



Annual Report
2003/04

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

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

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

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

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

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

Contents

- 1** Financial Highlights
- 2** Corporate Information
- 3** Corporate Structure
- 4** Chairman's Statement
- 6** Managing Director's Report
- 12** Directors and Senior Management Profile
- 18** Directors' Report
- 45** Auditors' Report
- 46** Consolidated Income Statement
- 47** Consolidated Balance Sheet
- 48** Balance Sheet
- 49** Consolidated Statement of Changes in Equity
- 50** Consolidated Cash Flow Statement
- 51** Notes to the Financial Statements
- 86** Particulars of Properties Held by the Group

Financial Highlights

FOR THE QUARTER ENDED	30 Jun 04	31 Mar 04	31 Dec 03	30 Sep 03
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	57,077	56,799	57,085	56,861
Cost of sales	(38,595)	(37,887)	(43,721)	(38,903)
Gross profit	18,482	18,912	13,364	17,958
Other revenue	37,608	16,216	30,155	11,213
	56,090	35,128	43,519	29,171
Operating expenditures *	(14,653)	(13,158)	(13,661)	(14,758)
Profit from operations	41,437	21,970	29,858	14,413
Finance costs	(3)	(4)	(6)	(6)
Profit from operations after finance costs	41,434	21,966	29,852	14,407

* Selling, general and administrative expenses

FINANCIAL SUMMARY

	Year ended 30 June				
	2004	2003	2002	2001	2000
CONSOLIDATED RESULTS	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	227,822	242,770	240,540	197,621	67,069
Profit (loss) from operations	107,678	88,281	17,791	(117,751)	(31,110)
Net profit (loss) for the year	107,548	(340,772)	(633,850)	(171,080)	(46,536)

	As at 30 June				
	2004	2003	2002	2001	2000
ASSETS AND LIABILITIES	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	3,111,849	2,989,626	4,121,612	4,849,798	5,070,751
Total liabilities	(112,846)	(98,171)	(854,352)	(926,362)	(984,801)
Minority interests	(10,314)	(10,314)	(26,331)	(40,432)	(948)
Shareholders' funds	2,988,689	2,881,141	3,240,929	3,883,004	4,085,002

Note: The results for the year ended 30 June 2000 have been prepared on a combined basis as if the Group structure immediately after the group reorganisation had been in existence since 1 July 1999.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Kwok Ping Luen, Raymond
(Chairman & Chief Executive Officer)
Kwok Ping Sheung, Walter
Kwok Ping Kwong, Thomas
Yen Shiao Hua, Sheridan (Managing Director)
Chan Kui Yuen, Thomas
Wong Yick Kam, Michael
Leung Kui King, Donald
So Chung Keung, Alfred
Tung Chi Ho, Eric
Wong Chin Wah
Tung Yiu Kwan, Stephen
So Sing Tak, Andrew

Non-Executive Director

Cheung Wing Yui

Independent Non-Executive Directors

Kao Kuen, Charles
Li On Kwok, Victor
Fong Ching, Eddy

COMPANY SECRETARY

Tam Sai Ming, William

QUALIFIED ACCOUNTANT

Tsim Wing Kit, Alfred

COMPLIANCE OFFICER

Wong Yick Kam, Michael

AUDIT COMMITTEE

Kao Kuen, Charles (Chairman)
Li On Kwok, Victor
Fong Ching, Eddy
Cheung Wing Yui

AUTHORISED REPRESENTATIVES

Yen Shiao Hua, Sheridan
Tam Sai Ming, William

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

BEIJING REPRESENTATIVE OFFICE

Room 1117, 11/F., Office Tower 2
Sun Dong An Plaza
138 Wang Fu Jing Da Jie
Dong Cheng 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

Bank of Butterfield International (Cayman) Ltd.
P.O. Box 705, Butterfield House
68 Fort Street, George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

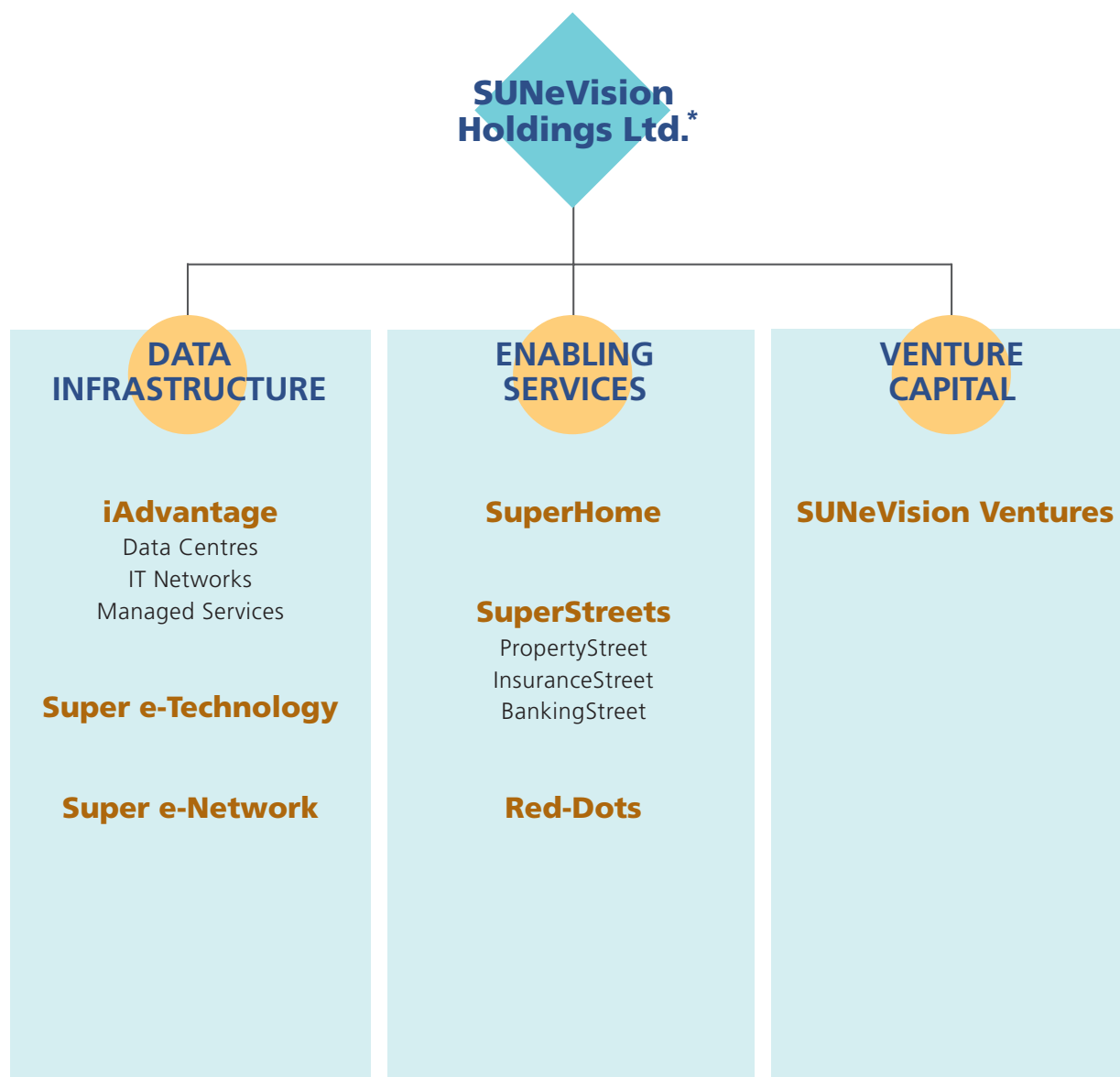
8008

WEBSITE

www.sunevision.com

Corporate Structure

The corporate structure of the Group as at 30 June 2004 is set out as follows:



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

Chairman's Statement

During the financial year 2003-2004, the back-to-basics strategy that SUNeVision has been executing steadily in the past financial year bore solid fruit: the Group achieved full-year profitability for the first time and generated a net profit of HK\$108 million, equivalent to HK\$0.05 per share.

FINANCIAL HIGHLIGHTS

Turnover was HK\$228 million, a 6% decline from that in the previous year. Factors behind this moderate change included reduced revenue from the Group's last-mile connectivity businesses, caused by slow project starts in the first half of the financial year. Revenue from the property-related website businesses also showed a decline.

Despite this, the year's gross profit of HK\$69 million was only marginally down from the previous year's HK\$71 million. Gross margin for the year was 30%, similar to the previous year. Profit from operations before one-off costs was HK\$108 million, a significant improvement over the HK\$74 million achieved in the previous year.

During the year under review, one of the Group's equity technology investments, ChinaCast Communication Holdings, a provider of satellite-based multimedia solutions in China, was successfully listed on the Singapore Exchange and is expected to provide satisfactory returns to the original investment. During the year, the Group also made a conservative provision of HK\$38 million for impairment of several other equity technology investments that had been made historically during 2000–2001, reflecting market conditions and a prudent outlook for the investments. As of 30 June 2004, the revised value of the Group's equity technology investments stood at HK\$133 million.

Further, following normal practice the Group's investment properties were independently revalued as of 30 June 2004 on an open market value basis, resulting in a valuation surplus of HK\$38 million which reflected prevailing property market conditions.

After these adjustments, shareholder funds as of 30 June 2004 stood at HK\$2,989 million, or HK\$1.48 per share. The Group's financial position continues strong, with approximately HK\$1.3 billion in cash and interest-bearing securities.

