

SUNeVision Holdings Ltd.

(Stock Code: 8008)

Annual Report
2005-2006



The technology arm of Sun Hung Kai Properties



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

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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.

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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.

CONTENTS

3	Financial Highlights & Summary
4	Corporate Information
5	Business Portfolio
6	Chairman's Statement
8	Chief Executive Officer's Report
11	Directors and Senior Management Profile
15	Directors' Report
35	Corporate Governance Report
41	Auditors' Report
42	Consolidated Income Statement
43	Consolidated Balance Sheet
44	Balance Sheet
45	Consolidated Statement of Changes in Equity
46	Consolidated Cash Flow Statement
47	Notes to the Financial Statements
84	Particulars of Properties Held by the Group

FINANCIAL HIGHLIGHTS & SUMMARY

FINANCIAL HIGHLIGHTS

For the quarter ended	30 Jun 06 HK\$'000	31 Mar 06 HK\$'000	31 Dec 05 HK\$'000	30 Sep 05 HK\$'000
Revenue	73,609	70,340	66,698	65,685
Gross profit	28,157	27,558	27,240	25,850
Profit for the quarter	199,428	32,662	94,135	31,198

FINANCIAL SUMMARY

Consolidated Results	Year ended 30 June				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Revenue	276,332	(restated) 248,068	(restated) 227,822	242,770	240,540
Profit (Loss) for the year	357,423	146,231	107,247	(357,520)	(637,512)

Assets and Liabilities	As at 30 June				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Total assets	3,470,618	(restated) 3,270,736	(restated) 3,105,714	(restated) 2,983,491	(restated) 4,115,477
Total liabilities	(156,197)	(163,085)	(143,347)	(128,672)	(884,122)
Net assets	3,314,421	3,107,651	2,962,367	2,854,819	3,231,355

Note: Certain prior year numbers have been adjusted to reflect the application of new/revised Hong Kong Financial Reporting Standards as described in note 2 to the consolidated financial statements.

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
So Chung-keung, Alfred
Tung Chi-ho, Eric
Wong Chin-wah
Tung Yiu-kwan, Stephen
Tsim Wing-kit, Alfred (*Chief Financial Officer*)

Non-Executive Director

Cheung Wing-yui

Independent Non-Executive Directors

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

COMPANY SECRETARY

Leung Lai-sheung, Charlene, ACIS

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
Leung Lai-sheung, Charlene

REGISTERED OFFICE

P.O. Box 309, Uglad 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 1112, 11th Floor, Office Tower 2
Sun Dong An Plaza
138 Wangfujing Avenue
Dongcheng District
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 Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, George Town
Grand Cayman, Cayman Islands
British West Indies

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

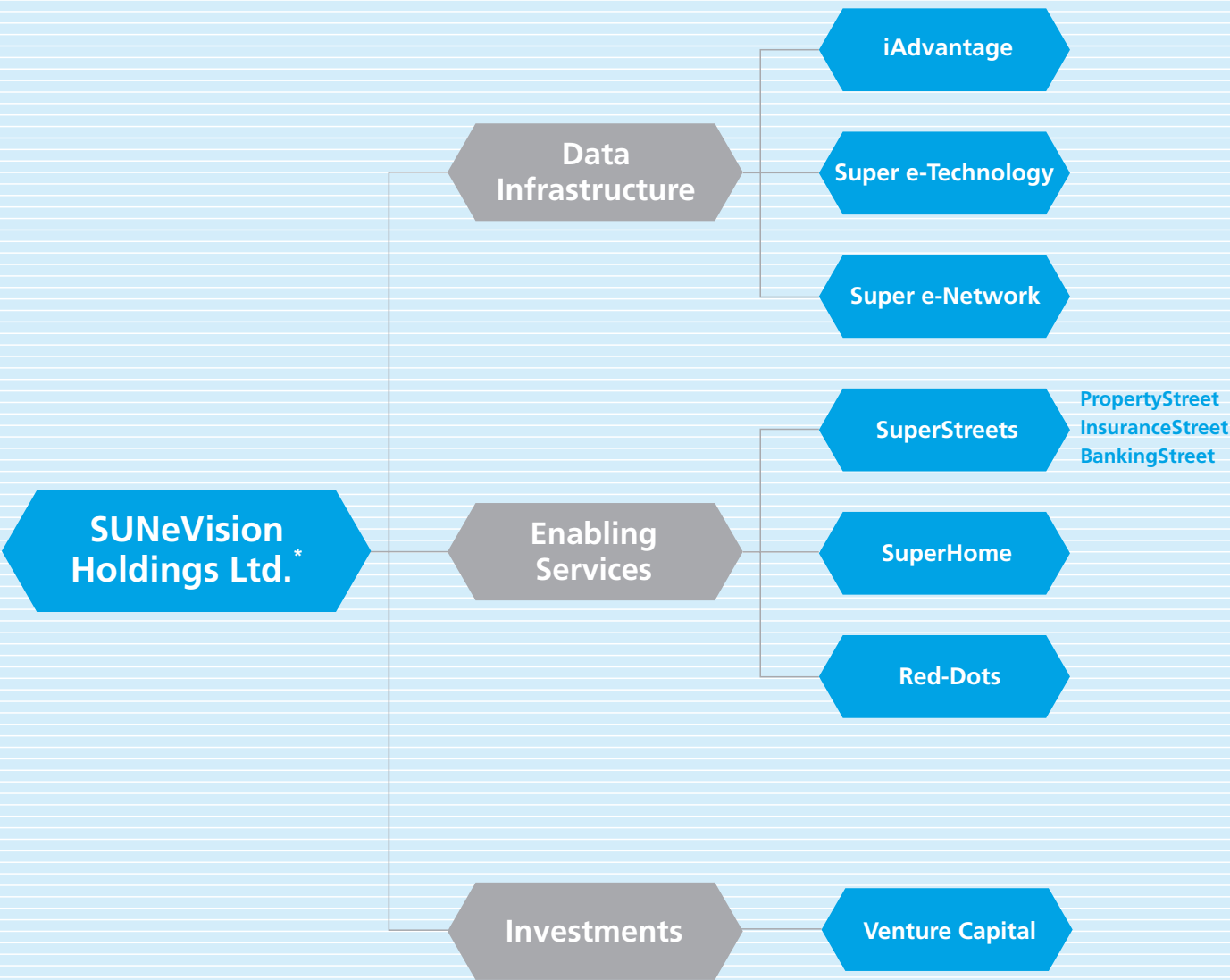
8008

WEBSITE

www.sunevision.com

BUSINESS
PORTFOLIO

The business portfolio of the Group as at 30 June 2006 is set out as follows:



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

SUNeVision continued to grow profitably during the financial year 2005–2006, generating a net profit of HK\$339 million compared with HK\$146 million in the previous financial year.

FINANCIAL HIGHLIGHTS

Turnover was HK\$276 million, an eleven 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\$109 million was also higher than the previous financial year's, reflecting price improvements across the Group's businesses. Gross margin for the year was 39 percent, two percent higher than that in the previous financial year.

Other revenue, being revenue in addition to turnover from operations, was HK\$181 million. This was substantially higher than that of last financial year largely as a result of the one-time redemption of several bond holdings, and the one-time distributions from an equity technology investment, during the year. Operating expenditures were HK\$48 million, similar to that of the previous financial year. Profit from operations was HK\$241 million.

Following normal practice, the Group's investment properties were independently revalued as of 30 June 2006 on an open market value basis, leading to a one-time valuation surplus of HK\$141 million, which reflected prevailing property market conditions.

During the financial year, the Group reviewed its equity technology investments. Following normal practice, several listed investments were revalued as of 30 June 2006 on an open market value basis. At the same time, impairments were made to a few investments as a result of prevailing market conditions and a prudent and conservative outlook for the investments. As of 30 June 2006, the value of the Group's equity technology investments stood at HK\$72 million.

After these adjustments, and allowing for taxation and minority interests, net profit for the financial year was HK\$339 million. Shareholders' funds as of 30 June 2006 stood at HK\$3,308 million, or HK\$1.63 per share. The Group's financial position continues strong, with approximately HK\$1.6 billion in cash and interest-bearing securities.

As a result of the Group's profitability, the directors recommend the payment of a final dividend of HK\$0.045 per share for the year ended 30 June 2006, the same as that in the previous financial year.

Furthermore, in recognition of our shareholders' long-term trust and support, and to produce a more efficient capital structure for the Group in the long-term, the directors recommend the payment of a special cash dividend of HK\$0.66 per share for the year ended 30 June 2006. After the distribution of the recommended dividends, the Group will continue to hold sufficient cash resources to meet expected operational needs and needs for future growth.

BUSINESS REVIEW

iAdvantage continued to strengthen its position as the leader in carrier-neutral data centre facilities and services in Hong Kong and China during the year. The business unit continued to meet the needs of global financial services, telecommunications carriers, IT service providers, multinational corporations, and government authorities with its carrier-neutral, world-class facilities and services. Overall data centre occupancy during the year was approximately 70 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 continues to maintain high standards of corporate governance. The full array of Audit, Remuneration, and Nomination Committees of the Board of Directors has been in place since the beginning of the financial year. The Group believes that by conducting its business in a well-governed and socially responsible manner, its long-term interests and those of its shareholders will be maximized.

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, 6 September 2006

OVERVIEW

SUNeVision achieved its third consecutive year of profit, generating a net profit of HK\$339 million in the financial year 2005–2006 compared with HK\$146 million in the previous financial year.

Turnover was HK\$276 million, an eleven 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\$109 million was also higher than the previous financial year's, reflecting price improvements across the Group's businesses. Gross margin for the year was 39 percent, two percent higher than that in the previous financial year.

Other revenue, being revenue in addition to turnover from operations, was HK\$181 million. This was substantially higher than that of last financial year largely as a result of the one-time redemption of several bond holdings, and the one-time distributions from an equity technology investment, during the year. Operating expenditures were HK\$48 million, similar to that of the previous financial year. Profit from operations was HK\$241 million.

Following normal practice, the Group's investment properties were independently revalued as of 30 June 2006 on an open market value basis, leading to a one-time valuation surplus of HK\$141 million, which reflected prevailing property market conditions.

During the financial year, the Group reviewed its equity technology investments. Following normal practice, the value of several listed investments were revalued as of 30 June 2006 on an open market value basis. At the same time, impairments were made to a few investments as a result of prevailing market conditions and a prudent and conservative outlook for the investments.

After these adjustments, and allowing for taxation and minority interests, net profit for the financial year was HK\$339 million.

