (2004: HK\$621,664,000).

The net book value of Internet services centre facilities for the year ended 30 June 2004 included an amount of HK\$390,000 (2005: nil) in respect of assets held under finance leases.

15. INVESTMENTS

(a) Available-for-sale investments

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Listed debt securities, at fair value		
– in Hong Kong	24,394	–
– outside Hong Kong	718,345	–
Unlisted debt securities, at fair value	7,948	–
Listed equity technology investments, at fair value		
– in Hong Kong	15,125	–
– outside Hong Kong	22,658	–
Unlisted equity technology investments, at cost less impairment	74,351	–
	862,821	–
Carrying amount analysed for reporting purposes as:		
Current (debt securities redeemable within one year)	447,688	–
Non-current	415,133	–
	862,821	–

15. INVESTMENTS (continued)**(b) Debt securities and equity technology investments**

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Equity technology investments:		
Listed in Hong Kong	–	60,500
Listed outside Hong Kong	–	25,790
Unlisted	–	692,272
	–	778,562
Less: Impairment losses recognised (Note)	–	(646,013)
	–	132,549
Debt securities:		
Listed outside Hong Kong	–	733,864
Unlisted	–	7,697
	–	741,561
Total	–	874,110
Market value of listed securities	–	843,708
Carrying amount analysed for reporting purposes as:		
Current (debt securities redeemable within one year)	–	99,871
Non-current	–	774,239
	–	874,110

Available-for-sale investments are measured at fair value or cost less impairment, as appropriate. Upon the adoption of HKAS 39 on 1 July 2004, the Group's investments have been redesignated as available-for-sale investments. Debt securities and equity technology investments were carried at cost less impairment as at 30 June 2004.

Note: In recognition of the market conditions and challenges specific to the technology sector, the directors reviewed the outlook for the Group's equity technology investments. As a result, impairment losses of approximately HK\$38 million were charged to the income statement for the year ended 30 June 2004.

Notes to the Financial Statements

For the year ended 30 June 2005

16. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Share of net assets	2,071	2,261
Amount due to an associate	(2,071)	–
	–	2,261

The amount due to an associate is unsecured, interest-free and has no fixed repayment term. The associate has agreed not to demand payment within twelve months from the balance sheet date. Accordingly, the amount is shown as non-current in the balance sheet. The carrying amount approximates its fair value.

Particulars of the Group's associate at 30 June 2005 are as follows:

Name of associate	Place of incorporation/ operations	Class of shares held	Proportion of nominal value of issued share capital held by the Group	Principal activity
AsianE2E.com Limited	Hong Kong	Preference shares	41%	Inactive

17. INVENTORIES

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Raw materials	2,018	2,331
Work in progress	1,536	877
	3,554	3,208

Included above are raw materials of HK\$304,000 (2004: HK\$157,000) carried at net realisable value.

18. TRADE AND OTHER RECEIVABLES

The Group generally grants an average credit period of 30 days to its customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Up to 60 days	23,507	18,716
61 – 90 days	1,801	1,516
91 days – 1 year	1,984	2,197
Over 1 year	76	72
Trade receivables	27,368	22,501
Other receivables	32,081	29,560
	59,449	52,061

The carrying amount of trade and other receivables approximates their fair value.

19. BANK BALANCES AND DEPOSITS

Bank balances and deposits comprise cash held by the Group and short-term deposits. The carrying amount of these assets approximates their fair value.

20. RISKS

Credit risk

The Group's financial assets include debt securities, bank balances and deposits and trade and other receivables, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The credit risk on debt securities and bank balances and deposits is limited because the counterparties are of high credit-worthiness.

The amounts presented in the balance sheet for trade and other receivables are net of allowances for doubtful receivables.

The Group has no significant concentration of credit risks with exposure spread over a large number of counterparties and customers.

Notes to the Financial Statements

For the year ended 30 June 2005

20. RISKS (continued)

Foreign currency risks

The Group's exposure to foreign currency risk is minimal.