As a result of the Group's achieving full-year profitability, the Directors recommend the payment of a final dividend of HK\$0.03 per share for the year ended 30 June 2004.

BUSINESS REVIEW

iAdvantage continued to anticipate and meet the needs of global telecommunications carriers, IT service providers, multinational corporations, and the authorities with its carrier-neutral, world-class Internet data centres in Hong Kong and Mainland China. During the year, iAdvantage secured important new business opportunities in outsourcing and business continuity services with major local and multinational customers. Overall data centre occupancy during the year was approximately 56%, and continuing demand for iAdvantage's services is anticipated.

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

PROSPECTS

SUNeVision's portfolio of stable data infrastructure and service provision businesses, positions it well to improve and sustain its new-found profitability. Specifically, iAdvantage will press forward with increasing the occupancy of its data centres, while the Group's consumer enabling and property-related technology businesses will continue to utilize the parent company's important relationships.

I would like to close by thanking the board and management for their clear vision, commitment, and strong execution throughout the year, and to express my sincere appreciation to each member of our loyal and hardworking staff.

KWOK Ping Luen, Raymond

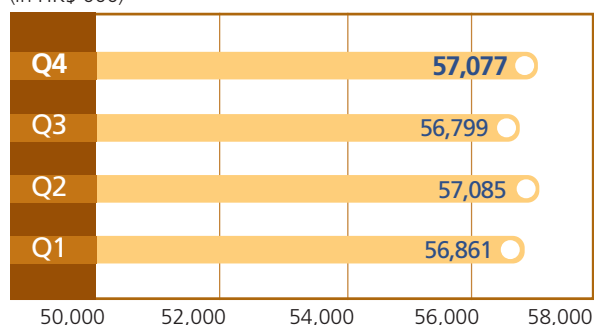
Chairman and Chief Executive Officer

Hong Kong, 20 September 2004

Managing Director's Report

TURNOVER

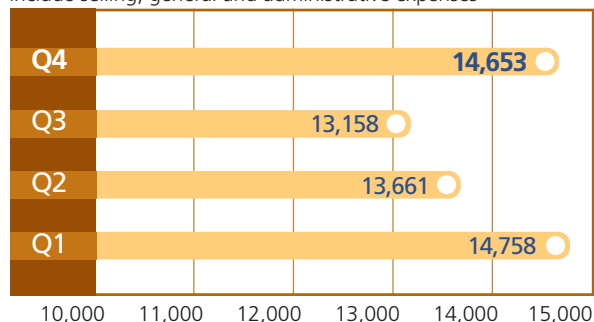
(in HK\$'000)



OPERATING EXPENDITURES

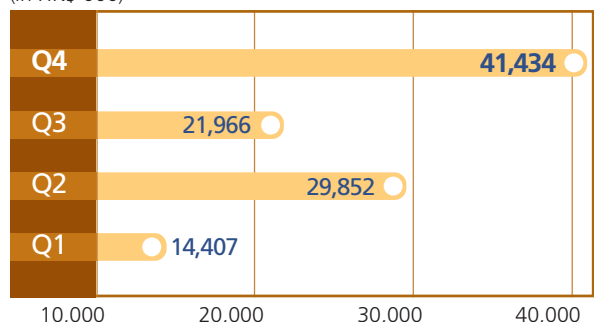
(in HK\$'000)

include selling, general and administrative expenses



PROFIT FROM OPERATIONS AFTER FINANCE COSTS

(in HK\$'000)

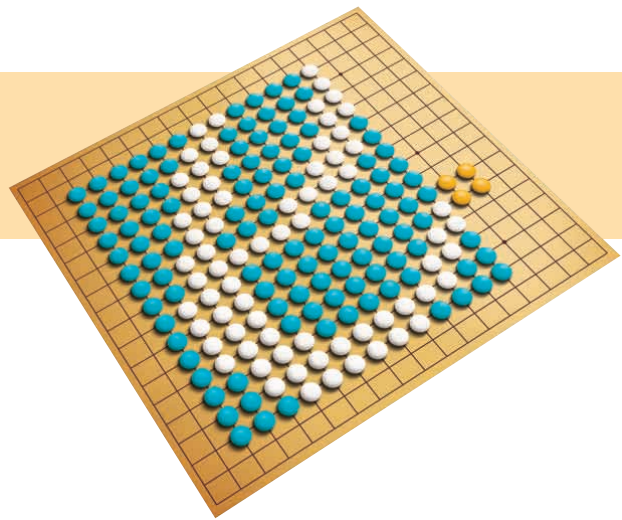


OVERVIEW

The Group's back-to-basics strategy has proved successful, resulting in a net profit of HK\$108 million for the full financial year that ended on 30 June 2004. This was the first time that the Group achieved a positive year-end result. The Group also maximized new revenue opportunities and improved operating efficiency. A clear vision and strong execution led to the profitable year-end result.

Turnover for the year under review dropped a modest 6% from the previous year to HK\$228 million. A reduction in revenue from the Group's last-mile connectivity business due to slow project starts in the first half of the financial year and a reduction in revenue from property-related website businesses contributed to the adjustment. Gross profit for the year was HK\$69 million, while gross margin was 30%, up 1% over last year. Operating expenses fell 18% to HK\$56 million.

Profit from operations before one-off costs was HK\$108 million, a 46% improvement over the previous year. During the year, the Group made a conservative provision of HK\$38 million for impairment of several equity technology investments, reflecting market conditions and a prudent outlook for these investments. In addition, an independent reassessment of the Group's investment properties was carried out as part of standard practice, and resulted in a valuation surplus of HK\$38 million which reflected prevailing property market conditions. The net profit for the year was HK\$108 million, a significant improvement over the net loss of HK\$341 million in the previous year.



DATA INFRASTRUCTURE

iAdvantage



iAdvantage continued to meet the needs of global telecommunications companies, IT service providers, multinational corporations and official bodies with its carrier-neutral, world-class Internet data centres in Hong Kong and on the mainland. The company also signed up prestigious new customers from different business sectors and built on its solid client base for future growth. Efforts to maintain premium-quality

service, and to strengthen relationships with major IT service providers, enabled iAdvantage to capture new business opportunities arising from outsourcing and the demand for business continuity from major local and multinational customers. Overall data centre occupancy during the year was approximately 56%, and continuing demand for iAdvantage's services is anticipated. Ongoing operational reviews enabled the company to optimize its deployment of resources and strengthen its competitive position amid market consolidation.



iAdvantage satisfies a vast range of clients in diverse sectors with its carrier-neutral, world-class facilities and premium service.



Super e-Technology is the third-largest player in the SMATV market, also providing CABD and security surveillance systems for residential and commercial developments.

Super e-Technology

Super e-Technology operates 152 satellite master antenna television (SMATV) systems serving approximately 83,000 households, making it the third-largest player in the market. Super e-Technology has eight security surveillance installation contracts worth HK\$28 million and nine SMATV installation contracts worth HK\$9 million in hand during the year. The company also reached an agreement with a major pay TV operator, under which Super e-Technology will install and maintain a system using its SMATV/CABD networks to deliver programming.

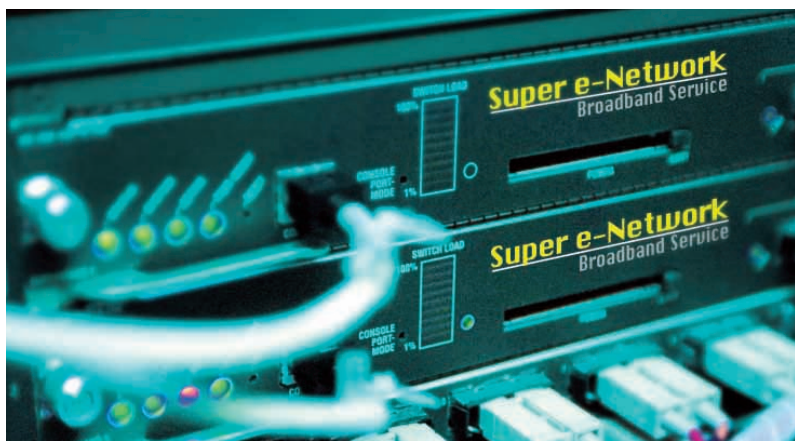
The company's Super e-Shooter system was developed for property developers, transit operators, shopping malls, chain retailers and other organizations that need to monitor pedestrian flows. There are currently four systems in operation and four more in the works, and the number of installations is forecast to grow.



Super e-Network

Super e-Network made a satisfactory contribution to the Group during the year. Key achievements included the installation and operation of a broadband system at Ocean Shores Phase 3 in Tseung Kwan O, and the installation of a wireless local area network in IFC mall.

The company is currently wiring up Phase 1 of YOHO Town in Yuen Long. Super e-Network will strive to generate additional revenue by providing broadband service packages to new residential estates in 2004-2005.



Super e-Network wires up large residential estates with broadband networks.



SuperHome is focused on offering residents a variety of home-related services via its web-based estate platform and related applications.

ENABLING SERVICES

SuperHome

Development of SuperHome's web-based estate platform and related applications is now complete, and the company will focus on licensing its software and servicing its expanding network of residential estates throughout Hong Kong.



SuperStreets

SuperStreets underwent a restructuring and will focus exclusively on revenue-generating businesses such as mortgage and interior design referrals as it goes forward. SuperStreets is expected to deliver better performance in the next financial year as property market sentiment improves.