BUSINESS REVIEW

Data Infrastructure

iAdvantage

iAdvantage continued to strengthen its leadership position in carrier-neutral data centre infrastructure and services in Hong Kong and Mainland China. The company's world-class facilities and services enabled it to meet or exceed customers' stringent requirements for business continuity, outsourcing, and other mission-critical operations. During the year iAdvantage added major multinational and local corporations to its customer base, including a global leader in Internet search services, Fortune 500 corporations, and global telecom operators. Overall data centre occupancy reached approximately 70 percent, a significant improvement over that in the previous financial year. Demand for iAdvantage's facilities and services is anticipated to grow.

Super e-Technology

Super e-Technology continued to win new business in an increasingly competitive market. During the year contracts were awarded for the installation of SMATV and ELV systems at several prestigious developments. The total number of deployed Super e-Shooter systems reached 19 during the year, and orders for additional systems have been awarded. The company continues to maintain systems for a major pay-TV operator, providing additional programming to approximately 80,000 households.

Super e-Network

Super e-Network continued to offer value-added services to residential broadband users. Current projects include Manhattan Hill in West Kowloon and the upgrading of a 380-node private network for the management of multiple estates. The company anticipates continuing penetration of residential estates as the demand for broadband services rises.

Enabling Services

SuperStreets

SuperStreets continued to provide profitable mortgage referral and other property-related services to home buyers.

SuperHome

SuperHome continued to provide convenient and diversified on-line and on-site services to residential estates in Hong Kong and Southern China.

Red-Dots

Red-Dots continued to serve its core user community with its trusted e-auction and e-commerce platform. To seek new growth in China's expanding e-commerce market, Red-dots China (www.reddots.cn) was launched, in conjunction with local strategic partners, in June 2006 to test the feasibility of the company's product and service offerings on the Mainland.

Investments

Venture Capital

During the financial year, the Group reviewed its equity technology investments. Following normal practice, several listed investments were revalued as of 30 June 2006 on an open market value basis. At the same time, impairments were made to a few investments as a result of prevailing market conditions and a prudent and conservative outlook for the investments. As of 30 June 2006 the value of the Group's equity technology investments stood at HK\$72 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 practises prudent financial management and has a strong balance sheet, with ample liquidity and financial resources. As of 30 June 2006, the Group had cash and interest-bearing securities of approximately HK\$1.6 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 2006, 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\$105.5 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 2006, 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 2006 the Group had 198 full-time employees. The Group is keen to retain and motivate talent and continues to make adjustments in compensation, where necessary, to recognize employees' contributions and to respond to changes in the employment market. Payroll costs remained stable during the year, and bonuses were paid to selected employees to recognize outstanding performance. Other remuneration and benefits, including medical coverage and provident fund contributions, remained at appropriate levels. Various training and development opportunities continued to be offered to enhance employees' knowledge and skills. The Group also offers a share-option scheme to recognize employees who make significant contributions, particulars of which are set out in the relevant sections of this report.

In recognition of his past and ongoing contributions to the Group, Mr. Alfred Tsim has been appointed Executive Director and Chief Financial Officer of SUNeVision beginning in the new financial year.

OUTLOOK

SUNeVision's portfolio of data infrastructure and service provision businesses positions it well for sustained profitability and continued growth. iAdvantage will continue to build its leadership position and strive to raise the occupancy of its data centres in Hong Kong and 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 the board of directors for their continuing support, every member of staff for their ongoing commitment and hard work, and our shareholders for their long-standing trust and support.

SO Sing-tak, Andrew
Chief Executive Officer

Hong Kong, 6 September 2006

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

KWOK Ping-luen, Raymond

(Age 53)

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 Transport International Holdings Limited and an Independent Non-Executive Director of Standard Chartered Bank (Hong Kong) Limited.

In civic activities, Mr. Kwok is 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. Mr. Kwok is the younger brother of Mr. Kwok Ping-sheung, Walter and Mr. Kwok Ping-kwong, Thomas.

KWOK Ping-sheung, Walter

(Age 55)

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 Transport International 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 and 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 54)

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 Provisional Construction Industry Co-ordination Board, the Council for Sustainable Development and Business Facilitation Advisory Committee.

In the past he served as a Member of the Economic and Employment Council, 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.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

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 41)

*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 & 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 15 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.

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 60)

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 54)

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.

SO Chung-keung, Alfred

(Age 57)

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. 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 received a Master of Science degree in Mathematics from the University of Toronto.

TUNG Chi-ho, Eric
(Age 47)

Mr. Tung was appointed a Director of the Company on 29 January 2000 and has been with the Sun Hung Kai Properties Group for 19 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 the Hong Kong Institute of 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 57)

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. He is an Executive Director of Sun Hung Kai Real Estate Agency Limited and had held senior management positions in the Development Bank of Singapore and the Hong Kong Mass Transit Railway Corporation. Mr. Wong received a Bachelor of Science (Estate Management) degree in 1976 from the National University of Singapore and is a Registered Professional Surveyor and a Registered Professional Housing Manager in Hong Kong. He is also a Member of the Singapore Institute of Surveyors and Valuers.

TUNG Yiu-kwan, Stephen
(Age 51)

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.

Tsim Wing-kit, Alfred
(Age 43)
Chief Financial Officer

Mr. Tsim is responsible for the overall financial planning and management of the Company and has been appointed as an Executive Director and the Chief Financial Officer of the Company since 12 July 2006. Prior to joining the Group in February 2000 as Group Financial Controller, 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 holds a Bachelor of Arts 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.

NON-EXECUTIVE DIRECTOR

CHEUNG Wing-yui
(Age 56)

Mr. Cheung was appointed a Director of the Company on 29 January 2000. Mr. Cheung is a Non-Executive Director of five other publicly listed companies and an Independent Director of four other publicly listing companies. He is a Member of the Board of Review (Inland Revenue Ordinance), Co-Chairman of The Community Chest Corporate Challenge Organising Committee and a Member of Campaign Committee of The Community Chest, a Council Member of The Open University of Hong Kong and a Fellow Member of the Institute of Directors. He was also the Vice Chairman of the Mainland Legal Affairs Committee of the Law Society of Hong Kong until January 2006 and was a Director of Po Leung Kuk. Mr. Cheung received a Bachelor of Commerce Degree in accountancy from the University of New South Wales, Australia and is a Member of the Australian Society of CPAs. He has been a practicing solicitor in Hong Kong since 1979 and is a Consultant of the law firm Woo, Kwan, Lee & Lo. He was also admitted as a solicitor in the United Kingdom as an advocate and solicitor in Singapore.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

KAO Kuen, Charles

(Age 72)

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 52)

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 Technical Committee on Computer Communications of the Institute of Electrical and Electronic Engineers (IEEE). 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 Hong Kong Special Administrative Region of the People's Republic of China in 2002.

FONG Ching, Eddy, SBS JP

(Age 59)

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, Parkson Retail Group Limited, Tradelink Electronic Commerce Limited and a Non-Executive Director of Li Ning Company Limited, all listed on the Main Board of 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

TAM Wing-yiu, Alex

(Age 43)

*Chief Executive Officer of
iAdvantage*

Mr. Tam is responsible for providing overall leadership to the internet infrastructure services of the Group. He has over 20 years experience in telecommunication and Internet related industries. Before joining iAdvantage in October 1999, he worked for major telecommunication operators in Hong Kong, Hutchison Telecommunications and Hongkong Telecom, holding management and professional positions there. Mr. Tam received his BSc (Engineering) from the University of Hong Kong and MSc in Global Business from The Chinese University of Hong Kong.

DIRECTORS' REPORT

The Directors present their Report for the year ended 30 June 2006.

PRINCIPAL ACTIVITIES

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

Revenue 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 7 to the financial statements.

GROUP RESULTS

The results of the Group for the year ended 30 June 2006 are set out in the consolidated income statement on page 42 of the annual report.

DIVIDENDS

The Board of Directors recommended a final dividend of HK\$0.045 per share (2005: HK\$0.045) to the shareholders registered in the Company's Register of Members as at the close of business on 18 October 2006. In addition, the Directors also proposed to pay a special cash dividend of HK\$0.66 per share (2005: Nil) to the shareholders registered in the Company's Register of members as at the close of business on 18 October 2006, making a total dividend of HK\$0.705 per share for the full year ended 30 June 2006 (2005: HK\$0.045).

GROUP FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 30 June 2006 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 45 of the annual report and in note 27 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 17 to the financial statements.

PROPERTIES

Particulars of properties held by the Group at 30 June 2006 are set out on page 84 of the annual report.

INVESTMENT PROPERTIES

The investment properties were revalued at 30 June 2006 and the resulting revaluation increase of HK\$141,000,000 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 16 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
So Chung-keung, Alfred
Tung Chi-ho, Eric
Wong Chin-wah
Tung Yiu-kwan, Stephen
Tsim Wing-kit, Alfred (*Appointed with effect from 12 July 2006*)
Leung Kui-king, Donald (*Resigned with effect from 1 January 2006*)

Non-Executive Director:

Cheung Wing-yui

Independent Non-Executive Directors:

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

In accordance with Articles 95 and 116 of the Company's Articles of Association, Messrs. Tung Chi-ho, Eric, Wong Chin-wah, Tung Yiu-kwan, Stephen, So Chung-keung, Alfred, and Tsim Wing-kit, Alfred will retire at the forthcoming Annual General Meeting and, being eligible, would offer themselves for re-election.

1. Directors' Service Contracts

Executive Directors

Other than Mr. Tsim Wing-kit, Alfred, 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 2008. The term of office of Dr. Fong Ching, Eddy is for a period of three years up to 30 June 2009.

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 29 — 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 Consultant 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 Professor. Kao Kuan, Charles, Professor Li On-kwok, Victor and Dr. 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 2006, 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*	116,666	1,859,166	0.09
Kwok Ping-sheung, Walter	—	—	1,070,000*	60,000	1,130,000	0.05
Kwok Ping-kwong, Thomas	—	—	1,070,000*	60,000	1,130,000	0.05
So Sing-tak, Andrew	—	—	—	1,800,000	1,800,000	0.08
Chan Kui-yuen, Thomas	—	—	—	60,000	60,000	0
Wong Yick-kam, Michael	100,000	—	—	60,000	160,000	0
So Chung-keung, Alfred	416	543	—	260,000	260,959	0.01
Tung Chi-ho, Eric	—	—	—	60,000	60,000	0
Wong Chin-wah	—	—	—	260,000	260,000	0.01
Tung Yiu-kwan, Stephen	—	—	—	510,000	510,000	0.02

Note:

- * Of these shares in the Company, Messrs. Kwok Ping-luen, Raymond, Kwok Ping-sheung, Walter and Kwok Ping-kwong, Thomas 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.