Interest rate risk

The Group's debt securities had an average maturity of approximately 2 years with an effective interest rate of approximately 4.4% per annum. All of the Group's bank balances and deposits were short term with an effective interest rate of approximately 3.1% per annum.

21. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Contract costs incurred	27,574	26,026
Recognised profits less recognised losses	9,462	7,757
	37,036	33,783
Less: Progress billings	30,917	21,223
	6,119	12,560
Represented by:		
Due from customers included in current assets	6,528	12,846
Due to customers included in current liabilities	(409)	(286)
	6,119	12,560

At 30 June 2005, retentions held by customers for contract works amounted to HK\$1,740,000 (2004: HK\$1,891,000). Advances received from customers for contract works amounted to HK\$409,000 (2004: HK\$286,000).

22. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Up to 60 days	3,543	4,468
61 – 90 days	77	–
91 days – 1 year	5	80
Trade payables	3,625	4,548
Other payables	121,429	107,852
	125,054	112,400

The carrying amount of trade and other payables approximates their fair value.

23. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases due within one year	–	144	–	141
Less: Future finance charges	–	(3)	–	–
Present value of lease obligations	–	141	–	141

The average lease term of finance leases was 3 years. For the year ended 30 June 2005, the average borrowing rate was approximately 6.5% (2004: 6.5%) per annum. Interest rates were fixed at contract date. All leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments. As at 30 June 2005, all the obligations under finance leases were fully repaid.

Notes to the Financial Statements

For the year ended 30 June 2005

24. MINORITY INTERESTS

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Amount due to a minority shareholder of a subsidiary	30,501	30,501
Share of net liabilities of subsidiaries by minority shareholders	(11,795)	(20,187)
	18,706	10,314

The amount due to a minority shareholder of a subsidiary is unsecured, interest free and has no fixed repayment term. The minority shareholder of the subsidiary has agreed not to demand payment within twelve months from the balance sheet date. Accordingly, the amount is shown as non-current in the balance sheet. The carrying amount approximates its fair value.

25. SHARE CAPITAL

	Number of ordinary shares	Amount
		HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 30 June 2004 and 30 June 2005	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 July 2003 and 30 June 2004	2,026,197,500	202,619
Issue of new shares upon exercise of share options	533,333	54
At 30 June 2005	2,026,730,833	202,673

The Company and its subsidiaries did not redeem, purchase or sell any of the listed securities of the Company during the year.

26. RESERVES

	Share premium	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000
THE COMPANY			
At 1 July 2003	3,868,367	(561,722)	3,306,645
Net profit for the year	–	61,617	61,617
Proposed final dividend	–	(60,786)	(60,786)
At 30 June 2004 and 1 July 2004	3,868,367	(560,891)	3,307,476
Issue of new shares upon exercise of share options	709	–	709
Net profit for the year	–	99,235	99,235
Proposed final dividend	–	(91,203)	(91,203)
At 30 June 2005	3,869,076	(552,859)	3,316,217

The Company's reserves available for distribution represent the share premium less accumulated losses of HK\$3,316,217,000 (2004: HK\$3,307,476,000). Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the payment of distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, no dividend shall be declared or payable except out of the profits and reserves of the Company lawfully available for distribution.

27. SHARE OPTION SCHEMES

The Company had adopted a share option scheme "Pre-IPO Share Options" pursuant to which the Company might grant options to any full-time employees of the Company or its subsidiaries including executive directors of the Company or its subsidiaries to subscribe for shares in the Company. Since the adoption of the Pre-IPO Share Options, the Company had granted four lots of share options.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Notes to the Financial Statements

For the year ended 30 June 2005

27. SHARE OPTION SCHEMES (continued)

A summary of the total movements during the year of the share options held by employees (including directors) granted under the Pre-IPO Share Options is as follows:

For the year ended 30 June 2004

		Number of share options				
Date of grant	Exercise price HK\$	Balance as at 1.7.2003	Granted during the year	Exercise during the year	Cancelled/	Balance as at 30.6.2004
					Lapsed during the year	
Directors:						
28.3.2000	10.380	4,255,000	–	–	(1,418,333)	2,836,667
30.11.2000	3.885	450,000	–	–	–	450,000
7.4.2001	2.340	2,320,000	–	–	–	2,320,000
8.7.2002	1.430	1,200,000	–	–	–	1,200,000
		8,225,000	–	–	(1,418,333)	6,806,667
Employees:						
28.3.2000	10.380	1,510,000	–	–	(516,667)	993,333
30.11.2000	3.885	1,487,500	–	–	–	1,487,500
7.4.2001	2.340	895,000	–	–	(10,000)	885,000
8.7.2002	1.430	1,050,000	–	–	–	1,050,000
		4,942,500	–	–	(526,667)	4,415,833

27. SHARE OPTION SCHEMES (continued)

For the year ended 30 June 2005

		Number of share options				
Date of grant	Exercise price <i>HK\$</i>	Balance	Granted	Exercise	Cancelled/	Balance
		as at 1.7.2004	during the year	during the year	Lapsed during the year	as at 30.6.2005
Directors:						
28.3.2000	10.380	2,836,667	–	–	(1,418,333)	1,418,334
30.11.2000	3.885	450,000	–	–	(450,000)	–
7.4.2001	2.340	2,320,000	–	–	(1,006,667)	1,313,333
8.7.2002	1.430	1,200,000	–	(533,333)	(266,667)	400,000
		6,806,667	–	(533,333)	(3,141,667)	3,131,667
Employees:						
28.3.2000	10.380	993,333	–	–	(506,667)	486,666
30.11.2000	3.885	1,487,500	–	–	(662,500)	825,000
7.4.2001	2.340	885,000	–	–	(295,000)	590,000
8.7.2002	1.430	1,050,000	–	–	(150,000)	900,000
		4,415,833	–	–	(1,614,167)	2,801,666

The Company, by shareholders' resolutions passed at its Annual General Meeting held on 3 December 2002, adopted a new share option scheme "SUNeVision Share Options" and terminated the Pre-IPO Share Options. These became effective on 5 December 2002 as a result of the passing of ordinary resolutions approving the same by the shareholders of SHKP, at its general meeting held on the same date. No further options may be offered under the Pre-IPO Share Options. However, the outstanding options granted under the Pre-IPO Share Options, as mentioned in the preceding paragraphs, shall continue to be subject to the provisions of the Pre-IPO Share Options and the provisions of Chapter 23 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange ("GEM Listing Rules"). The participants of the SUNeVision Share Options include (i) executive or non-executive directors (or any persons proposed to be appointed as such) or any employees (whether full-time or part-time) of each member of the Group; (ii) any consultants, professional and other advisers to each member of the Group (or persons, firms or companies proposed to be appointed for providing such services); (iii) any chief executives or substantial shareholders of the Company; (iv) any associates of a director, chief executive or substantial shareholder of the Company; and (v) any employees of substantial shareholder of the Company, as absolutely determined by the Board.

Notes to the Financial Statements

For the year ended 30 June 2005

27. SHARE OPTION SCHEMES (continued)

A summary of the total movements during the year of the share options held by employees (including directors) granted under the SUNeVision Share Options is as follows:

For the year ended 30 June 2004

		Number of share options				
Date of grant	Exercise price (HK\$)	Balance	Granted	Exercise	Cancelled/	Balance
		as at 1.7.2003	during the year	during the year	Lapsed during the year	as at 30.6.2004
Directors:						
29.11.2003	1.590	–	1,800,000	–	–	1,800,000
Employees:						
29.11.2003	1.590	–	1,550,000	–	–	1,550,000

For the year ended 30 June 2005

		Number of share options				
Date of grant	Exercise price (HK\$)	Balance	Granted	Exercise	Cancelled/	Balance
		as at 1.7.2004	during the year	during the year	Lapsed during the year	as at 30.6.2005
Directors:						
29.11.2003	1.590	1,800,000	–	–	(800,000)	1,000,000
Employees:						
29.11.2003	1.590	1,550,000	–	–	(150,000)	1,400,000

27. SHARE OPTION SCHEMES (continued)

The exercise price of an option to subscribe for shares granted pursuant to each of the SUNeVision Share Options and the Pre-IPO Share Options would be the highest of (i) the closing price of the Company's share as stated in the Stock Exchange's daily quotation on the date of the offer; (ii) the average closing price of the Company's share as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of offer; and (iii) the nominal value of the Company's share.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Pre-IPO Share Options and SUNeVision Share Options shall not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the SUNeVision Share Options.