SuperStreets concentrates on revenue-generating businesses like insurancestreet.net, which offers comprehensive insurance packages.



Red-Dots enables users to bid at on-line auctions without worry, no matter where they are.

Red-Dots

Red-Dots ended the year profitably, by following its strategy of providing first-class products and services to discerning customers willing to pay for a clean and trustworthy e-commerce platform. Red-Dots will enter the coming financial year with a commitment to improving performance by following its proven strategy and introducing new revenue streams.

INVESTMENTS

Venture Capital

The Group only makes investments on a prudent and conservative basis, and no new investments were made during the year. One of its equity technology investments is in ChinaCast Communication Holdings, a provider of satellite-based multimedia solutions in China. ChinaCast was listed on the Singapore Exchange during the year under review, which should provide a satisfactory return on the original investment. During the year, the Group also made a conservative provision of HK\$38 million for the impairment of several other equity technology investments that had been made historically during 2000-2001, reflecting prevailing market conditions and a prudent valuation. The revised value of the Group's equity technology investments stood at HK\$133 million as of 30 June 2004.

The Group maintains a prudent and conservative approach to its 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 high liquidity and substantial financial resources. It held cash and interest-bearing securities of approximately HK\$1.3 billion as of 30 June 2004. Gearing (or net debt, after deducting cash and bank balances, to shareholders' funds) was zero as of 30 June 2004.

Certain group subsidiaries have general banking facilities of HK\$33 million, of which approximately HK\$6.2 million had been drawn down as of 30 June 2004. Other than these utilized banking facilities, the Group has no material contingent liabilities.

The Group's core operations are based in Hong Kong and its assets are primarily denominated in Hong Kong or US dollars. It has no significant exposure to foreign exchange rate fluctuations. The Group had not pledged any of its assets as of 30 June 2004, and there were no material acquisitions or disposals of subsidiaries or affiliated companies during the year.

There have been no material changes in the composition of the Group's equity technology investment portfolio since 30 June 2003.

EMPLOYEES

The Group had 202 full-time employees as of 30 June 2004 and payroll costs remained at a similar level as before during the year. Discretionary bonuses were given to selected employees in recognition of good performance. Other remuneration and benefits, including medical coverage and provident fund contributions, remained at appropriate levels. Various training and development courses were also offered to enable employees to upgrade their skills. The Group offers a share option scheme to reward employees who make significant contributions and to retain key staff. Particulars of the scheme are set out in the relevant sections of this report.

OUTLOOK

SUNeVision's strength lies in its solid business units providing data infrastructure and other services, together with a team of competent, professional staff. All these assets position the Group well to sustain and improve its new-found profitability. iAdvantage will press forward to increase the occupancy of its data centres, and the Group's consumer-enabling and property-related technology businesses will continue to deliver value-added services to customers, improving productivity and taking full advantage of its parent company's strong position in the property market.

The Group will maintain its prudent financial approach and keep focusing on IT-related businesses with immediate revenue. It will pay close attention to market trends and continue to push for revenue growth and greater operating efficiency.

I would like to close by thanking SUNeVision's management team and staff for their dedication and commitment over the past years, and our shareholders for their long-standing trust and support.

YEN Shiao Hua, Sheridan
Managing Director

Hong Kong, 20 September 2004

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

KWOK Ping Luen, Raymond (Age 51)

Chairman and Chief Executive Officer

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's degree in Business Administration from Harvard University, an Honorary Doctoral degree in Business Administration from The Open University of Hong Kong and an Honorary Doctoral degree in Laws from The Chinese University of Hong Kong.

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

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

KWOK Ping Sheung, Walter (Age 53)

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, University of London, and is a Member of the Institute of Civil Engineers, U.K. and a Member of the Hong Kong Institution of Engineers. He is the Chairman & Chief Executive of Sun Hung Kai Properties Limited and a director of The Kowloon Motor Bus Holdings Limited, Wilson Parking (Holdings) Limited and Hung Cheong Import & Export Co., Ltd.

He is also a director of The Real Estate Developers Association of Hong Kong and Tsimshatsui East Property Developers' Association Ltd. and Honorary Treasurer of the Federation of Hong Kong Hotel Owners. On the community front, he is the Chairman of the Former Directors Committee of the Hong Kong Community Chest, board member of the Lord Wilson Heritage Trust, a member of the Hong Kong & China Committee of the Pacific Basin Economic Council and a past member of the Young Presidents' Organization (China Chapter). He is also a member of MBA Programmes Committee of The Chinese University of Hong Kong.

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

KWOK Ping Kwong, Thomas (Age 52)

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

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

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

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

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

Mr. Kwok is the younger brother of Mr. Kwok Ping Sheung, Walter, and the elder brother of Mr. Kwok Ping Luen, Raymond.

CHAN Kui Yuen, Thomas (Age 58)

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 52)

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 their 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.

YEN Shiao Hua, Sheridan (Age 48)

Managing Director

Mr. Yen was appointed a director of the Company on 3 July 2000. He has more than 19 years of management experience in the technology industry, spanning consulting, technical services and sales and marketing. Mr. Yen started his career with Philips in the semiconductor industry in Sunnyvale, California. He established the Applied Material Inc's direct office in Beijing in 1985. He held Managing Director positions for Mentor Graphics, Greater China and AspenTech, Asia. Both companies are in the IT industry. He then became involved in direct investment activities with United Pacific Industries Limited as executive director of operating companies. Prior to joining SUNeVision, he was the Chief Operating Officer of Sparklce.com, one of the more prominent B2B e-commerce models developed in China. Mr. Yen holds a Bachelor of Science degree in Chemical Engineering from the University of California at Berkeley. Mr. Yen is also a non-executive director of RoadShow Holdings Limited.

SO Sing Tak, Andrew (Age 39)

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

Mr. So holds both a BA from Harvard University and MBA from Harvard Business School, and he has over thirteen 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.

LEUNG Kui King, Donald (Age 48)

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

SO Chung Keung, Alfred (Age 55)

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

TUNG Chi Ho, Eric (Age 45)

Mr. Tung was appointed a director of the Company on 29 January 2000 and has been with the Sun Hung Kai Properties Group for 17 years. He served as Project Director for various large-scale residential, commercial and mixed developments and oversaw the completion of data centres for major tenants such as JP Morgan and ING Barings. He is an executive director of Sun Hung Kai Real Estate Agency Limited, and is also the Chairman of iAdvantage Limited. Mr. Tung is a member of both the Hong Kong Institute of Architects and Royal Institute of British Architects and is a Registered Architect in Hong Kong and an Authorised Person (List One) with the Buildings Department. Mr. Tung is a graduate of the Architectural Programme of the University of Hong Kong.

WONG Chin Wah (Age 55)

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 the Chief Executive Officer of Super e-Technology. In July 1999, then as Managing Director of Red-Dots, he led a team of IT professionals to develop Sun Hung Kai Properties Group's first e-commerce site in Hong Kong which was launched in October 1999. Mr. Wong has held senior management positions in the Development Bank of Singapore, Mass Transit Railway Corporation and the Sun Hung Kai Properties Group. Mr. Wong received a Bachelor of Science (Estate Management) degree in 1976 from the National University of Singapore.

TUNG Yiu Kwan, Stephen (Age 49)

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.

NON-EXECUTIVE DIRECTORS

CHEUNG Wing Yui (Age 54)

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

KAO Kuen, Charles (Age 70)

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 50)

Professor Li was appointed a director of the Company on 29 January 2000. He is the Chair Professor of Information Engineering at the University of Hong Kong (HKU). Prior to joining HKU, Professor Li was Professor of Electrical Engineering at the University of Southern California (USC), and Director of the USC Communication Sciences Institute. Professor Li has chaired various committees of international professional organisations such as the Institute of Electrical and Electronic Engineers (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 the HKSAR in 2002.

FONG Ching, Eddy (Age 57)

Dr. Fong was appointed a director of the Company on 20 September 2004. He is a certified public accountant and was formerly a senior partner of an international accounting firm. He graduated from University of Kent in the United Kingdom and was also conferred as Honorary Doctor of Civil Law in 1997. Currently, Dr. Fong is an independent non-executive director of China Resources Power Holdings Company Limited and a non-executive director of Li Ning Company Limited, both being companies listed on the Stock Exchange.

Apart from pursuing a professional career, Dr. Fong is active in public and community service in Hong Kong. He was appointed as a Justice of the Peace in 1996 and awarded Silver Bauhinia star in 2000 by the Government of the Hong Kong. At present, Dr. Fong is a non-executive director of the Mandatory Provident Fund Schemes Authority, Member of the Advisory Committee of the Securities and Futures Commission, Council member of The Open University of Hong Kong and Member of the General Committee of the Federation of Hong Kong Industries.

SENIOR MANAGEMENT**TSIM Wing Kit, Alfred** (Age 41)

Group Financial Controller

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

TAM Sai Ming, William (Age 47)

Company Secretary

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

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

Directors' Report

The Directors present their Report for the year ended 30 June 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be holding investments in various subsidiaries. Details of the Company's principal subsidiaries and associate, including their respective activities, are set out in notes 33 and 16 respectively to the financial statements.

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

GROUP RESULTS

The results of the Group for the year ended 30 June 2004 are set out in the consolidated income statement on page 46 of the annual report.

DIVIDENDS

The Board of Directors recommend a final dividend of HK\$0.03 per share (2003: Nil), making a total dividend of HK\$0.03 per share for the full year ended 30 June 2004 (2003: Nil).