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

Name of director	Child under 18			Others	Equity derivatives (share option)	Total	% of shares in issue
	Personal	or spouse	Corporate				
Kwok Ping-luen, Raymond	—	—	—	1,082,165,895 [#]	75,000	1,082,240,895	43.44
Kwok Ping-sheung, Walter	—	—	—	1,080,972,522 [#]	75,000	1,081,047,522	43.39
Kwok Ping-kwong, Thomas	1,901,281	304,065	—	1,079,022,214 [#]	75,000	1,081,302,560	43.40
Chan Kui-yuen, Thomas	—	66,000	126,500	—	75,000	267,500	0.01
Wong Yick-kam, Michael	70,904	—	—	—	75,000	145,904	0
So Chung-keung, Alfred	189,985	6,500	—	—	—	196,485	0
Tung Chi-ho, Eric	—	—	—	—	—	—	0
Wong Chin-wah	—	—	—	—	18,000	18,000	0
Tung Yiu-kwan, Stephen	—	—	—	—	—	—	0

Note:

[#] Of these shares in SHKP, Messrs. Kwok Ping-luen, Raymond, Kwok Ping-sheung, Walter and Kwok Ping-kwong, Thomas were deemed to be interested in 1,058,988,347 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	—	0

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

Name of Associated Corporation	Personal	Attributable holding through corporation	Attributable % of shares in issue through corporation	Actual holding through corporation	Actual % interests in issued shares
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-luen, Raymond, Kwok Ping-sheung, Walter and Kwok Ping-kwong, Thomas 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 which expired on 14 February 2005 and 15 July 2006 respectively.

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 2006 with respect to their share options granted under the Old Scheme:

Name of director	Date of grant	Exercise price HK\$	Balance as at 1.7.2005	Number of share options			Balance as at 30.6.2006
				Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	
Kwok Ping-luen, Raymond	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	16.7.2001	70.00	75,000	—	—	—	75,000
Wong Yick-kam, Michael	16.7.2001	70.00	75,000	—	—	—	75,000
So Chung-keung, Alfred	16.7.2001	70.00	60,000	—	60,000	—	0
Tung Chi-ho, Eric	16.7.2001	70.00	60,000	—	60,000	—	0
Wong Chin-wah	16.7.2001	70.00	36,000	—	18,000	—	18,000
Tung Yiu-kwan, Stephen	16.7.2001	70.00	24,000	—	24,000	—	0

Save as disclosed above, as at 30 June 2006, 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 had expired 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.

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 its adoption, the Company had granted two lots of share options.

The options at the exercise price of HK\$1.59 per share 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.

The options at the exercise price of HK\$1.41 per share may be exercised in accordance with the terms of the relevant scheme in full at any time within three years from 10 November 2005 and the options will expire at the close of business on 9 November 2008.

The following shows the outstanding positions of the Directors and Chief Executive as at 30 June 2006 with respect to their Pre-IPO Share Options and SUNeVision Share Options:

			Number of share options						
		Exercise	Balance	Granted	Exercised	Cancelled/ Lapsed			
Name of director	Date of grant	price HK\$	as at 1.7.2005	during the year	during the year	during the year		Balance as at 30.6.2006	
Kwok Ping-luen, Raymond	28.3.2000	10.38	251,666	—	—	251,666	—		
	7.4.2001	2.34	233,333	—	—	116,667	<u>116,666</u>	116,666	
Kwok Ping-sheung, Walter	28.3.2000	10.38	138,334	—	—	138,334	—		
	7.4.2001	2.34	120,000	—	—	60,000	<u>60,000</u>	60,000	
Kwok Ping-kwong, Thomas	28.3.2000	10.38	138,334	—	—	138,334	—		
	7.4.2001	2.34	120,000	—	—	60,000	<u>60,000</u>	60,000	
So Sing-tak, Andrew	8.7.2002	1.43	400,000	—	—	—	400,000		
	29.11.2003	1.59	400,000	—	—	—	400,000		
	10.11.2005	1.41	—	1,000,000	—	—	<u>1,000,000</u>	1,800,000	
Chan Kui-yuen, Thomas	28.3.2000	10.38	170,000	—	—	170,000	—		
	7.4.2001	2.34	120,000	—	—	60,000	<u>60,000</u>	60,000	
Wong Yick-kam, Michael	28.3.2000	10.38	120,000	—	—	120,000	—		
	7.4.2001	2.34	120,000	—	—	60,000	<u>60,000</u>	60,000	
So Chung-keung, Alfred	28.3.2000	10.38	120,000	—	—	120,000	—		
	7.4.2001	2.34	120,000	—	—	60,000	60,000		
	29.11.2003	1.59	200,000	—	—	—	<u>200,000</u>	260,000	
Tung Chi-ho, Eric	28.3.2000	10.38	120,000	—	—	120,000	—		
	7.4.2001	2.34	120,000	—	—	60,000	<u>60,000</u>	60,000	
Wong Chin-wah	28.3.2000	10.38	120,000	—	—	120,000	—		
	7.4.2001	2.34	120,000	—	—	60,000	60,000		
	29.11.2003	1.59	200,000	—	—	—	<u>200,000</u>	260,000	
Tung Yiu-kwan, Stephen	28.3.2000	10.38	120,000	—	—	120,000	—		
	7.4.2001	2.34	120,000	—	—	60,000	60,000		
	29.11.2003	1.59	200,000	—	—	—	200,000		
	10.11.2005	1.41	—	250,000	—	—	250,000	510,000	

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 2006 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\$	Number of share options					Balance as at 30.6.2006
		Balance as at 1.7.2005	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year		
28.3.2000	10.38	486,666	—	—	(486,666)		0
30.11.2000	3.885	825,000	—	—	(479,167)		345,833
7.4.2001	2.340	590,000	—	—	(304,999)		285,001
8.7.2002	1.430	900,000	—	—	(600,000)		300,000
29.11.2003	1.590	1,400,000	—	—	(300,000)		1,100,000
10.11.2005	1.410	—	2,080,000	—	(410,000)		1,670,000
							3,700,834

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

Pursuant to GEM Listing Rules 23.08, the valuation of the SUNeVision Share Options granted during the year ended 30 June 2006 is as follows:

Name of participants	Number of Options granted on 10.11.2005	Option Value as at 10.11.2005 (HK\$)	Option Value as at 30.6.2006 (HK\$)
So Sing-tak, Andrew (Chief Executive Officer)	1,000,000	246,759	141,207
Tung Yiu-kwan, Stephen (Executive Director)	250,000	61,690	35,302
Aggregate total of Employees	2,080,000	513,259	293,711
Total	3,330,000	821,708	470,220

The closing price of the share in the Company immediately before the date on which such SUNeVision Share Options were granted was HK\$1.41 (as of 9 November 2005).

According to the Black-Scholes model*, the total value of the SUNeVision Share Options granted on 10 November 2005 was estimated at HK\$821,708 with the following variables and assumptions:

1. Risk Free Rate: 4.416%, being the approximate yield of 3-year Exchange Fund Note traded on 10 November 2005.
2. Expected Volatility: 25.84%, being the annualized volatility of the closing price of the shares in the Company from 10 November 2004 to 9 November 2005.
3. Expected Dividend:
 - (i) Yield 3.19%, being 2005 prospective dividend yield of the shares in the Company.
 - (ii) Growth Rate 16.6% per annum, being 3-year historical dividend growth rate of the Company.
4. Expected Life of such SUNeVision Share Options is three years with the following assumptions:
 - (i) There is no material difference between the expected volatility over the whole life of such SUNeVision Share Options and the historical volatility of the shares of the Company over the period from 10 November 2004 to 9 November 2005.
 - (ii) There is no material difference between the dividend growth rate over the whole life of such SUNeVision Share Options and the historical dividend growth rate of the Company over the previous three years.

According to the Black-Scholes model*, the total value of the SUNeVision Share Options granted on 10 November 2005 was estimated at HK\$470,220 as at 30 June 2006 with the following variables and assumptions:

1. Risk Free Rate: 4.527%, being the approximate yield of 3-year Exchange Fund Note traded on 30 June 2006.
2. Expected Volatility: 23.08%, being the annualized volatility of the closing price of the shares in the Company from 1 July 2005 to 30 June 2006.
3. Expected Dividend:
 - (i) Yield 3.46%, being 2006 prospective dividend yield of the shares in the Company.
 - (ii) Growth Rate 16.67% per annum, being 3-year historical dividend growth rate of the Company.
4. Expected Life of such SUNeVision Share Options is 2.4 years with the following assumptions:
 - (i) There is no material difference between the expected volatility over the whole life of such SUNeVision Share Options and the historical volatility of the shares in the Company over the year from 1 July 2005 to 30 June 2006.
 - (ii) There is no material difference between the dividend growth rate over the whole life of such SUNeVision Share Options and the historical dividend growth rate of the Company over the previous three years.

All the options forfeited before expiry of the SUNeVision Share Options will be treated as lapsed options which will not be added back to the number of shares available to be issued under the SUNeVision Share Options.

*Note: The Black-Scholes model (the "Model") is developed to estimate the fair value of publicly traded options that have no vesting restriction and are fully transferable. The Model is only one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

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, 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 from time to time. The exercise period of any option granted under the share option scheme of iAdvantage Limited 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. 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.

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 6 September 2006, 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 6 September 2006 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 6 September 2006, 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.

- (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.

GROUP'S EMOLUMENTS POLICY

1. 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:

- The Company will benchmark periodically with the market to ensure the competitiveness of the overall package
- We adopt a performance driven policy so that each individual is motivated to perform to the best they can
- Individual competence, contribution and responsibility are taken into account when considering the remuneration level for each staff
- 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
- The Company also offers provident fund, medical insurance and leave benefits to provide basic coverage to staff for sickness, retirement, rest and relaxation reasons
- 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
- The economic factors and the affordability of the Company are taken into account in coming up with the overall remuneration budget for the Company

Incentive Scheme

To enhance the performance culture, SUNeVision also has adopted a discretionary bonus scheme. A couple of factors, such as the overall financial performance, the affordability of the Company and individual 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.

2. Basis of determining emolument to directors

The remuneration philosophy of the Company also applies 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. Provision in medical, provident fund and leave are made to ensure that the directors could have basic coverage in sickness and retirement as well as for rest and relaxation. 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.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, 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, 1,058,988,347 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 2006, 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 2006, 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 year 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.

CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 30 June 2006 are disclosed in note 29 to the financial statements.

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 (together, “the Continuing Connected Transactions”) are as follows.

1. 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.

(a) 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.

During the year ended 30 June 2006, the aggregate consideration received from SHKP Group was HK\$28,176,118.