In addition to the Pre-IPO share Options and the SUNeVision Share Options, the Group operates another share option scheme which was approved for iAdvantage Limited, a subsidiary of the Company, ("iAdvantage Share Option Scheme") allowing its board of directors the right to grant to its full-time employees and executive directors options to subscribe for its shares in aggregate up to 10% of its issued capital of iAdvantage Limited from time to time. The exercise price of an option to subscribe for shares granted pursuant to the iAdvantage Share Option Scheme shall be determined by its board and notified to the grantee and shall not be less than the nominal value of the shares of iAdvantage Limited. No option shares for iAdvantage Limited have been granted to any person since its adoption as required to be disclosed under the GEM Listing Rules.

Total consideration received during the year ended 30 June 2004 from the directors and employees for taking up the options granted amounted to HK\$16 (2005: nil).

Notes to the Financial Statements

For the year ended 30 June 2005

28. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Group had significant transactions and balances with certain related parties. The significant transactions with these parties during the year, and significant balances with them at the balance sheet date, are as follows:

(A) Transactions with the SHKP Group

		2005	2004
	Notes	HK\$'000	HK\$'000
Advertising and e-commerce transactions	(i)	3,690	5,031
Design and renovation services income	(i)	–	229
Income from installation, operation and provision of cable networking	(i)	23,526	25,168
Income from maintenance and repair of network infrastructure and security systems	(i)	37,827	34,463
Non-core value added service income	(i)	449	783
Space and rack rental income	(i)	2,541	2,782
Cable and network rental charges	(i)	1,744	2,232
Estate agency fees paid	(i)	748	771
Insurance service charges paid	(i)	1,777	1,346
Management fee charges	(iii)	2,000	2,000
Outsourcing fee paid	(i)	960	–
Promotion service charges	(i)	1,073	1,339
Property management service fees paid	(ii)	8,413	8,780
Rent paid	(ii)	4,151	4,221
Retrofitting service charges	(i)	47	234
Technical service charge paid	(i)	730	732

Notes:

- (i) These transactions were carried out in accordance with terms determined and agreed by both parties or at cost plus a percentage profit mark-up.
- (ii) The amounts were paid in accordance with the relevant agreements for which the rental and building management fee charge were set in accordance with terms determined and agreed by both parties.
- (iii) The amounts were paid in accordance with the relevant agreement for which the services were reimbursed at cost.

28. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**(B) Balances with the SHKP Group**

Trading balances with the SHKP Group (including buildings/estates managed by it) are included under the following headings:

	2005	2004
	HK\$'000	HK\$'000
Trade and other receivables	16,972	15,426
Amounts due from customers for contract work	6,322	12,846
Trade and other payables	15,453	20,131
Amounts due to customers for contract work	108	9

The trading balances are unsecured, interest-free and repayable according to terms similar to those offered to unrelated parties.

(C) Transaction with a director

During the year, the Group paid professional fees of HK\$239,000 (2004: HK\$322,000) to Messrs. Woo, Kwan, Lee & Lo, a firm of solicitors which provided day to day professional services to the Group. Mr. Cheung Wing Yui, a director of the Company, is a partner of Messrs. Woo, Kwan, Lee & Lo.

These transactions were carried out with reference to market prices.

(D) Transaction with an investee company

	2005	2004
	HK\$'000	HK\$'000
Rental income	121	90

This transaction was carried out with reference to market prices.

Notes to the Financial Statements

For the year ended 30 June 2005

29. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group was committed to make rental payments in respect of land and buildings under operating leases which fall due as follows:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	2,657	3,536
In the second to fifth year inclusive	12	2,669
	2,669	6,205

Leases are negotiated for an average term of two years and rentals are fixed throughout the lease period.