GROUP FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 30 June 2004 is set out on page 1 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 49 of the annual report and in note 25 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

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

PROPERTIES

Particulars of properties held by the Group at 30 June 2004 are set out on page 86 of the annual report.

INVESTMENT PROPERTIES

The investment properties were revalued at 30 June 2004 and the resulting revaluation increase of HK\$37,800,000 has been credited to the consolidated income statement.

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

BANK BORROWINGS

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

INTEREST CAPITALIZED

The Group has not capitalized any interest during the year.

DIRECTORS

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

Executive Directors:

Kwok Ping Luen, Raymond
Kwok Ping Sheung, Walter
Kwok Ping Kwong, Thomas
Yen Shiao Hua, Sheridan
Chan Kui Yuen, Thomas
Wong Yick Kam, Michael
Leung Kui King, Donald
So Chung Keung, Alfred
Tung Chi Ho, Eric
Wong Chin Wah
Tung Yiu Kwan, Stephen
So Sing Tak, Andrew

Non-Executive Director:

Cheung Wing Yui

Independent Non-Executive Directors:

Kao Kuen, Charles
Li On Kwok, Victor
Fong Ching, Eddy (*appointed on 20 September 2004*)

In accordance with Articles 116 and 99 of the Company's Articles of Association, Messrs. Kwok Ping Kwong, Thomas, Chan Kui Yuen, Thomas, Wong Yick Kam, Michael, So Sing Tak, Andrew, Cheung Wing Yui, and Fong Ching, Eddy will retire at the forthcoming Annual General Meeting and, being eligible, would offer themselves for re-election.

1. Directors' Service Contracts

Executive Directors

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

Non-Executive Directors

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

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

2. Directors' Interests In Contracts

During the year, the Group had certain transactions with Sun Hung Kai Properties Limited ("SHKP") and its affiliates other than members of the Group. Details of these transactions are set out in note 27 — related party transactions and balances to the financial statements. Messrs. Kwok Ping Luen, Raymond, Kwok Ping Sheung, Walter and Kwok Ping Kwong, Thomas have a trust interest in SHKP.

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

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

3. Independent Non-Executive Directors

Confirmation of Independence

The Company has received from each of Messrs. Kao Kuen, Charles and Li On Kwok, Victor an annual confirmation of his independence pursuant to Rule 5.09 and the Company still considers the Independent Non-Executive Directors to be independent. Likewise, the Company still considers Doctor Fong Ching, Eddy, who was appointed during the year and has met the independence guidelines set out in rule 5.09, to be independent.

Fees and Other Reimbursement or Emolument

Details of the directors' fees and any other reimbursement or emolument payable to the Independent Non-Executive Directors are set out in note 10 to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2004, 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	Others	Equity	Total	% of shares in issue
		under 18 or spouse		derivatives (share option)		
Kwok Ping Luen, Raymond	—	—	1,742,500*	853,333	2,595,833	0.12
Kwok Ping Sheung, Walter	—	—	1,070,000*	456,667	1,526,667	0.07
Kwok Ping Kwong, Thomas	—	—	1,070,000*	456,667	1,526,667	0.07
Chan Kui Yuen, Thomas	—	—	—	520,000	520,000	0.02
Wong Yick Kam, Michael	100,000	—	—	420,000	520,000	0.02
Leung Kui King, Donald	—	—	—	420,000	420,000	0.02
So Chung Keung, Alfred	416	543	—	620,000	620,959	0.03
Tung Chi Ho, Eric	—	—	—	420,000	420,000	0.02
Tung Yiu Kwan, Stephen	—	—	—	620,000	620,000	0.03
Wong Chin Wah	—	—	—	620,000	620,000	0.03
Yen Shiao Hua, Sheridan	50,000	—	—	2,400,000	2,450,000	0.12
So Sing Tak, Andrew	—	—	—	800,000	800,000	0.03

*Note:

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

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

Name of Director	Personal	Child	Corporate	Others	Equity	Total	% of shares in issue
		under 18 or spouse			derivatives (share option)		
Kwok Ping Luen, Raymond	—	—	—	1,079,515,895 [#]	75,000	1,079,590,895	44.96
Kwok Ping Sheung, Walter	—	—	—	1,078,322,522 [#]	75,000	1,078,397,522	44.91
Kwok Ping Kwong, Thomas	1,901,281	304,065	—	1,076,372,214 [#]	75,000	1,078,652,560	44.92
Chan Kui Yuen, Thomas	—	66,000	126,500	—	225,000	417,500	0.01
Wong Yick Kam, Michael	70,904	—	—	—	225,000	295,904	0.01
Leung Kui King, Donald	10,000	—	—	—	36,000	46,000	0
So Chung Keung, Alfred	189,985	6,500	—	—	180,000	376,485	0.01
Tung Chi Ho, Eric	—	—	—	—	180,000	180,000	0
Wong Chin Wah	—	—	—	—	36,000	36,000	0
Tung Yiu Kwan, Stephen	—	—	—	—	24,000	24,000	0

[#]Note:

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

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

(a) SmarTone Telecommunications Holdings Limited:

Name of Director	Child under 18	Others	% of shares in issue
	or spouse		
Kwok Ping Luen, Raymond	—	2,237,767	0.38
Li On Kwok, Victor	5,000	—	0

(b) Each of Messrs. Kwok Ping Sheung, Walter, Kwok Ping Kwong, Thomas and Kwok Ping Luen, Raymond had the following interests in shares of the following Associated Corporations:

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

**Note:*

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

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

4. Sun Hung Kai Properties Limited Share Options

SHKP once adopted a share option scheme on 20 November 1997 ("the Old Scheme"). Since its adoption, SHKP had granted two lots of share options on 15 February 2000 and 16 July 2001. All options granted and accepted can still be exercised up to one-third during the second year from the date of grant, up to two-thirds during the third year from the date of grant, and in whole or in part during the fourth and fifth years from the date of grant, thereafter the relevant option will expire.

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 2004 with respect to their share options granted under the Old Scheme:

Name of Director	Date of Grant	Exercise price (HK\$)	Number of share options				Balance as at 30.6.2004
			Balance as at 1.7.2003	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	
Kwok Ping Luen, Raymond <i>(Chairman and Chief Executive Officer)</i>	16.7.2001	70.00	75,000	—	—	—	75,000
Kwok Ping Sheung, Walter	16.7.2001	70.00	75,000	—	—	—	75,000
Kwok Ping Kwong, Thomas	16.7.2001	70.00	75,000	—	—	—	75,000
Chan Kui Yuen, Thomas	15.2.2000	70.00	150,000	—	—	—	150,000
	16.7.2001	70.00	75,000	—	—	—	<u>75,000</u> 225,000
Wong Yick Kam, Michael	15.2.2000	70.00	150,000	—	—	—	150,000
	16.7.2001	70.00	75,000	—	—	—	<u>75,000</u> 225,000
Leung Kui King, Donald	16.7.2001	70.00	36,000	—	—	—	36,000
So Chung Keung, Alfred	15.2.2000	70.00	120,000	—	—	—	120,000
	16.7.2001	70.00	60,000	—	—	—	<u>60,000</u> 180,000
Tung Chi Ho, Eric	15.2.2000	70.00	120,000	—	—	—	120,000
	16.7.2001	70.00	60,000	—	—	—	<u>60,000</u> 180,000
Wong Chin Wah	16.7.2001	70.00	36,000	—	—	—	36,000
Tung Yiu Kwan, Stephen	16.7.2001	70.00	24,000	—	—	—	24,000

Save as disclosed above, as at 30 June 2004, 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:

- (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 will expire at the close of business on 30 December 2005.

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

- (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.

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.

2. SUNeVision Share Options

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

- (i) an amount up to one-third of the grant within three years commencing on 29 November 2004;
- (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 following shows the outstanding positions of the Directors and Chief Executive as at 30 June 2004 with respect to their Pre-IPO Share Options and SUNeVision Share Options:—

Name of Director	Date of grant	Exercise price (HK\$)	Number of share options				Balance as at 30.6.2004
			Balance as at 1.7.2003	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	
Kwok Ping Luen, Raymond (Chairman and Chief Executive Officer)	28.3.2000	10.38	755,000	—	—	251,667	503,333
	7.4.2001	2.34	350,000	—	—	—	<u>350,000</u> 853,333
Kwok Ping Sheung, Walter	28.3.2000	10.38	415,000	—	—	138,333	276,667
	7.4.2001	2.34	180,000	—	—	—	<u>180,000</u> 456,667
Kwok Ping Kwong, Thomas	28.3.2000	10.38	415,000	—	—	138,333	276,667
	7.4.2001	2.34	180,000	—	—	—	<u>180,000</u> 456,667
Yen Shiao Hua, Sheridan	30.11.2000	3.885	450,000	—	—	—	450,000
	7.4.2001	2.34	350,000	—	—	—	350,000
	8.7.2002	1.43	800,000	—	—	—	800,000
	29.11.2003	1.59	—	800,000	—	—	<u>800,000</u> 2,400,000
Chan Kui Yuen, Thomas	28.3.2000	10.38	510,000	—	—	170,000	340,000
	7.4.2001	2.34	180,000	—	—	—	<u>180,000</u> 520,000
Wong Yick Kam, Michael	28.3.2000	10.38	360,000	—	—	120,000	240,000
	7.4.2001	2.34	180,000	—	—	—	<u>180,000</u> 420,000
Leung Kui King, Donald	28.3.2000	10.38	360,000	—	—	120,000	240,000
	7.4.2001	2.34	180,000	—	—	—	<u>180,000</u> 420,000
So Chung Keung, Alfred	28.3.2000	10.38	360,000	—	—	120,000	240,000
	7.4.2001	2.34	180,000	—	—	—	180,000
	29.11.2003	1.59	—	200,000	—	—	<u>200,000</u> 620,000
Tung Chi Ho, Eric	28.3.2000	10.38	360,000	—	—	120,000	240,000
	7.4.2001	2.34	180,000	—	—	—	<u>180,000</u> 420,000
Wong Chin Wah	28.3.2000	10.38	360,000	—	—	120,000	240,000
	7.4.2001	2.34	180,000	—	—	—	180,000
	29.11.2003	1.59	—	200,000	—	—	<u>200,000</u> 620,000
Tung Yiu Kwan, Stephen	28.3.2000	10.38	360,000	—	—	120,000	240,000
	7.4.2001	2.34	180,000	—	—	—	180,000
	29.11.2003	1.59	—	200,000	—	—	<u>200,000</u> 620,000
So Sing Tak, Andrew	8.7.2002	1.43	400,000	—	—	—	400,000
	29.11.2003	1.59	—	400,000	—	—	<u>400,000</u> 800,000