(b) 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.

During the year ended 30 June 2006, the aggregate consideration received from SHKP Group was HK\$42,204,111.

2. 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.

(a) 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.

During the year ended 30 June 2006, the aggregate consideration received from SHKP Group was HK\$2,933,142.

(b) **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.

During the year ended 30 June 2006, the aggregate consideration received from SHKP Group was HK\$2,274,961.

(c) **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.

During the year ended 30 June 2006, the aggregate consideration paid to SHKP Group was HK\$8,459,384.

3. 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.

(a) Units 809 to 817, 8th Floor, Tower 1, Sun Dong An Plaza, 138 Wangfujing Avenue, Dongcheng District, 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;</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>
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

(b) Level 37, Shanghai Central Plaza, 381 Huihai Central Road, Luwan District, 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,</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
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

During the year ended 30 June 2006, the aggregate rental paid to SHKP Group was HK\$3,353,599.

The Continuing Connected Transactions have been reviewed by the Independent Non-Executive Directors of the Company. The Independent Non-Executive Directors have confirmed that the 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 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.

The Company confirms that the Continuing Connected Transactions as disclosed above fall under the definition of continuing connected transactions in Chapter 20 of the Listing Rules and that the Company has complied with the disclosure requirements in accordance with Chapter 20 of the Listing Rules.

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 29 — 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 27% of its operating costs and the largest suppliers, being SHKP Group, accounted for about 18% of the total operating costs.

During the year, the five largest customers of the Group accounted for about 45% 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 2006, 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 2006.

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 a Mandatory Provident Fund Scheme ("MPF Scheme") for all its employees 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\$1,142,730 (2005: HK\$1,514,949).

DIRECTORS' REPORT

All 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 2006 amounted to HK\$56,903 and is used to offset future contributions during 2006. There is no forfeited contributions 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 page 35 of the annual report.

On behalf of the Board

KWOK Ping-luen, Raymond

Chairman

Hong Kong, 6 September 2006

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 2006, the Group has complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules (the "Code"). The Board of Directors has continued to monitor and review the Group's progress in respect of corporate governance practices to ensure compliance.

THE BOARD OF DIRECTORS

Composition

The Board of Directors, which comprised 14 Directors as at 30 June 2006, 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 to the development of the Group's strategy 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 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 (Executive Director of the Group) and Mr. Kwok Ping-kwong, Thomas (Executive Director 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 and met four times for the financial year ended 30 June 2006. 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.

For the financial year ended 30 June 2006, 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	4/4	100%
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	1/4	25%
Wong Yick-kam, Michael	4/4	100%
So Chung-keung, Alfred	1/4	25%
Tung Chi-ho, Eric	3/4	75%
Wong Chin Wah	4/4	100%
Tung Yiu-kwan, Stephen	4/4	100%
Leung Kui-king, Donald (resigned on 1 January 2006)	1/2	50%
Non-Executive Director		
Cheung Wing-yui	2/4	50%
Independent Non-Executive Directors		
Kao Kuen, Charles	2/4	50%
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, interim and quarterly 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. Drafts of board minutes are circulated to all Directors for 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 will ensure 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 Chairman is responsible for leading the Board and ensuring the Board functions effectively and smoothly. In doing so, the Chairman will ensure 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 will also encourage all Directors, including the Independent Non-Executive Directors, to actively participate in all board and committee meetings.

Training and Support for Directors

All Directors, including Non-Executive Directors and Independent Non-Executive Directors, should keep abreast of their collective responsibilities as Directors and of the business and activities of the Group. As such, the Group provides briefings and other training to develop and refresh the Directors' knowledge and skills. The Group also continuously updates all Directors on latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance practices.

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 has confirmed that during the year ended 30 June 2006, he has fully complied with the required standard of dealings and there is 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 will consult with the Chairman and/or the Chief Executive Officer on its proposals and recommendations, and also have access to professional advice if deemed necessary by the Remuneration 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.

For the financial year ended 30 June 2006, the Remuneration Committee held two meetings. The individual attendance record of each member is as follows:

Attendants	Number of meetings Attended/Total	Attendance percentage
Fong Ching, Eddy (Chairman)	2/2	100%
Kao Kuen, Charles	2/2	100%
Li On-kwok, Victor	2/2	100%
Cheung Wing-yui	2/2	100%
So Sing-tak, Andrew	2/2	100%

In the year ended 30 June 2006, the Remuneration Committee reviewed matters relating to remuneration and grant of share options for directors and senior management, as well as discussed the remuneration policy of the Group.

NOMINATION COMMITTEE AND 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 develops selection procedures of candidates for nomination, reviews the size, structure and composition of the Board, as well as assesses 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.

Nomination procedures include identification and nomination of qualified individuals by the Nomination Committee, and review and approval of such nominations by the Board. The Nomination Committee will evaluate potential candidates considering factors such as professional expertise, relevant experience, personal ethics and integrity.

For the financial year ended 30 June 2006, the Nomination Committee held one meeting. The individual attendance record of each member is as follows:

Attendants	Number of meetings	Attendance
	Attended/Total	percentage
Li On-kwok, Victor (Chairman)	1/1	100%
Kao Kuen, Charles	1/1	100%
Fong Ching, Eddy	1/1	100%
Cheung Wing-yui	1/1	100%
So Sing-tak, Andrew	1/1	100%

In the year ended 30 June 2006, the Nomination Committee discussed and reviewed the board composition of the Company as well as other related matters.

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.

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.

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.

There is no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

The Audit Committee's primary duties include ensuring the Group's financial statements, annual, interim and quarterly 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.

The Company Secretary keeps 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 as soon as practicable after each meeting.

For the financial year ended 30 June 2006, the Audit Committee held four meetings. The individual attendance record of each member is as follows:

Attendants	Number of meetings	Attendance
	Attended/Total	percentage
Kao Kuen, Charles (Chairman)	3/4	75%
Li On-kwok, Victor	3/4	75%
Fong Ching, Eddy	3/4	75%
Cheung Wing-yui	3/4	75%

During the year ended 30 June 2006, the Audit Committee reviewed the final, first quarterly, interim and third quarterly results of the Group as well as discussed and approved financial and other reports for the year. The Committee also reviewed and discussed the Group's internal audit activities and audit plans for the upcoming year.

The level of fees in respect of audit and non-audit services provided by the external auditors to the Company for the year ended 30 June 2006 is set out on page 64 of this annual report.

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. Such systems are designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems.

The systems include a well-established organizational structure with clearly defined lines of responsibility and authority, which is designed to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations.

For the year ended 30 June 2006, the Board has, through the Audit Committee with the assistance of the Internal Audit Manager, conducted a review of the Group's internal control system, including without limitation financial control, operational control, compliance control and risk management functions. The Board is of the view that the internal control systems are effective and there are no irregularities, improprieties, fraud or other deficiencies that suggest material deficiency in the effectiveness of the Group's internal control system.

The Board assesses the effectiveness of internal controls by considering reviews performed by the Audit Committee, executive management and both internal and external auditors.

The Internal Audit Manager follows a risk-and-control-based approach. An audit plan would be formulated in a risk-weighted manner so that priorities and appropriate audit frequency could be given to areas with higher risks. The Manager performs regular financial and operational reviews on the Group. Summaries of major audit findings and control weaknesses, if any, are reviewed by the Audit Committee. The Internal Audit Manager monitors the follow-up actions agreed upon in response to its recommendations.

DELEGATION BY THE BOARD

The Board is responsible for decision in relation to the overall strategic development of the Group's business. 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. The Board gave clear directions as to the powers of Management, and periodically reviews all delegations to Management to ensure that such delegations are appropriate and continue to be beneficial to the Group as a whole.

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.

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.

The Chairman is also involved in organising the AGM and personally chairs it, to ensure that shareholders' views are communicated to the Board. Members of the Audit Committee, the Remuneration Committee and the Nomination Committee also attended the AGM to answer questions that shareholders may have. A separate resolution was proposed by the Chairman in respect of each separate issue at the annual general meeting.

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 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 42 to 83 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 the 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 Hong Kong Standards on Auditing 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 2006 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, 6 September 2006

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2006

	Notes	2006 HK\$'000	2005 HK\$'000 (restated)
Revenue	6	276,332	248,068
Cost of sales		(167,527)	(154,467)
Gross profit		108,805	93,601
Other income	8	180,748	49,035
Selling expenses		(7,242)	(9,258)
Administrative expenses		(40,944)	(39,033)
Finance charges on finance leases		—	(3)
Fair value changes/surplus on revaluation of investment properties		141,000	59,200
Share of loss of an associate		—	(190)
Profit before taxation		382,367	153,352
Income tax expense	9	(24,944)	(7,121)
Profit for the year	10	357,423	146,231
Attributable to:			
Equity holders of the Company		339,262	146,231
Minority interests		18,161	—
		357,423	146,231
Dividends:	12		
Final dividend proposed		91,203	91,203
Special dividend proposed		1,337,642	—
		1,428,845	91,203
Earnings per share	13		
— Basic		16.74 cents	7.22 cents
— Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

At 30 June 2006

	Notes	2006 HK\$'000	2005 HK\$'000 (restated)
Non-current assets			
Investment properties	16	714,000	573,000
Property, plant and equipment	17	991,676	1,009,942
Investments	18	169,163	415,133
		<u>1,874,839</u>	<u>1,998,075</u>
Current assets			
Investments	18	23,379	447,688
Inventories	19	2,862	3,554
Trade and other receivables	20	49,744	59,449
Amounts due from customers for contract work	21	7,075	6,528
Bank balances and deposits	22	1,512,719	755,442
		<u>1,595,779</u>	<u>1,272,661</u>
Current liabilities			
Trade and other payables	23	118,542	125,054
Amounts due to customers for contract work		169	409
		<u>118,711</u>	<u>125,463</u>
Net current assets		<u>1,477,068</u>	<u>1,147,198</u>
Total assets less current liabilities		<u>3,351,907</u>	<u>3,145,273</u>
Non-current liabilities			
Deferred tax liabilities	24	32,065	7,121
Amounts due to minority shareholders of subsidiaries	25	5,421	30,501
		<u>37,486</u>	<u>37,622</u>
		<u>3,314,421</u>	<u>3,107,651</u>
Capital and reserves			
Share capital	26	202,673	202,673
Reserves		3,105,121	2,916,773
Equity attributable to equity holders of the Company		<u>3,307,794</u>	<u>3,119,446</u>
Minority interests		<u>6,627</u>	<u>(11,795)</u>
Total equity		<u>3,314,421</u>	<u>3,107,651</u>

Directors:

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

BALANCE SHEET

At 30 June 2006

	Notes	2006 HK\$'000	2005 HK\$'000 (restated)
Non-current assets			
Investments in subsidiaries	14	—	—
Current assets			
Amounts due from subsidiaries	15	3,621,477	3,611,542
Bank balance		12	13
		3,621,489	3,611,555
Current liability			
Other payables		1,482	650
Net current assets		3,620,007	3,610,905
		3,620,007	3,610,905
Capital and reserves			
Share capital	26	202,673	202,673
Reserves	27	3,417,334	3,408,232
Total equity		3,620,007	3,610,905

Directors:

Kwok Ping-luen, Raymond

So Sing-tak, Andrew

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2006

	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Property revaluation reserve HK\$'000	Investments revaluation reserve HK\$'000	Share-based payment transactions reserve HK\$'000	Accumulated losses HK\$'000	Proposed dividend HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 July 2004 as originally stated	202,619	3,868,367	288	6,233	—	—	(1,095,236)	60,786	3,043,057	—	3,043,057
Effect of application of new HKFRSs (see note 3)	—	—	—	(6,135)	—	301	(301)	—	(6,135)	(11,525)	(17,660)
At 1 July 2004 as restated	202,619	3,868,367	288	98	—	301	(1,095,537)	60,786	3,036,922	(11,525)	3,025,397
Change in fair value of investments	—	—	—	—	(4,522)	—	—	—	(4,522)	—	(4,522)
Exchange differences on disposal of overseas subsidiaries	—	—	48	—	—	—	—	—	48	—	48
Net income (expense) recognised directly in equity	—	—	48	—	(4,522)	—	—	—	(4,474)	—	(4,474)
Profit for the year	—	—	—	—	—	—	146,231	—	146,231	—	146,231
Total recognised income for the year	—	—	48	—	(4,522)	—	146,231	—	141,757	—	141,757
Recognition of equity settled share-based payment	—	—	—	—	—	511	—	—	511	—	511
Issue of new shares upon exercise of share option	54	709	—	—	—	—	—	—	763	—	763
Dividend paid	—	—	—	—	—	—	—	(60,786)	(60,786)	—	(60,786)
Release upon redemption/disposals of investments	—	—	—	—	—	—	279	—	279	—	279
Proposed final dividend	—	—	—	—	—	—	(91,203)	91,203	—	—	—
Disposal of minority interest	—	—	—	—	—	—	—	—	—	(270)	(270)
At 30 June 2005 and 1 July 2005 as restated	202,673	3,869,076	336	98	(4,522)	812	(1,040,230)	91,203	3,119,446	(11,795)	3,107,651
Change in fair value of investments	—	—	—	—	279	—	—	—	279	—	279
Exchange differences arising from translation of operations outside Hong Kong	—	—	88	—	—	—	—	—	88	234	322
Net income recognised directly in equity	—	—	88	—	279	—	—	—	367	234	601
Profit for the year	—	—	—	—	—	—	339,262	—	339,262	18,161	357,423
Total recognised income for the year	—	—	88	—	279	—	339,262	—	339,629	18,395	358,024
Recognition of equity settled share-based payment	—	—	—	—	—	1,152	—	—	1,152	—	1,152
Capital injection	—	—	—	—	—	—	—	—	—	27	27
Dividend paid	—	—	—	—	—	—	—	(91,203)	(91,203)	—	(91,203)
Release upon redemption/disposals of investments	—	—	—	—	3,882	—	(65,112)	—	(61,230)	—	(61,230)
Proposed final dividend	—	—	—	—	—	—	(91,203)	91,203	—	—	—
Proposed special dividend	—	(1,337,642)	—	—	—	—	—	1,337,642	—	—	—
At 30 June 2006	202,673	2,531,434	424	98	(361)	1,964	(857,283)	1,428,845	3,307,794	6,627	3,314,421

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2006

	2006 HK\$'000	2005 HK\$'000 (restated)
Operating activities		
Profit before taxation	382,367	153,352
Adjustments for:		
Share of loss of an associate	—	190
Finance charges on finance leases	—	3
Interest income	(67,836)	(47,550)
(Gain) loss on disposal of property, plant and equipment	(79)	203
Fair value changes/surplus on revaluation of investment properties	(141,000)	(59,200)
(Gain) loss on redemption/disposal of investments	(61,230)	1,723
Distribution income from equity technology investments	(52,459)	—
Exchange loss	222	1,284
Depreciation	45,978	45,817
Share-based payment expense	1,152	511
Operating cash flows before movements in working capital	107,115	96,333
Decrease (increase) in inventories	692	(346)
Decrease (increase) in trade and other receivables	3,296	(9,269)
(Increase) decrease in amounts due from customers for contract work	(547)	6,318
(Decrease) increase in trade and other payables	(6,512)	12,654
(Decrease) increase in amounts due to customers for contract work	(240)	123
Cash from operations	103,804	105,813
Tax paid in other jurisdictions	—	(19)
Net cash from operating activities	103,804	105,794
Investing activities		
Proceeds from redemption/disposal of investments	619,577	112,199
Distribution income received	102,932	—
Interest received	74,531	49,431
Proceeds from disposal of property, plant and equipment	133	415
Purchase of property, plant and equipment	(27,315)	(16,610)
Purchase of investments	—	(45,130)
Net cash from investing activities	769,858	100,305
Financing activities		
Dividend paid	(91,203)	(60,786)
Repayment to minority shareholders of subsidiaries	(25,080)	(222)
Capital injection by minority shareholders	27	—
Repayment of obligations under finance leases	—	(141)
Finance charges on finance leases	—	(3)
Advance from an associate	—	2,071
Proceeds from issue of shares	—	763
Net cash used in financing activities	(116,256)	(58,318)
Net increase in cash and cash equivalents	757,406	147,781
Cash and cash equivalents at beginning of the year	755,442	607,661
Effect of foreign exchange rate changes	(129)	—
Cash and cash equivalents at end of the year, represented by bank balances and deposits	1,512,719	755,442

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

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 and the immediate holding company is Sunco Resources Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section to the annual report. SHKP together with its subsidiaries, other than members of the Group, are hereinafter referred to as the “SHKP Group”.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 34.

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group and the Company have applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are effective for accounting periods beginning on or after 1 January 2005, except for HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement, which had been early adopted by the Group for the year ended 30 June 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

- HKFRS 2 Share-based Payment
- HKAS 17 Leases
- HKAS 40 Investment Properties
- HK(SIC)-INT 21 Income Taxes-Recovery of Revalued Non-Depreciable Assets

(a) HKFRS 2 Share-based Payment

HKFRS 2 Share-based Payment requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares (“equity-settled transactions”), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (“cash-settled transactions”). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Group, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group and the Company did not recognise the financial effect of these share options until they were exercised. In relation to share options granted before 1 July 2005, the Group and the Company choose not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and to those share options vested before 1 July 2005. However, the Group and the Company are still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 July 2005. Comparative figures of the Group’s financial statements have been restated (see note 3 for the financial impact). The financial impact on the Company has been disclosed in note 27 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

2. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(b) HKAS 17 Leases

Owner-occupied leasehold land

In previous years, the Group's land and buildings held for own use were stated in the consolidated balance sheet at their revalued amount, less any subsequent accumulated depreciation and accumulated impairment losses (if any). Any surplus arising on revaluation of these properties was credited to the property revaluation reserve. In the current year, the Group has applied HKAS 17 Leases. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payment under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. Where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment and are carried at cost, less any subsequent accumulated depreciation and accumulated impairment losses (if any). Upon the change in accounting policy, the revaluation surplus arising in previous years has been reversed. As a result, the carrying amount of the land and buildings and the property revaluation reserve have been restated.

(c) HKAS 40 Investment Properties

The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the year in which they arise. In the previous year, investment properties under the predecessor Standard were measured at open market value, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance in this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has elected to apply HKAS 40 from 1 July 2005 onwards. The application of HKAS 40 has had no material effect for the current or prior accounting periods because the revaluation decrease in prior years was charged to the income statement in accordance with the above policy.

(d) HK(SIC)-INT 21 Income taxes — Recovery of Revalued Non-Depreciable Assets

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied HK(SIC)-INT 21 Income taxes — Recovery of Revalued Non-Depreciable Assets which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflects the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC)-INT 21, this change in accounting policy has been applied retrospectively. Accordingly, deferred tax liabilities on investment properties held by the Group have been adjusted retrospectively (see note 3 for the financial impact).

3. SUMMARY OF THE EFFECTS OF THE NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The effects of the application of the new HKFRSs described in notes 2 (a) to (d) on the results for the current and prior year are as follows:

(a) Income statement items

	2006				2005
	HKFRS 2 HK\$'000	HKAS 17 HK\$'000	HK(SIC)-INT21 HK\$'000	Total effect HK\$'000	Total effect HK\$'000
	(Note 2a)	(Note 2b)	(Note 2d)		
THE GROUP					
Recognition of share-based payments as expense	(1,152)	—	—	(1,152)	(511)
Increase in deferred taxation on revaluation of investment properties	—	—	(17,092)	(17,092)	(7,121)
Decrease in depreciation of property, plant and equipment	—	166	—	166	—
(Decrease) increase in profit for the year	(1,152)	166	(17,092)	(18,078)	(7,632)
Attributable to:					
Equity holders of the Company	(1,152)	166	(17,092)	(18,078)	(7,632)

Analysis of decrease in profit for the year is as follows:

	2006 HK\$'000	2005 HK\$'000
THE GROUP		
Decrease in cost of sales	166	—
Increase in administrative expenses	(1,152)	(511)
Increase in income tax expense	(17,092)	(7,121)
Decrease in profit for the year	(18,078)	(7,632)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

3. SUMMARY OF THE EFFECTS OF THE NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The cumulative effects of the application of the new HKFRSs described in notes 2 (a) to (d) on 30 June 2005 and 1 July 2005 are summarised below:

(b) Balance sheet items

	As at 30 June 2005 (originally stated) HK\$'000	Retrospective adjustments				As at 30 June 2005 and 1 July 2005 HK\$'000
		HKAS 1 HK\$'000 (Note 2)	HKFRS 2 HK\$'000 (Note 2a)	HKAS 17 HK\$'000 (Note 2b)	HK(SIC)- INT 21 HK\$'000 (Note 2d)	(restated)
THE GROUP						
Property, plant and equipment	1,016,077	—	—	(6,135)	—	1,009,942
Deferred tax liabilities	—	—	—	—	(7,121)	(7,121)
Amounts due to minority shareholders	—	(30,501)	—	—	—	(30,501)
Total effects on assets and liabilities	1,016,077	(30,501)	—	(6,135)	(7,121)	972,320
Property revaluation reserve	6,233	—	—	(6,135)	—	98
Accumulated losses	(1,032,297)	—	(812)	—	(7,121)	(1,040,230)
Share-based payment transactions reserve	—	—	812	—	—	812
Minority interests	—	(11,795)	—	—	—	(11,795)
Total effects on equity	(1,026,064)	(11,795)	—	(6,135)	(7,121)	(1,051,115)
Minority interests	18,706	(18,706)	—	—	—	—