The Group as lessor

Rental income earned during the year was HK\$102,380,000 (2004: HK\$87,412,000). All of the properties held have committed tenants for one to eight years (2004: one to nine years).

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	90,383	80,001
In the second to fifth year inclusive	135,264	126,750
Over five years	27,256	41,783
	252,903	248,534

The Company had no operating lease commitment at the balance sheet date.

30. CAPITAL COMMITMENTS

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Contracted for but not provided in the financial statements		
– Acquisition of property, plant and equipment	5,772	4,397
– Investments	71,100	109,770
	76,872	114,167
Authorised but not contracted for		
– Acquisition of property, plant and equipment	–	1,043

The Company had no capital commitment at the balance sheet date.

31. DEFERRED TAXATION**THE GROUP**

The major deferred tax assets (liabilities) recognised and movements thereon during the current and prior reporting years are as follows:

	Accelerated tax depreciation	Tax losses	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2003	(60,914)	60,420	494	–
(Charge) credit to income statement for the year	(811)	469	342	–
At 30 June 2004 and 1 July 2004	(61,725)	60,889	836	–
(Charge) credit to income statement for the year	(5,513)	6,139	(626)	–
At 30 June 2005	(67,238)	67,028	210	–

Notes to the Financial Statements

For the year ended 30 June 2005

31. DEFERRED TAXATION (continued)

At the balance sheet date, the Group has unrecognised tax losses and deductible temporary differences of HK\$939,620,000 (2004: HK\$1,115,215,000), of which HK\$56,407,000 (2004: HK\$50,152,000) will expire at various dates up to 31 December 2010. Recognition of these unrecognised tax losses depends on future taxable profits available and losses agreed with the relevant tax authorities.

The Company had no significant deferred taxation at the balance sheet date.

32. RETIREMENT BENEFITS SCHEME

The Group operates a MPF Scheme for all its employees (including a resigned executive director) in Hong Kong. The MPF Scheme is registered with the Hong Kong Mandatory Provident Fund Scheme Authority in accordance with the Hong Kong Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Pursuant to the rules of the MPF Scheme, the Group and its employees are both required to make contributions to the scheme at specific rates. Contributions of the Group to the MPF Scheme are charged to the income statement as incurred.

In addition, the Group also participates in a defined contribution retirement benefit scheme which is operated by the SHKP Group for all qualifying employees. The assets of this scheme are held separately from those of the SHKP Group in independently managed and administered funds. Contributions to this scheme are made by both the Group and employees at rates ranging from 5% to 10% on the employees' salaries.

During the year, the retirement benefit scheme contributions borne by the Group amounted to HK\$1,515,000 (2004: HK\$1,861,000), net of forfeited contributions of HK\$95,000 (2004: HK\$61,000).

Forfeited contributions in the amount of HK\$19,000 (2004: HK\$Nil) are available at the balance sheet date to reduce the contributions payable in the future years.

33. CONTINGENT LIABILITIES THE GROUP AND THE COMPANY

The Company has contingent liabilities in respect of guarantees for general banking facilities utilised by group subsidiaries and other guarantees in the aggregate of HK\$104 million (2004: HK\$6.2 million).

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 30 June 2005 are as follows:

Name of subsidiary	Issued and fully paid share capital	Attributable equity interest held by the Company	Principal activities
iAdvantage Limited*	Ordinary shares – HK\$2 Deferred shares – HK\$2	100%	Operation of Internet services centres and provision of system management services
SUNeVision Super e-Technology Services Limited*	Ordinary shares – HK\$2 Deferred shares – HK\$2	100%	Design, installation, operation, laying, cabling of SMATV/ CABD and security surveillance system, and building access, voice, data, power supply systems and network, and other infrastructure networks, and provision of related repair and maintenance services
SUNeVision SuperHome (H.K.) Limited*	HK\$2	100%	Provision of on-line Internet and off-line on-site contents and services for estate management and home users
SUNeVision PropertyStreet (H.K.) Limited*	HK\$2	100%	Provision of add-value services and products related to properties
SUNeVision InsuranceStreet (H.K.) Limited*	HK\$2	100%	Provision of insurance information and products on Internet
SUNeVision BankingStreet (H.K.) Limited*	HK\$2	100%	Provision of banking related products
SUNeVision Red-Dots Limited*	Ordinary shares – HK\$2 Deferred shares – HK\$2	100%	Provision of web-based auction and e-commerce services