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

A summary of the movements during the year ended 30 June 2004 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 30.06.2004	
		Balance as at 1.7.2003	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period		
28.3.2000	10.38	1,510,000	—	—	516,667	993,333	
30.11.2000	3.885	1,487,500	—	—	—	1,487,500	
7.4.2001	2.340	895,000	—	—	10,000	885,000	
8.7.2002	1.430	1,050,000	—	—	—	1,050,000	
29.11.2003	1.590	—	1,550,000	—	—	<u>1,550,000</u>	5,965,833

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 SUNeVision Share Options

Pursuant to GEM Listing Rules 23.08, the valuation of the SUNeVision Share Options granted during the year ended 30 June 2004 is as follows:—

Name of Participants	Number of Options granted on 29.11.2003	Option Value as at 29.11.2003 (HK\$)	Option Value as at 30.06.2004 (HK\$)
Yen Shiao Hua, Sheridan <i>(Managing Director)</i>	800,000	613,520	461,440
So Sing Tak, Andrew <i>(Director)</i>	400,000	306,760	230,720
Wong Chin Wah <i>(Director)</i>	200,000	153,380	115,360
So Chung Keung, Alfred <i>(Director)</i>	200,000	153,380	115,360
Tung Yiu Kwan, Stephen <i>(Director)</i>	200,000	153,380	115,360
Aggregate total of Employees	1,550,000	1,188,695	894,040
Total	3,350,000	2,569,115	1,932,280

The closing price of the share in the Company immediately before the date on which such SUNeVision Share Options were granted was HK\$1.59 (as of 28 November 2003).

According to the Black-Scholes model*, the total value of the SUNeVision Share Options granted on 29 November 2003 was estimated at HK\$2,569,115 with the following variables and assumptions:—

1. Risk Free Rate : 3.262%, being the approximate yield of 5-year Exchange Fund Note traded on 29 November 2003.
2. Expected Volatility : 47.83%, being the annualized volatility of the closing price of the shares in the Company from 29 November 2002 to 28 November 2003.

3. Expected Dividend

- (i) Yield : 0%, being 2003 prospective dividend yield of the shares in the Company.
- (ii) Growth Rate : 0% per annum, being 3-year historical dividend growth rate of the Company.

4. Expected Life of such SUNeVision Share Options is 6 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 29 November 2002 to 28 November 2003.
- (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 3 years.

According to the Black-Scholes model*, the total value of the SUNeVision Share Options granted on 29 November 2003 was estimated at HK\$1,932,280 as at 30 June 2004 with the following variables and assumptions:—

- 1. Risk Free Rate : 3.722%, being the approximate yield of 5-year Exchange Fund Note traded on 30 June 2004.
- 2. Expected Volatility : 45.72%, being the annualized volatility of the closing price of the shares in the Company from 1 July 2003 to 30 June 2004.
- 3. Expected Dividend
 - (i) Yield : 0%, being 2003 prospective dividend yield of the shares in the Company.
 - (ii) Growth Rate : 0% per annum, being 3-year historical dividend growth rate of the Company.

4. Expected Life of such SUNeVision Share Options is 5.4 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 period from 1 July 2003 to 30 June 2004.
 - (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 3 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:—

1. 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.
2. The purposes of the Schemes are to provide incentives to their respective participants.

3. 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.

4. 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. As at 5 December 2002, the number of Shares available for issue in respect thereof was 202,619,750. The limit on the 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 Shares in issue from time to time (or such higher percentage as may be allowed under the GEM Listing Rules).

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 20 September 2004 is HK\$4. No option shares for the iAdvantage Share Option Scheme were granted to any person since their adoption.

5. 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 20 September 2004, the total number of Shares in issue was 2,026,197,500.

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.

6. 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 expired 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.

7. Pursuant to the SUNeVision Share Option Scheme, there is 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.

8. 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.
9. 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:—
- (i) 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;
 - (ii) 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
 - (iii) 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.

10. 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.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2004, 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 ("Sunco") (Note 1)	1,713,613,500	84.57
SHKP (Note 2)	1,713,613,500	84.57
HSBC International Trustee Limited (Note 3)	1,717,623,249	84.77

Notes:

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

Save as disclosed above, as at 30 June 2004, 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 2004, other than the interests in shares and underlying shares of the Company and its Associated Corporations held by the Directors, Chief Executive and substantial shareholders stated above, there were no other persons with interests recorded in the register required to be kept under section 336 of the SFO.

MANAGEMENT SHAREHOLDERS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 30 June 2004 are disclosed in note 27 to the financial statements.

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

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

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

A. Lease arrangement between the Group and members of SHKP Group

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

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

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

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

- (ii) Level 37, Shanghai Central Plaza, 381 Huihai Central Road, Luwan District, Shanghai, the PRC

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

During the year ended 30 June 2004, the aggregate rental paid to SHKP Group was HK\$3,133,347.

B. e-Commerce transactions, advertising, and internet-related services provided by the Group to the SHKP Group

The Group entered into an Advertising and e-Commerce Agreement with SHKP Group pursuant to which SHKP Group agrees to procure members of the SHKP Group to use and the Group agrees to procure its members to provide services including advertisements services and any e-commerce services which include the setting-up of e-management systems and resident communities, reservation and booking services, systems maintenance and management services, website development and maintenance services and online marketing campaign services. During the year ended 30 June 2004, the aggregate consideration received from SHKP Group was HK\$5,030,594.

C. Installation, operation and provision of cable networking by the Group for buildings owned and/or managed by SHKP Group

The Group entered into a Networking Agreement with SHKP Group pursuant to which the Group agrees to procure relevant members of the Group to provide services in connection with the design, installation, operation and provision of Satellite Master Antenna Television System and Communal Aerial, Broadcasting Distributing and other security surveillance systems and laying of network cabling system (such as voice and data network), optical fibre network, broadband network and other IT infrastructure in buildings owned and/or managed by the SHKP Group. During the year ended 30 June 2004, the aggregate consideration received from SHKP Group was HK\$25,167,657.

D. Maintenance and repair of network infrastructure and security systems by the Group for buildings owned and/or managed by the SHKP Group

The Group entered into a Maintenance and Repair Agreement with SHKP Group pursuant to which the Group agrees to procure relevant members of the Group to provide maintenance and repair works for cable, broadband, computer systems, and other IT infrastructure network and security surveillance systems to buildings owned and/or managed by SHKP or other members of the SHKP Group. During the year ended 30 June 2004, the aggregate consideration received from SHKP Group was HK\$34,463,325.

E. Estate agency services provided by members of the SHKP Group to the Group

The Group entered into an Estate Agency Agreement with SHKP Group pursuant to which SHKP Group agrees to procure members of the SHKP Group to provide estate agency services to members of the Group in relation to the letting of premises owned by the Group. During the year ended 30 June 2004, the aggregate consideration paid to SHKP Group was HK\$770,703.

F. Provision of insurance services by the SHKP Group to the Group

The Group entered into an Insurance Agreement with SHKP Group pursuant to which Sun Hung Kai Properties Insurance Limited ("SHKP Insurance"), a subsidiary of SHKP, agrees to provide insurance services to the Group. During the year ended 30 June 2004, the aggregate consideration paid to SHKP Group was HK\$1,346,102.

G. Provision of property management services by the SHKP Group to the Group

The Group entered into a Property Management Agreement with SHKP Group pursuant to which SHKP Group agrees to provide cleaning and sanitary services, security guard services, ad hoc facilities fixing services, small scale and miscellaneous repairs services to the properties owned by the Group. During the year ended 30 June 2004, the aggregate consideration paid to SHKP Group was HK\$8,780,292.

H. Provision of retrofitting services by the SHKP Group to the Group

The Group entered into a Retrofitting Agreement with SHKP Group pursuant to which SHKP Group agrees to procure members of the SHKP Group to provide retrofitting services including reinstating, upgrading and renovating structure and systems in data centres and other premises of the members of the Group whenever requested by the relevant members of the Group. During the year ended 30 June 2004, the aggregate consideration paid to SHKP Group was HK\$233,685.

I. Provision of various technical and technical-related services by the SHKP Group to the Group

The Group entered into a Technical Services Agreement with SHKP Group pursuant to which SHKP Group agrees to procure members of the SHKP Group to provide various technical and technical-related services, including mechanical and engineering services and miscellaneous labour services in connection with broadband interconnection whenever requested by the relevant members of the Group. During the year ended 30 June 2004, the aggregate consideration paid to SHKP Group was HK\$731,671.