3. SUMMARY OF THE EFFECTS OF THE NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(c) The effects of the application of the new HKFRSs described in notes 2 (a) to (d) to the Group's equity at 1 July 2004 are summarised below:

	As at 1 July 2004 (originally stated) HK\$'000	Retrospective adjustments			As at 1 July 2004 HK\$'000 (restated)
		HKAS 1 HK\$'000 (Note 2)	HKFRS 2 HK\$'000 (Note 2a)	HKAS 17 HK\$'000 (Note 2b)	

THE GROUP					
Share capital	202,619	—	—	—	202,619
Share-based payment transactions reserve	—	—	301	—	301
Share premium	3,868,367	—	—	—	3,868,367
Accumulated losses	(1,095,236)	—	(301)	—	(1,095,537)
Other reserves	6,521	—	—	(6,135)	386
Proposed dividend	60,786	—	—	—	60,786
Equity holders of the Company	3,043,057	—	—	(6,135)	3,036,922
Minority interests	—	(11,525)	—	—	(11,525)
Total effects on equity	3,043,057	(11,525)	—	(6,135)	3,025,397

At the balance sheet date, some of the HKFRSs, HKASs and Interpretations have been issued by the HKICPA but are not yet effective. The Group has already commenced an assessment of their impact when they become effective and does not expect this will result in substantial changes to the Group's principal accounting policies.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

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 up to the effective date of disposal, as appropriate.

All material intra-group transactions, balances, income and expenses are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's share in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business net of discounts and related taxes. 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 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 from a financial asset is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that assets' carrying amount.

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 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

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

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

Leasehold properties	Over the prevailing lease term
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 $\frac{1}{3}$ %

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gain or losses arising from changes in fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the differences between the net proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognition.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when an entity of the Group becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are removed from the Group's balance sheet when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from customers for contract work and bank balances and deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as loans and receivables. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses for available-for-sale financial assets will not be reversed in subsequent periods except for available-for-sale debt securities, in which case impairment losses 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.

Financial liabilities and equity instruments issued by an entity of the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Group's financial liabilities are classified as other financial liabilities. After initial recognition, other financial liabilities including trade and other payables and amounts due to minority shareholders of subsidiaries are subsequently measured at amortised cost, using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity settled share-based payment transactions

Share options granted to directors and employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period with a corresponding increase in equity (share-based payment transactions reserve). At the time when the share options are exercised, the amount previously recognised in share-based payment transactions reserve will be transferred to share premium. When the share options are forfeited or lapsed, the amount previously recognised in share-based payment transactions reserve will be transferred to accumulated loss.

Investments in subsidiaries

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

Inventories

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are accounted for as an asset and are recognised as an expense on a straight line basis over the lease term except where these costs increase the carrying amount of the investment properties above fair value.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expenses over the lease term on a straight line basis.

Impairment losses

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those 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 under the relevant HKASs, in which case the impairment loss is treated as revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so 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 under the relevant HKASs, in which case the reversal of the impairment loss is treated as a revaluation increase.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

5. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include available-for-sale investments, trade and other receivables, amounts due from customers for contract work, bank balances and deposits and trade and other payables. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the Group's practice to manage these risks are set out below.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 30 June 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management has formulated policies for determination of credit terms and credit approvals and monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are recognised for irrecoverable amounts.

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

Interest rate risk

The Group's available-for-sale debt investments had an effective interest rate of approximately 6% per annum. All of the Group's bank balances and deposits were short term with an effective interest rate of approximately 5% per annum. The management monitors interest rate exposure closely and will consider hedging significant interest rate exposure should the need arise.

Currency risk

Certain bank deposits and available-for-sale investments of the Group are denominated in foreign currencies. The management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Price risk

Majority of the Group's available-for-sale investments are measured at fair value at each balance sheet date. The Group is therefore exposed to price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

6. REVENUE

Revenue represents revenue generated from the following activities:

	2006 HK\$'000	2005 HK\$'000
Income from Internet services centre and IT facilities	166,632	148,444
Installation and maintenance fee of SMATV, CABD, structural cabling and security systems	77,348	68,793
Property rentals and building management services	32,352	30,831
	<u>276,332</u>	<u>248,068</u>

7. 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.

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

Segment information about these businesses is presented below:

For the year ended 30 June 2006

	Internet services centre and IT facilities HK\$'000	SMATV, CABD, structural cabling and security systems HK\$'000	Properties holding HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Revenue					
External	166,632	77,348	32,352	—	276,332
Inter-segment	8,278	823	2,250	(11,351)	—
Total	174,910	78,171	34,602	(11,351)	276,332
Results					
Segment results	33,966	17,341	164,934	—	216,241
Unallocated corporate expenses					(15,399)
Interest income					67,836
Gain on redemption/disposal of investments					61,230
Distribution income from equity technology investments					52,459
Profit before taxation					382,367
Income tax expense					(24,944)
Profit for the year					357,423

Inter-segment sales are charged at prevailing market rates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

At 30 June 2006

	Internet services centre and IT facilities HK\$'000	SMATV, CABD, structural cabling and security systems HK\$'000	Properties holding HK\$'000	Others HK\$'000	Consolidated HK\$'000
Assets					
Segment assets	1,031,163	37,805	719,310	—	1,788,278
Unallocated corporate assets					1,682,340
Consolidated total assets					3,470,618
Liabilities					
Segment liabilities	76,728	17,684	14,300	—	108,712
Unallocated corporate liabilities					15,420
Deferred tax liabilities					32,065
Consolidated total liabilities					156,197
Other information:					
Capital additions	26,542	727	—	46	27,315
Depreciation	44,684	1,240	—	54	45,978
Share-based payment expense	334	130	—	688	1,152

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

For the year ended 30 June 2005

	Internet services centre and IT facilities HK\$'000	SMATV, CABD, structural cabling and security systems HK\$'000	Properties holding HK\$'000	Elimination HK\$'000	Consolidated HK\$'000 (restated)
Revenue					
External	148,444	68,793	30,831	—	248,068
Inter-segment	9,249	797	2,313	(12,359)	—
Total	157,693	69,590	33,144	(12,359)	248,068
Results					
Segment results	29,546	16,398	79,818	—	125,762
Unallocated corporate expenses					(16,760)
Interest income					47,550
Loss on redemption/disposal of investments					(1,723)
Exchange loss on debt securities					(1,284)
Finance charges on finance leases					(3)
Share of loss of an associate					(190)
Profit before taxation					153,352
Income tax expense					(7,121)
Profit for the year					146,231

Inter-segment sales are charged at prevailing market rates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

At 30 June 2005

	Internet services centre and IT facilities HK\$'000	SMATV, CABD, structural cabling and security systems HK\$'000	Properties holding HK\$'000	Others HK\$'000	Consolidated HK\$'000 (restated)
Assets					
Segment assets	1,045,846	32,131	577,133	—	1,655,110
Unallocated corporate assets					1,615,626
Consolidated total assets					3,270,736
Liabilities					
Segment liabilities	62,909	18,372	15,157	—	96,438
Unallocated corporate liabilities					59,526
Deferred tax liabilities					7,121
Consolidated total liabilities					163,085
Other information:					
Capital additions	14,740	1,870	—	—	16,610
Depreciation	44,555	1,017	—	245	45,817
Share-based payment expense	138	74	—	299	511

Geographical segments

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

8. OTHER INCOME

	2006 HK\$'000	2005 HK\$'000
Interest income	67,836	47,550
Gain (loss) on redemption/disposal of investments	61,230	(1,723)
Distribution income from equity technology investments	52,459	—
Others	(777)	3,208
	180,748	49,035

9. INCOME TAX EXPENSE

	2006 HK\$'000	2005 HK\$'000 (restated)
Deferred tax		
Current year	23,437	7,121
Underprovision in respect of prior years	1,507	—
	24,944	7,121

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 income tax expense can be reconciled to the profit per the income statement as follows:

	2006 HK\$'000	2005 HK\$'000 (restated)
Profit before taxation	382,367	153,352
Tax at Hong Kong Profits Tax rate of 17.5%	66,914	26,837
Tax effect of expenses not deductible for tax purpose	3,290	2,538
Tax effect of income not taxable for tax purpose	(30,622)	(10,480)
Tax effect of utilisation of deferred tax assets previously not recognised	(16,145)	(11,807)
Underprovision in respect of prior years	1,507	—
Tax effect of share of results of associates	—	33
Income tax expense for the year	24,944	7,121

Details of deferred tax liabilities are set out in note 24.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

10. PROFIT FOR THE YEAR

	2006 HK\$'000	2005 HK\$'000 (restated)
Profit for the year has been arrived at after charging:		
Retirement benefit scheme contributions	1,143	1,515
Staff costs including directors' emoluments (note 11)	44,840	42,217
Total staff costs	45,983	43,732
Auditors' remuneration	742	644
Depreciation of property, plant and equipment	45,978	45,817
Exchange loss	1,909	1,284
Loss on disposal of property, plant and equipment	—	203
Minimum lease payments paid under operating leases in respect of land and buildings	3,842	3,370
and after crediting:		
Property rental income, net of outgoings of HK\$1,747,000 (2005: HK\$5,105,000)	24,359	19,033
Gain on disposal of property, plant and equipment	79	—

11. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments, pension and compensation arrangements paid/payable to the directors and past directors of the Company for the year ended 30 June 2006 and 2005 were as follows:

Name of director	Fees HK\$'000	Basic salaries, housing allowances and benefits in kind HK\$'000	Share-based compensation costs HK\$'000	Total emoluments for the year ended 30 June 2006 HK\$'000	Total emoluments for the year ended 30 June 2005 HK\$'000 (restated)
Executive Directors					
Kwok Ping-luen, Raymond (<i>Chairman</i>)	30	—	—	30	30
Kwok Ping-sheung, Walter	20	—	—	20	20
Kwok Ping-kwong, Thomas	20	—	—	20	20
So Sing-tak, Andrew (<i>Chief Executive Officer</i>)	25	1,560	301	1,886	830
Chan Kui-yuen, Thomas	20	12	—	32	32
Wong Yick-kam, Michael	20	12	—	32	32
Leung Kui-king, Donald (<i>Resigned on 1 January 2006</i>)	10	6	—	16	32
So Chung-keung, Alfred	20	12	28	60	74
Tung Chi-ho, Eric	20	12	—	32	32
Wong Chin-wah	20	356	28	404	419
Tung Yiu-kwan, Stephen	20	1,742	89	1,851	1,696
Yen Shiao-hua, Sheridan (<i>Resigned on 4 December 2004</i>)	—	—	—	—	1,602
Non-Executive Director					
Cheung Wing-yui	120	—	—	120	120
Independent Non-Executive Directors					
Kao Kuen, Charles	120	—	—	120	120
Li On-kwok, Victor	120	—	—	120	120
Fong Ching, Eddy	120	—	—	120	94
Total	705	3,712	446	4,863	5,273