Notes to the Financial Statements

For the year ended 30 June 2005

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Issued and fully paid share capital	Attributable equity interest held by the Company	Principal activities
Riderstrack Development Limited	US\$1	100%	Property holding
Splendid Sharp Limited*	Ordinary shares – HK\$2 Deferred shares – HK\$2	100%	Property holding
SUNeVision Super e-Network Limited*	Ordinary shares – HK\$2 Deferred shares – HK\$2	100%	Provision of IT and optical fibre network and related maintenance services
CST iAdvantage Co. Ltd. #	RMB30,000,000	75%	Operation of Internet service centres and provision of system management services
Cherington Assets Limited	US\$1	100%	Holding of trademark
Express Spirit Investment Limited	US\$1	100%	Provision of treasury services
Huge Profit Investments Ltd.	US\$7	100%	Investment holding
SUNeVision Investments Limited	US\$5	100%	Investment holding
SUNeVision Limited*	HK\$2	100%	Liaison of business in the PRC
SUNeVision (Management Services) Limited*	HK\$2	100%	Provision of management services
SUNeVision Reinsurancemall Limited*	HK\$2	100%	Operation of an Internet reinsurance platform
SUNeVision Secretarial Services Limited*	HK\$2	100%	Provision of company secretarial services

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Issued and fully paid share capital	Attributable equity interest held by the Company	Principal activities
Top Merchant Investments Limited	US\$1	100%	Property holding
Weelek Company Limited*	Ordinary shares – HK\$200 Deferred shares – HK\$200	100%	Property holding

Notes:

- (i) Other than Huge Profit Investments Ltd., all subsidiaries are held by the Company indirectly.
- (ii) All subsidiaries are incorporated in British Virgin Islands, except those identified with an asterisk "*" and "#" which are incorporated/established in Hong Kong and the PRC respectively. The subsidiary established in the PRC is a sino-foreign joint venture with an operating period of 30 years commencing on 12 June 2000.
- (iii) Unless otherwise stated, the issued and fully paid share capital of the subsidiaries are ordinary shares.
- (iv) The deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any of the respective companies' general meetings or to participate in any distribution on their winding up.
- (v) All subsidiaries are private limited companies with their principal place of operation in Hong Kong, except the subsidiary identified with "#" which is operating in the PRC.

The above table lists the subsidiaries which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 64 to 107 were approved and authorised for issue by the Board of Directors on 9 September 2005.

Particulars of Properties held by the Group

At 30 June 2005

Particulars	Use	Lease term	Lot no.
<i>Land and buildings</i>			
MEGA-iAdvantage 399 Chai Wan Road and 1 Shun Yip Street Chai Wan Hong Kong	Industrial/Office building(s)	Long term	Inland Lot No. 30
Units 1 to 19 on Level 36 Tower II, Millennium City 388 Kwun Tong Road Kwun Tong Kowloon	Other specified uses	Medium term	Inland Lot No. 733
JUMBO-iAdvantage 145-159 Yeung Uk Road Tsuen Wan New Territories	Industrial	Medium term	Lot No. 476 in Demarcation District No. 443
<i>Investment properties</i>			
Units 1 to 19 on Levels 31 to 33, 35 and 37, Tower II, Millennium City 388 Kwun Tong Road Kwun Tong Kowloon	Other specified uses	Medium term	Inland Lot No. 733
48 workshop units in Kodak House II 39 Healthy Street East North Point Hong Kong	Commercial	Long term	Inland Lot No. 705 and the Extension thereto

SUNeVision Holdings Ltd.

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