J. Provision of non-core IT value added services by the Group to the SHKP Group

The Group entered into a Non-core Services Agreement with SHKP Group pursuant to which the Group agrees to procure relevant members of the Group to provide dataline application hosting services, web traffic report services, domain name registration, equipment procurement and report on xerox plotter meter charges services to the relevant members of the SHKP Group. During the year ended 30 June 2004, the aggregate consideration received from SHKP Group was HK\$783,209.

K. Space and rack rental arrangement

The Group entered into a Space and Rack Rental Agreement with SHKP Group pursuant to which the Group agrees to procure relevant members of the Group to lease space and racks located in the data centres owned and operated by the Group to the relevant members of the SHKP Group. During the year ended 30 June 2004, the aggregate consideration received from SHKP Group was HK\$2,782,010.

L. Provision of investment management service by SHKP Group in relation to the investment portfolio of the Group

The Group and SHKP Group intend to enter into an Investment Management Services Agreement pursuant to which SHKP Group will agree to procure the relevant member or members of the SHKP Group to provide the investment management services. During the year ended 30 June 2004, no consideration was paid to SHKP Group.

M. Rental of cable and network systems from SHKP Group

The Group entered into a Cable and Network Rental Agreement with SHKP Group pursuant to which SHKP Group agrees to procure members of the SHKP Group to lease to the relevant members of the Group and the Company agrees to procure the Group to lease from relevant members of SHKP Group, the cable and data network systems and accessories installed in certain property developments owned and/or managed by SHKP Group. During the year ended 30 June 2004, the aggregate consideration paid to SHKP Group was HK\$2,231,875.

N. Engagement of promotion services at the property sites owned and/or managed by SHKP Group

The Group entered into a Promotion Services Agreement with SHKP Group pursuant to which SHKP Group agrees to procure members of the SHKP Group to promote the broadband communication services operated by the Group to the residents in certain residential property developments owned and/or managed by the SHKP Group. During the year ended 30 June 2004, the aggregate consideration paid to SHKP Group was HK\$1,339,125.

O. Design, construction and renovation services for properties developed by the SHKP Group

The Group entered into a Design, Construction and Renovation Services Agreement with SHKP Group pursuant to which the Group agrees to procure relevant members of the Group to the provision of design, construction and renovation services in relation to the showflats and property units developed by SHKP Group to the relevant members of the SHKP Group. During the year ended 30 June 2004, the aggregate consideration received from SHKP Group was HK\$228,564.

2. Announced Continuing Connected Transaction

The Group has entered into the following lease agreement with SHKP Group of which relevant announcements were published in accordance with GEM Listing Rule and details were included in previous published annual reports and accounts:

On 14 May 2001, SUNeVision Super e-Technology Services Limited, a wholly-owned subsidiary of the Company entered into a tenancy agreement with Rainforce Limited and Donora Company Limited, both wholly-owned subsidiaries of SHKP, to rent the premises situate at Units 4601, 4620-4625 on Level 46, Tower I, Metroplaza, 223 Hing Fong Road, Kwai Chung, New Territories, Hong Kong for a term of two years commencing from 9 March 2001 and expired on 8 March 2003 at the monthly rent of HK\$82,843 exclusive of services charges, government rates and other outgoings. The service charges, which are subject to revision, are at HK\$3.3 per square foot gross per month. During the year ended 30 June 2004, the aggregate consideration paid to SHKP Group was HK\$768,424.

The above 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 are of the view that all of the above transactions were on normal commercial terms and in the ordinary and usual course of business of the Group and that the terms of the relevant agreements were fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

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 27 — 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 31% of its operating costs and the largest suppliers, being SHKP Group, accounted for about 21% of the total operating costs.

During the year, the five largest customers of the Group accounted for about 49% of the turnover of the Group and the largest customer, being SHKP Group, accounted for about 31% of the total turnover.

As at 30 June 2004, 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 2004.

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.

AUDIT COMMITTEE

The audit committee has four members comprising three Independent Non-Executive Directors, Professor Charles Kao Kuen (Chairman), Professor Victor Li On Kwok and Doctor Eddy Fong Ching and one Non-Executive Director, Mr. Cheung Wing Yui.

During the year, the audit committee held four meetings and performed the following duties:

1. reviewed and commented on the Company's annual report, half-yearly report and quarterly reports;
2. reviewed and commented on the terms of the ongoing connected transactions;
3. reviewed and commented on the Company's internal control system;
4. met with external auditors and discussed the financial matters of the Company arose during the course of the audits for the year ended 30 June 2004; and
5. participated in the re-appointment and assessment of the performance of the external auditors.

PENSION SCHEME

With effect from 1 December 2000, the Group has participated in Mandatory Provident Fund Scheme ("MPF Scheme") for all its employees and one executive director in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Pursuant to the 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\$1,861,000 (2003: HK\$1,744,735).

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

Forfeited contributions for the year 2004 amounted to HK\$61,000 and is used to offset future contributions during 2004. Forfeited contributions in the amount of HK\$15,950 are available at the balance sheet date to reduce the contributions payable in the future years.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has complied with Rules 5.48 to 5.67 (where applicable) concerning securities transactions by Directors throughout the accounting period covered by this Report and all Directors have complied with the required standard of dealings set out therein.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Rules 5.34 to 5.45 (where applicable) concerning board practices and procedures throughout the accounting period covered by this Report.

On behalf of the Board

KWOK Ping Luen, Raymond

Chairman and Chief Executive Officer

Hong Kong, 20 September 2004

Auditors' Report



TO THE SHAREHOLDERS OF SUNEVISION HOLDINGS LTD.

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 46 to 85 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

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

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2004 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

20 September 2004

Consolidated Income Statement

For the year ended 30 June 2004	Notes	2004 HK\$'000	2003 HK\$'000
Turnover	4	227,822	242,770
Cost of sales		(159,106)	(171,525)
Gross profit		68,716	71,245
Other revenue	6	95,192	85,887
Selling expenses		163,908	157,132
Administrative expenses		(7,966)	(8,574)
Profit from operations	7	(48,264)	(60,277)
Finance costs	8	107,678	88,281
Profit from operations after finance costs		(19)	(14,557)
Surplus (deficit) on revaluation of investment properties		107,659	73,724
Impairment losses of equity technology investments		37,800	(50,000)
Share of loss of an associate		(37,950)	(252,163)
Deficit on revaluation of land and buildings		(223)	(5,681)
Profit (loss) before taxation		—	(123,312)
Taxation	9	107,286	(357,432)
Profit (loss) before minority interests		262	(88)
Minority interests		107,548	(357,520)
Net profit (loss) for the year		—	16,748
Dividends:		107,548	(340,772)
Proposed final dividend of HK\$0.03 per share based on 2,026,197,500 shares (2003: nil)		60,786	—
Earnings (loss) per share	11	5.31 cents	(16.82 cents)
— Basic		5.31 cents	N/A
— Diluted		5.31 cents	N/A

Consolidated Balance Sheet

At 30 June 2004	Notes	2004 HK\$'000	2003 HK\$'000
Non-current assets			
Investment properties	13	513,800	300,500
Property, plant and equipment	14	1,045,902	1,259,771
Investments	15	774,239	677,955
Interest in an associate	16	2,261	2,484
Interest in a jointly controlled entity	17	—	426
		2,336,202	2,241,136
Current assets			
Investments	15	99,871	222,600
Inventories	18	3,208	3,570
Trade and other receivables	19	52,061	78,882
Amounts due from customers for contract work	20	12,846	6,772
Bank balances and deposits		607,661	436,666
		775,647	748,490
Current liabilities			
Trade and other payables	21	112,400	97,712
Amounts due to customers for contract work	20	286	—
Obligations under finance leases — due within one year	22	141	268
Taxation		19	50
		112,846	98,030
Net current assets		662,801	650,460
Total assets less current liabilities		2,999,003	2,891,596
Non-current liabilities			
Obligations under finance leases — due after one year	22	—	141
Minority interests	23	10,314	10,314
		2,988,689	2,881,141
Capital and reserves			
Share capital	24	202,619	202,619
Reserves		2,725,284	2,678,522
Proposed final dividend		60,786	—
		2,988,689	2,881,141

Directors

KWOK Ping Luen, Raymond
YEN Shiao Hua, Sheridan

Balance Sheet

At 30 June 2004	Notes	2004 HK\$'000	2003 HK\$'000
Non-current assets			
Interests in subsidiaries	12	3,571,551	3,512,517
Current liabilities			
Other payables		670	414
Amount due to a subsidiary		—	2,839
		670	3,253
		3,570,881	3,509,264
Capital and reserves			
Share capital	24	202,619	202,619
Reserves	25	3,307,476	3,306,645
Proposed final dividend		60,786	—
		3,570,881	3,509,264

Directors

KWOK Ping Luen, Raymond
YEN Shiao Hua, Sheridan

Consolidated Statement of Changes in Equity

For the year ended 30 June 2004	Share capital	Share premium	Exchange reserve	Property revaluation reserve	Accumulated losses	Proposed dividend	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2002	202,786	3,869,931	288	23,518	(855,594)	—	3,240,929
Deficit on revaluation of land and buildings not recognised in the income statement	—	—	—	(17,285)	—	—	(17,285)
Repurchase of own shares	(167)	(1,564)	—	—	—	—	(1,731)
Net loss for the year	—	—	—	—	(340,772)	—	(340,772)
At 30 June 2003 and 1 July 2003	202,619	3,868,367	288	6,233	(1,196,366)	—	2,881,141
Net profit for the year	—	—	—	—	107,548	—	107,548
Proposed final dividend	—	—	—	—	(60,786)	60,786	—
At 30 June 2004	202,619	3,868,367	288	6,233	(1,149,604)	60,786	2,988,689

Included in the accumulated losses above are losses of HK\$18,239,000 (2003: HK\$18,016,000) attributable to associates.