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

11. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (continued)

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, 2 (2005: 2) were directors of the Company whose emoluments are included above. The emoluments of the remaining 3 (2005: 3) individuals were as follows:

	2006 HK\$'000	2005 HK\$'000 (restated)
Salaries and allowances	3,451	3,184
Retirement benefit scheme contributions	173	159
Discretionary bonuses	511	561
Share-based compensation costs	191	74
	4,326	3,978

Their emoluments were within the following bands:

	2006 Number of employees	2005 Number of employees
HK\$1,000,001 to HK\$1,500,000	1	2
HK\$1,500,001 to HK\$2,000,000	2	1
	3	3

12. DIVIDENDS

	2006 HK\$'000	2005 HK\$'000
Dividend, paid		
Final dividend of HK\$0.045 (2005: HK\$0.03) per share	91,203	60,786
Dividend, proposed		
Final dividend of HK\$0.045 (2005: HK\$0.045) per share	91,203	91,203
Special dividend of HK\$0.66 (2005: nil) per share	1,337,642	—
	1,428,845	91,203

At a meeting held on 6 September 2006, the Directors recommend the declaration of a final dividend of HK\$0.045 per share for the year ended 30 June 2006. This proposed dividend is not included as a dividend payable in the consolidated balance sheet as at 30 June 2006.

The Directors also recommend the declaration of a special dividend of HK\$0.66 per share. This proposed special dividend is not included as a dividend payable in the consolidated balance sheet as at 30 June 2006, but will be accounted for as an appropriation of share premium account for the year ending 30 June 2007.

13. EARNINGS PER SHARE

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

	2006 HK\$'000	2005 HK\$'000 (restated)
Earnings for the purpose of basic and diluted earnings per share	339,262	146,231
	2006 Number of shares	2005 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,026,730,833	2,026,371,381

No diluted earnings per share has been presented for both years 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 years.

The following table summarises the impact on basic earnings per share as a result of the application of new HKFRSs:

	Impact on basic earnings per share	
	Year ended 30.6.2006 cents	Year ended 30.6.2005 cents
Figures before adjustments	17.63	7.60
Adjustments arising from the application of new HKFRSs (see note 3)	(0.89)	(0.38)
Restated	16.74	7.22

14. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY 2006 & 2005 HK\$'000
Unlisted shares, at cost	—

Details of the Company's principal subsidiaries at 30 June 2006 are set out in note 34.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

15. 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 values.

16. INVESTMENT PROPERTIES

	THE GROUP
	HK\$'000
At 1 July 2004	513,800
Surplus on revaluation	<u>59,200</u>
At 30 June 2005 and 1 July 2005	573,000
Fair value changes recognised in income statement	<u>141,000</u>
At 30 June 2006	<u>714,000</u>

The fair value of the Group's investment properties as at the balance sheet date is determined with reference to a valuation, on market value basis, as at 30 June 2006 carried out by DTZ Debenham Tie Leung Limited, a firm of independent qualified professional valuers not connected with the Group.

All of the Group's property interests that are held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The carrying amount of investment properties is as follows:

	THE GROUP	
	2006	2005
	HK\$'000	HK\$'000
Properties in Hong Kong held under:		
— long leases	315,000	223,000
— medium-term leases	<u>399,000</u>	<u>350,000</u>
	<u>714,000</u>	<u>573,000</u>

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties HK\$'000	Internet services centre facilities HK\$'000	SMATV equipment HK\$'000	Computers, networks and related equipment HK\$'000	Office equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP							
COST							
At 1 July 2004 as originally stated	520,176	623,169	23,619	27,508	18,149	1,930	1,214,551
Effect of application of new HKFRSs (note 3)	155,285	—	—	—	—	—	155,285
At 1 July 2004 as restated	675,461	623,169	23,619	27,508	18,149	1,930	1,369,836
Additions	—	14,621	—	1,645	344	—	16,610
Disposals	—	(308)	(501)	(316)	(2,382)	—	(3,507)
At 30 June 2005 and 1 July 2005	675,461	637,482	23,118	28,837	16,111	1,930	1,382,939
Additions	—	25,846	110	773	447	139	27,315
Disposals	—	(150)	(1,548)	(45)	(692)	(200)	(2,635)
Exchange re-alignment	—	856	—	—	—	—	856
At 30 June 2006	675,461	664,034	21,680	29,565	15,866	1,869	1,408,475
DEPRECIATION AND IMPAIRMENT LOSS							
At 1 July 2004 as originally stated	13,093	90,425	21,365	26,021	15,815	1,930	168,649
Effect of application of new HKFRSs (note 3)	161,420	—	—	—	—	—	161,420
At 1 July 2004 as restated	174,513	90,425	21,365	26,021	15,815	1,930	330,069
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 and 1 July 2005	187,968	119,412	21,333	27,180	15,174	1,930	372,997
Provided for the year	13,645	30,246	473	851	735	28	45,978
Eliminated on disposals	—	(102)	(1,548)	(39)	(692)	(200)	(2,581)
Exchange re-alignment	—	405	—	—	—	—	405
At 30 June 2006	201,613	149,961	20,258	27,992	15,217	1,758	416,799
NET BOOK VALUE							
At 30 June 2006	473,848	514,073	1,422	1,573	649	111	991,676
At 30 June 2005	487,493	518,070	1,785	1,657	937	—	1,009,942

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

17. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of properties shown above comprises:

	THE GROUP	
	2006	2005
	HK\$'000	HK\$'000
		(restated)
Properties in Hong Kong held under		
— long leases	335,752	346,029
— medium-term leases	138,096	141,464
	<u>473,848</u>	<u>487,493</u>

As the lease payments cannot be allocated reliably between the land portion and building portion, leasehold land is included in property, plant and equipment.

18. INVESTMENTS

	THE GROUP	
	2006	2005
	HK\$'000	HK\$'000
Available-for-sale:		
Listed debt securities, at fair value		
— in Hong Kong	15,612	24,394
— outside Hong Kong	97,105	718,345
Unlisted debt securities, at fair value	7,767	7,948
Listed equity technology investments, at fair value		
— in Hong Kong	14,096	15,125
— outside Hong Kong	34,084	22,658
Unlisted equity technology investments, at cost less impairment	<u>23,878</u>	<u>74,351</u>
	<u>192,542</u>	<u>862,821</u>
Carrying amount analysed for reporting purposes as:		
Current (debt securities maturing within one year)	23,379	447,688
Non-current	<u>169,163</u>	<u>415,133</u>
	<u>192,542</u>	<u>862,821</u>

As at the balance sheet date, all investments are stated at fair value, except for unlisted equity technology investments. Fair values of the listed investments have been determined by reference to bid prices quoted in active markets. The unlisted equity technology investments are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The debt securities carry interest at 5% to 8% (2005: 4% to 9%) per annum and mature between 2006 and 2013 (2005: 2005 and 2013). Approximately 17% (2005: 8%) of the carrying amount of investments are denominated in currency other than United States Dollars and Hong Kong Dollars.

19. INVENTORIES

	THE GROUP	
	2006	2005
	HK\$'000	HK\$'000
Raw materials	1,236	2,018
Work in progress	1,626	1,536
	2,862	3,554

20. 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	
	2006	2005
	HK\$'000	HK\$'000
Up to 60 days	31,645	23,507
61–90 days	2,578	1,801
Over 90 days	1,195	2,060
Trade receivables	35,418	27,368
Other receivables and prepayments	14,326	32,081
	49,744	59,449

The directors of the Company consider that the fair values of the Group's trade and other receivables approximate their corresponding carrying amounts.

21. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK**THE GROUP**

The directors consider the fair value of the Group's amounts due from customers for contract works approximates its carrying amount.

22. BANK BALANCES AND DEPOSITS**THE GROUP**

Bank balances and deposits comprise cash and short-term deposits held by the Group. The Group's deposits, majority of which are denominated in United States dollars, carry interest at approximately 5% (2005: 3%) per annum and mature within 3 months. The directors of the Company consider that the fair values of the Group's bank balances and deposits approximate their corresponding carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

23. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2006	2005
	HK\$'000	HK\$'000
Up to 60 days	2,282	3,543
Over 60 days	52	82
Trade payables	2,334	3,625
Other payables	116,208	121,429
	118,542	125,054

The directors of the Company consider that the fair values of the Group's trade and other payables approximate their corresponding carrying amounts.

24. DEFERRED TAX LIABILITIES

THE GROUP

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

	Revaluation of investment properties HK\$'000	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1 July 2004 as originally stated	—	(61,725)	60,889	836	—
Effects of new HKFRSs (note 3)	(8,312)	—	1,191	—	(7,121)
(Charge) credit to income statement for the year	—	(2,731)	3,357	(626)	—
At 30 June 2005 and 1 July 2005, as restated	(8,312)	(64,456)	65,437	210	(7,121)
(Charge) credit to income statement for the year	(16,100)	(1,511)	(7,259)	(74)	(24,944)
At 30 June 2006	(24,412)	(65,967)	58,178	136	(32,065)

At the balance sheet date, the Group has unrecognised tax losses and deductible temporary differences of HK\$873,467,000 (2005: HK\$972,986,000), of which HK\$52,889,000 (2005: HK\$56,407,000) will expire at various dates up to 31 December 2011. HK\$7,264,000 of unrecognised tax losses expired during the year. Recognition of these unrecognised tax losses depends on future taxable profits available and losses agreed with the relevant tax authorities.

25. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

THE GROUP

The amounts due to minority shareholders of subsidiaries are unsecured and interest free. The minority shareholders of the subsidiaries have agreed not to demand payment within twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current in the balance sheet. The directors of the Company consider that the fair value of the amounts due to minority shareholders of subsidiaries is not significantly different from its carrying amount.

26. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 30 June 2005 and 30 June 2006	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 July 2004	2,026,197,500	202,619
Issue of new shares upon exercise of share options	533,333	54
At 30 June 2005 and 30 June 2006	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.

27. RESERVES

	Share premium HK\$'000	Share-based payment transactions reserve HK\$'000	Accumulated losses HK\$'000	Proposed dividend HK\$'000	Total HK\$'000
THE COMPANY					
At 1 July 2004 as originally stated	3,868,367	—	(560,891)	60,786	3,368,262
Effect of application of new HKFRSs (note 2a)	—	301	—	—	301
At 1 July 2004 as restated	3,868,367	301	(560,891)	60,786	3,368,563
Profit for the year and total recognised income for the year	—	—	99,235	—	99,235
Recognition of equity settled share-based payment	—	511	—	—	511
Issue of shares upon exercise of share options	709	—	—	—	709
Dividend paid	—	—	—	(60,786)	(60,786)
Proposed final dividend	—	—	(91,203)	91,203	—
At 30 June 2005 and 1 July 2005 as restated	3,869,076	812	(552,859)	91,203	3,408,232
Profit for the year and total recognised income for the year	—	—	99,153	—	99,153
Dividend paid	—	—	—	(91,203)	(91,203)
Recognition of equity settled share-based payment	—	1,152	—	—	1,152
Proposed final dividend	—	—	(91,203)	91,203	—
Proposed special dividend	(1,337,642)	—	—	1,337,642	—
At 30 June 2006	2,531,434	1,964	(544,909)	1,428,845	3,417,334

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

27. RESERVES (continued)

The Company's reserves available for distribution represent the share premium and share-based payment transactions reserve less accumulated losses of HK\$1,988,489,000 (2005: HK\$3,317,029,000). 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.

28. SHARE-BASED PAYMENT TRANSACTIONS

The Company adopted a share option scheme "Pre-IPO Share Option Scheme", the principal terms of which were summarised in the section headed "Statutory and General Information Share Option Schemes" in Appendix 5 to the Company's prospectus dated 6 March 2000. Upon the passing of an ordinary resolution by the Shareholders at the general meeting approving the adoption of the SUNeVision Share Option Scheme ("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. However, the outstanding options granted under the Pre-IPO Share Option Scheme, as detailed on page 22 of the annual report, shall continue to be subject to the provisions of the Pre-IPO Share Option Scheme 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").

According to the major terms of the Pre-IPO Share Option Scheme and the SUNeVision Share Option Scheme (collectively "the Schemes"), the purposes of the Schemes are to provide incentives to their respective participants.

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

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.

As at 30 June 2006, the number of shares in respect of which options had been granted and remained outstanding under the Schemes were:

		Remained outstanding	Representing % of the shares in issue
Pre-IPO Share Option Scheme	2006	1,927,500	0.0951
	2005	5,933,333	0.2928
SUNeVision Share Option Scheme	2006	5,020,000	0.2477
	2005	2,400,000	0.1184
Total	2006	6,947,500	0.3428
	2005	8,333,333	0.4112

28. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The total number of shares which may be issued upon exercise of all options to be granted under the Schemes 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 Schemes 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).

Pursuant to the Pre-IPO 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.

Pursuant to the 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.

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 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.

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.

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 from the grantee.

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.

Share Option Schemes of subsidiaries

In addition to the Schemes, the Group operates another share option scheme which was approved for iAdvantage Limited, a subsidiary of the Company, allowing its Board 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 from time to time. The exercise period of any option granted under the share option scheme of iAdvantage Limited 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. No option shares for iAdvantage Limited have been granted to any person since its adoption.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

28. SHARE-BASED PAYMENT TRANSACTIONS (continued)

3,330,000 share options were granted under the SUNeVision Share Option Scheme on 10 November 2005. The estimated fair value of the options granted on that date is HK\$822,000 which has been calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

Weighted average share price	HK\$1.41
Exercise price	HK\$1.41
Expected volatility	25.84%
Expected life	3 years
Risk-free rate	4.42%
Expected dividend yield	3.19%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised a total expense of HK\$1,152,000 for the year ended 30 June 2006 (2005: HK\$511,000) in relation to share options granted by the Company. Total consideration received during the year ended 30 June 2006 from the directors and employees for taking up the options granted amounted to HK\$27 (2005: nil).

A summary of the total movements during the year of the share options held by directors and employees granted under the Pre-IPO Share Option Scheme is as follows:

For the year ended 30 June 2005

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 year	Exercised during the year	Cancelled/ lapsed during the year	
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 closing price of the Company's share at the date of exercise of the 533,333 share options was HK\$1.51.

28. SHARE-BASED PAYMENT TRANSACTIONS (continued)

For the year ended 30 June 2006

Date of grant	Exercise price HK\$	Number of share options				Balance as at 30.6.2006
		Balance as at 1.7.2005	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	
Directors:						
28.3.2000	10.380	1,418,334	—	—	(1,418,334)	—
7.4.2001	2.340	1,313,333	—	—	(716,667)	596,666
8.7.2002	1.430	400,000	—	—	—	400,000
		<u>3,131,667</u>	<u>—</u>	<u>—</u>	<u>(2,135,001)</u>	<u>996,666</u>
Employees:						
28.3.2000	10.380	486,666	—	—	(486,666)	—
30.11.2000	3.885	825,000	—	—	(479,167)	345,833
7.4.2001	2.340	590,000	—	—	(304,999)	285,001
8.7.2002	1.430	900,000	—	—	(600,000)	300,000
		<u>2,801,666</u>	<u>—</u>	<u>—</u>	<u>(1,870,832)</u>	<u>930,834</u>

A summary of the total movements during the year of the share options held by directors and employees granted under the SUNeVision Share Option Scheme is as follows:

For the year ended 30 June 2005

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 year	Exercised during the year	Cancelled/ lapsed during the year	
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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

28. SHARE-BASED PAYMENT TRANSACTIONS (continued)

For the year ended 30 June 2006

Date of grant	Exercise price HK\$	Number of share options				Balance as at 30.6.2006
		Balance as at 1.7.2005	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	
Directors:						
29.11.2003	1.590	1,000,000	—	—	—	1,000,000
10.11.2005	1.410	—	1,250,000	—	—	1,250,000
		1,000,000	1,250,000	—	—	2,250,000
Employees:						
29.11.2003	1.590	1,400,000	—	—	(300,000)	1,100,000
10.11.2005	1.410	—	2,080,000	—	(410,000)	1,670,000
		1,400,000	2,080,000	—	(710,000)	2,770,000

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:

- (i) one-third of the options within three years commencing on 31 December 2000;
- (ii) a further one-third of the options within three years commencing on 31 December 2001;
- (iii) the remaining one-third of the options within three years commencing on 31 December 2002; and
- (iv) the options expired 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:

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

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:

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

28. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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:

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

The options at the exercise price of HK\$1.59 per share may be exercised in accordance with the terms of the relevant scheme as to:

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

The options at the exercise price of HK\$1.41 per share may be exercised in accordance with the terms of the relevant scheme in full at any time within three years from 10 November 2005 and the options will expire at the close of business on 9 November 2008.

29. RELATED PARTY TRANSACTIONS AND BALANCES

The significant transactions with related parties during the year, and significant balances with them at the balance sheet date, are as follows:

(A) Transactions with the SHKP Group:

	2006 HK\$'000	2005 HK\$'000
Advertising and e-commerce income	2,933	3,690
Income from installation, operation and provision of cable networking	28,176	23,526
Income from maintenance and repair of network infrastructure and security systems	42,204	37,827
Non-core value added service income	900	449
Space and rack rental income	2,275	2,541
Cable and network rental charges	1,300	1,744
Estate agency fees paid	804	748
Insurance service charges paid	1,428	1,777
Management fee charges	2,000	2,000
Outsourcing fee paid	960	960
Promotion service charges	800	1,073
Property management service fees paid	8,459	8,413
Rent paid	4,508	4,151
Retrofitting service charges	121	47
Technical service charge paid	1,000	730

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

29. 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:

	2006 HK\$'000	2005 HK\$'000
Trade and other receivables	23,247	16,972
Amounts due from customers for contract work	6,692	6,322
Trade and other payables	17,862	15,453
Amounts due to customers for contract work	—	108

The trading balances are unsecured, interest-free and repayable on demand.

(C) Transaction with a director

During the year, the Group paid professional fees of HK\$34,000 (2005: HK\$239,000) 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 consultant of Messrs. Woo, Kwan, Lee & Lo.

(D) Compensation of key management personnel

The directors' emoluments set out in note 11 represent the compensation paid/payable to the key management personnel.

30. 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:

	2006 HK\$'000	2005 HK\$'000
Within one year	5,041	2,657
In the second to fifth year inclusive	8,535	12
	13,576	2,669

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

The Group as lessor

Rental income, includes those from Internet services centre and properties holding, earned during the year was HK\$121,730,000 (2005: HK\$102,380,000). All of the properties held have committed tenants for one to seven years (2005: one to eight years).

30. OPERATING LEASE COMMITMENTS (continued)**The Group as lessor (continued)**

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

	2006 HK\$'000	2005 HK\$'000
Within one year	95,346	90,383
In the second to fifth year inclusive	158,619	135,264
Over five years	7,023	27,256
	260,988	252,903

31. CAPITAL COMMITMENTS

	The GROUP 2006 HK\$'000	2005 HK\$'000
Contracted for but not provided in the consolidated financial statements		
— Acquisition of property, plant and equipment	4,404	5,772
— Investments	—	71,100
	4,404	76,872

32. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF Scheme for all its employees 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 consolidated 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\$1,143,000 (2005: HK\$1,515,000), net of forfeited contributions of HK\$57,000 (2005: HK\$95,000).

There were no forfeited contributions available at the balance sheet date to reduce the contributions payable in the future years (2005: HK\$19,000).

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\$106 million (2005: HK\$104 million).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 30 June 2006 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 customised banking related services for property buyers
SUNeVision Red-Dots Limited*	Ordinary shares — HK\$2 Deferred shares — HK\$2	100%	Provision of web-based auction and e-commerce services
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. #	RMB30,100,000	75%	Operation of Internet service centres and provision of system management 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
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
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 "*" 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 42 to 83 were approved and authorised for issue by the Board of Directors on 6 September 2006.

PARTICULARS OF PROPERTIES HELD BY THE GROUP

At 30 June 2006

Particulars	Use	Lease term	Lot no.
Land and buildings			
MEGA-iAdvantage 399 Chai Wan Road and 1 Sun Yip Street Chai Wan Hong Kong	Industrial/office building(s)	Long term (Note)	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
Investment properties			
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

Note: The property is held from the Government for a term of 75 years from 1 January 1963 renewable for a further term of 75 years.

SUNeVision Holdings Ltd.

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