Consolidated Cash Flow Statement

For the year ended 30 June 2004	2004 HK\$'000	2003 HK\$'000
OPERATING ACTIVITIES		
Profit (loss) before taxation	107,286	(357,432)
Adjustments for:		
Share of loss of an associate	223	5,681
Finance costs	19	14,557
Interest income	(48,929)	(56,370)
Loss on disposal of property, plant and equipment	566	454
(Surplus) deficit on revaluation of investment properties	(37,800)	50,000
Impairment losses of equity technology investments	37,950	252,163
Deficit on revaluation of land and buildings	—	123,312
Gain on redemption/disposal of debt securities	(19,824)	(6,083)
Exchange gain on debt securities	(4,567)	—
Depreciation	48,667	59,525
Write back of allowances for amount advanced to a jointly controlled entity	—	(3)
Operating cash flows before movements in working capital	83,591	85,804
Decrease in inventories	362	3,096
Decrease in trade and other receivables	30,470	9,008
(Increase) decrease in amounts due from customers for contract work	(6,074)	12,492
Increase (decrease) in trade and other payables	14,688	(17,246)
Increase (decrease) in amounts due to customers for contract work	286	(1,251)
Cash from operations	123,323	91,903
Hong Kong Profits Tax refunded	258	—
Tax paid in other jurisdictions	(27)	(83)
Net cash from operating activities	123,554	91,820
Investing activities		
Proceeds from redemption/disposal of debt securities	372,749	402,964
Interest received	45,280	64,652
Loan repaid from a jointly controlled entity	426	—
Proceeds from disposal of property, plant and equipment	147	115
Purchase of investments	(359,863)	(73,208)
Purchase of property, plant and equipment	(11,011)	(6,827)
Net cash from investing activities	47,728	387,696
Financing activities		
Repayment of obligations under finance leases	(268)	(309)
Finance charges in finance leases	(19)	(37)
Repayment of convertible note	—	(730,000)
Interest paid	—	(21,900)
Repurchase of own shares	—	(1,731)
Advances by minority shareholders of subsidiaries	—	731
Net cash used in financing activities	(287)	(753,246)
Net increase (decrease) in cash and cash equivalents	170,995	(273,730)
Cash and cash equivalents at beginning of the year	436,666	710,396
Cash and cash equivalents at end of the year, represented by bank balances and deposits	607,661	436,666

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

1. GENERAL

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

The Company is an investment holding company. The principal activities of its principal subsidiaries and associate are set out in notes 33 and 16 respectively.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group adopted, for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The term HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAPs") and Interpretations approved by the HKICPA. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous year, partial provision was made for deferred tax using the income statement liability method, ie. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary 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, with limited exceptions. The adoption of this SSAP has had no material effect on the results for the current or prior accounting period. Accordingly, no prior period adjustment has been required.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

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

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

- (i) *Use of Internet services centre and IT facilities*
Revenue from customers use of Internet services centre and IT facilities under operating leases is recognised ratably over the terms of the agreement while other service income from IT facilities is recognised when such services are rendered.
- (ii) *Installation and maintenance fee of satellite master antenna television system ("SMATV"), communal aerial broadcast distribution ("CABD"), structural cabling and security systems*
Installation revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of estimated value of work done to date to total contract revenue. Income from maintenance contracts is recognised on a time basis over the terms of the contract.
- (iii) *Rental income*
Rental income under operating leases is recognised on a straight line basis over the terms of the relevant lease.
- (iv) *Building management service income*
Building management service income is recognised when the services are rendered.
- (v) *Interest income*
Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.
- (vi) *Sales of debt securities*
Sales of securities are recognised when the sale agreement becomes unconditional.

Taxation

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

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

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

3. 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.

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

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

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

Foreign currencies

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

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

Property, plant and equipment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

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

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

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

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

Investment properties

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

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

Investments

Investments are recognised on a trade-date basis and are initially measured at cost, including transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the terms of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, including interests in enterprises where the Group holds more than 20% equity but does not have significant influence in their management, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrecognised gain and losses included in the net profit or loss for the period.

Investments in subsidiaries

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

Interest in an associate

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

Interest in a jointly controlled entity

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as a jointly controlled entity.

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

Inventories

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

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

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

Impairment

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

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

Retirement benefit costs

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

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

4. TURNOVER

Turnover represents revenue generated from the following activities:

	2004	2003
Income from Internet services centre and IT facilities	129,215	139,932
Installation and maintenance fee of SMATV, CABD, structural cabling and security systems	66,899	85,824
Property rentals and building management services	31,708	17,014
	227,822	242,770

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Segment information about these businesses is presented below:

For the year ended 30 June 2004

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

Inter-segment sales are charged at prevailing market rates.

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

At 30 June 2004

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

Notes to the Financial Statements
For the year ended 30 June 2004, expressed in HK\$'000

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

For the year ended 30 June 2003

	Internet services centre and IT facilities	SMATV, CABD, structural cabling and security systems	Properties holding	Elimination	Consolidated
TURNOVER					
External	139,932	85,824	17,014	—	242,770
Inter-segment	773	1,757	2,894	(5,424)	—
Total	140,705	87,581	19,908	(5,424)	242,770
RESULTS					
Segment results	12,259	13,225	21,756	—	47,240
Unallocated corporate expenses					(21,412)
Interest income					56,370
Gain on redemption/disposal of debt securities					6,083
Profit from operations					88,281
Finance costs					(14,557)
Profit from operations after finance costs					73,724
Deficit on revaluation of investment properties	—	—	(50,000)	—	(50,000)
Deficit on revaluation of land and buildings	(123,312)	—	—	—	(123,312)
Impairment losses of equity technology investments					(252,163)
Share of loss of an associate					(5,681)
Loss before taxation					(357,432)
Taxation					(88)
Loss before minority interests					(357,520)

Inter-segment sales are charged at prevailing market rates.

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

At 30 June 2003

	Internet services centre and IT facilities	SMATV, CABD, structural cabling and security systems	Properties holding	Others	Consolidated
ASSETS					
Segment assets	1,133,623	41,207	482,400	—	1,657,230
Interest in an associate					2,484
Interest in a jointly controlled entity					426
Unallocated corporate assets					1,329,486
Consolidated total assets					2,989,626
LIABILITIES AND MINORITY INTERESTS					
Segment liabilities	42,771	19,033	9,518	—	71,322
Taxation					50
Unallocated corporate liabilities					26,799
Minority interests					10,314
					108,485
Other information:					
Capital additions	6,681	146	—	—	6,827
Depreciation	50,951	3,997	3,557	1,020	59,525
Other significant non-cash expenses	2,750	—	—	93	2,843

Geographical segments

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

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

6. OTHER REVENUE

	2004	2003
Interest income	48,929	56,370
Gain on redemption/disposal of debt securities	19,824	6,083
Compensations received from tenants	19,284	—
Exchange gain on debt securities	4,567	—
Others	2,588	4,627
Property income (2003: net of outgoings of HK\$3,977,000) (note 14)	—	11,707
Liquidation dividend from a former tenant	—	7,100
	95,192	85,887

7. PROFIT FROM OPERATIONS

	2004	2003
Profit from operations has been arrived at after charging:		
Retirement benefit scheme contributions	1,861	1,745
Staff costs including directors' emoluments (note 10)	52,196	58,174
Total staff costs	54,057	59,919
Auditors' remuneration	565	645
Depreciation	48,667	59,525
Loss on disposal of property, plant and equipment	566	454
Minimum lease payments paid under operating leases in respect of land and buildings	3,360	3,145
and after crediting:		
Property rental income, net of outgoings of HK\$9,504,000 (2003: HK\$10,114,000)	22,204	22,584

8. FINANCE COSTS

	2004	2003
Interest on convertible note	—	14,520
Finance charges on finance leases	19	37
	19	14,557

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

9. TAXATION

	2004	2003
The (credit) charge comprises:		
Current tax:		
Overprovision of Hong Kong Profits Tax in prior year	(262)	—
Tax in other regions of the People's Republic of China (the "PRC")	—	88
	(262)	88

No tax is payable on the profit for the year arising in Hong Kong since the estimated assessable profit is wholly absorbed by tax losses brought forward. No provision for Hong Kong Profits Tax was made in the financial statements for the year ended 30 June 2003 as the Group had no assessable profit for that year.

Taxation in other regions of the PRC for the year ended 30 June 2003 was calculated at the rates prevailing in those jurisdictions.

The (credit) charge for the year can be reconciled to the profit (loss) per the income statement as follows:

	2004	2003
Profit (loss) before taxation	107,286	(357,432)
Tax at Hong Kong Profits Tax rate of 17.5%	18,775	(62,551)
Tax effect of expenses not deductible for tax purpose	1,423	24,418
Tax effect of income not taxable for tax purpose	(16,390)	(10,928)
Tax effect of deferred tax assets not recognised	—	48,155
Tax effect of utilisation of deferred tax assets previously not recognised	(3,847)	—
Overprovision in respect of prior year	(262)	—
Tax effect of share of results of associates	39	994
Tax (credit) charge for the year	(262)	88

Details of deferred taxation are set out in note 30.

10. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

	2004	2003
Directors' emoluments:		
Non-executive director — fees	120	120
Independent non-executive directors — fees	240	320
Executive directors		
— fees	255	255
— salaries and allowances	5,026	6,254
— retirement benefit scheme contributions	12	12
	5,653	6,961

The director's fees for a non-executive director were HK\$120,000 (2003: HK\$120,000) and for each of the independent non-executive directors were HK\$120,000 and HK\$120,000 (2003: HK\$80,000, HK\$120,000 and HK\$120,000), respectively, for the year ended 30 June 2004. The non-executive directors did not receive any other emoluments.

The executive directors respectively received emoluments for the year ended 30 June 2004 as follows: HK\$20,000, HK\$20,000, HK\$30,000, HK\$32,000, HK\$32,000, HK\$32,000, HK\$32,000, HK\$32,000, HK\$269,000, HK\$376,000, HK\$1,631,000 and HK\$2,787,000 (2003: HK\$20,000, HK\$20,000, HK\$20,000, HK\$30,000, HK\$32,000, HK\$32,000, HK\$32,000, HK\$32,000, HK\$376,000, HK\$1,509,000, HK\$1,631,000 and HK\$2,787,000).

Employees' emoluments:

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

	2004	2003
Salaries and allowances	4,285	5,340
Retirement benefit scheme contributions	83	128
	4,368	5,468

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

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

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

	Number of employees	
	2004	2003
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	—	1
	3	3

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

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

11. EARNINGS (LOSS) PER SHARE

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

	2004	2003
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share	107,548	(340,772)

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	2,026,197,500	2,026,378,921
Effect of dilutive potential ordinary shares:		
Share options	343,898	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	2,026,541,398	N/A

No diluted loss per share has been presented for the year ended 30 June 2003 because the conversion of the Company's outstanding convertible note would result in a decrease in loss per share and the exercise price of the Company's outstanding share options was higher than the average market price of the shares of the Company during that year.

12. INTERESTS IN SUBSIDIARIES

	The Company	
	2004	2003
Unlisted shares, at cost	—	—
Amounts due from subsidiaries	4,320,325	4,053,613
Less: Allowances for doubtful balances	(748,774)	(541,096)
	3,571,551	3,512,517

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current.

Details of the Company's principal subsidiaries at 30 June 2004 are set out in note 33.

13. INVESTMENT PROPERTIES

	The Group
At 1 July 2003	300,500
Transfer from land and buildings	175,500
Surplus on revaluation	37,800
At 30 June 2004	513,800

The investment properties were revalued at their open market valuation at 30 June 2004 by DTZ Debenham Tie Leung Limited ("DTZ"), an independent firm of professional valuers. This valuation gave rise to a revaluation increase of HK\$37,800,000 which has been credited to the income statement.

The carrying amount of investment properties is as follows:

	The Group	
	2004	2003
Properties in Hong Kong held under:		
— long leases	183,400	—
— medium-term leases	330,400	300,500
	513,800	300,500

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Internet services centre facilities	SMATV equipment	Computers, networks and related equipment	Office equipment, furniture and fixtures	Motor vehicles	Total
THE GROUP							
COST OR VALUATION							
At 1 July 2003	695,676	613,617	27,698	27,260	18,168	1,930	1,384,349
Additions	—	10,694	—	248	69	—	11,011
Disposals	—	(1,142)	(4,079)	—	(88)	—	(5,309)
Transfer to investment properties	(175,500)	—	—	—	—	—	(175,500)
At 30 June 2004	520,176	623,169	23,619	27,508	18,149	1,930	1,214,551
Comprising:							
At cost	—	623,169	23,619	27,508	18,149	1,930	694,375
At valuation — 2003	520,176	—	—	—	—	—	520,176
	520,176	623,169	23,619	27,508	18,149	1,930	1,214,551
DEPRECIATION							
At 1 July 2003	—	63,906	24,810	20,380	13,693	1,789	124,578
Provided for the year	13,093	26,950	634	5,641	2,208	141	48,667
Eliminated on disposals	—	(431)	(4,079)	—	(86)	—	(4,596)
At 30 June 2004	13,093	90,425	21,365	26,021	15,815	1,930	168,649
NET BOOK VALUE							
At 30 June 2004	507,083	532,744	2,254	1,487	2,334	—	1,045,902
At 30 June 2003	695,676	549,711	2,888	6,880	4,475	141	1,259,771

At 30 June 2003, included in the above land and buildings were certain units in a building known as Kodak House II which were used in an IT incubation program jointly developed by the Group with Hong Kong Industrial Technology Centre Corporation up to 31 March 2003. The carrying amount of the units leased to third parties was HK\$175,500,000 at 30 June 2003. The depreciation charge in respect of those units in that year amounted to HK\$3,404,000. The property income included in note 6, representing the rental income derived from these units, was not considered to be related to the Group's core business and was therefore presented in other operating income. During the year ended 30 June 2004, all units were leased to third parties. The fair value of those units was transferred to investment properties as set out in note 13.

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	The Group	
	2004	2003
Properties in Hong Kong held under		
— long leases	362,251	547,476
— medium-term leases	144,832	148,200
	507,083	695,676

The leasehold land and buildings of the Group in Hong Kong were valued at 30 June 2003 by DTZ, on an open market value basis. In the opinion of the directors, the carrying value of the leasehold land and buildings of the Group as at 30 June 2004 approximated to their fair value.

If the leasehold land and buildings had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation at HK\$621,664,000 (2003: HK\$814,065,000).

The net book value of Internet services centre facilities includes an amount of HK\$390,000 (2003: HK\$546,000) in respect of assets held under finance leases.

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

15. INVESTMENTS

	The Group	
	2004	2003
Equity technology investments:		
Listed in Hong Kong	60,500	60,500
Listed outside Hong Kong	25,790	—
Unlisted	692,272	714,162
	778,562	774,662
Less: Impairment losses recognised (Note)	(646,013)	(608,063)
	132,549	166,599
Debt securities:		
Listed outside Hong Kong	733,864	695,036
Unlisted	7,697	38,920
	741,561	733,956
Total	874,110	900,555
Market value of listed securities	843,708	796,178
Carrying amount analysed for reporting purposes as:		
Current (debt securities redeemable within one year)	99,871	222,600
Non-current	774,239	677,955
	874,110	900,555

Included in the above equity technology investments is the Group's investment in a 25% equity interest in Commercial Press (Hong Kong) Cyberbooks Limited, a company incorporated in Hong Kong. In the opinion of the directors, the Group is not in a position to exercise significant influence on this investment. Accordingly, the investment has been classified as an equity technology investment.

Note: In recognition of the market conditions and challenges specific to the technology sector, the directors reviewed the outlook for the Group's equity technology investments. As a result, impairment losses of approximately HK\$38 million (2003: HK\$252 million) were charged to the income statement.

16. INTEREST IN AN ASSOCIATE

	The Group	
	2004	2003
Share of net assets	2,261	2,484

Particulars of the Group's associate at 30 June 2004 are as follows:

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

17. INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Group	
	2004	2003
Share of net assets	—	—
Loan to a jointly controlled entity	—	4,995
Amount due from a jointly controlled entity	—	828
Less: Allowances for doubtful balances	—	(5,397)
	—	426

The loan granted to and the amount due from the jointly controlled entity at 30 June 2003 were unsecured and interest-free.

The jointly controlled entity was liquidated during the year.

18. INVENTORIES

	The Group	
	2004	2003
Raw materials	2,331	3,154
Work in progress	877	416
	3,208	3,570

Included above are raw materials of HK\$157,000 (2003: HK\$2,086,000) carried at net realisable value.

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

19. 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	
	2004	2003
Up to 60 days	18,716	33,311
61–90 days	1,516	2,729
91 days–1 year	2,197	4,971
Over 1 year	72	67
Trade receivables	22,501	41,078
Other receivables	29,560	37,804
	52,061	78,882

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

	The Group	
	2004	2003
Contract costs incurred	26,026	32,373
Recognised profits less recognised losses	7,757	11,048
	33,783	43,421
Less: Progress billings	21,223	36,649
	12,560	6,772
Represented by:		
Due from customers included in current assets	12,846	6,772
Due to customers included in current liabilities	(286)	—
	12,560	6,772

At 30 June 2004, retentions held by customers for contract works amounted to HK\$1,891,000 (2003: HK\$2,760,000). Advances received from customers for contract works amounted to HK\$286,000 (2003: nil).

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

21. TRADE AND OTHER PAYABLES

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

	The Group	
	2004	2003
Up to 60 days	4,468	2,627
61–90 days	—	31
91 days–1 year	80	36
Over 1 year	—	127
Trade payables	4,548	2,821
Other payables	107,852	94,891
	112,400	97,712

22. OBLIGATIONS UNDER FINANCE LEASES

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2004	2003	2004	2003
Amounts payable under finance leases				
Within one year	143	287	141	268
In the second to fifth year inclusive	—	143	—	141
	143	430	141	409
Less: Future finance charges	(2)	(21)	—	—
Present value of lease obligations	141	409	141	409
Less: Amount due for settlement within one year (shown under current liabilities)			(141)	(268)
Amount due for settlement after one year			—	141

The average lease term of finance leases is 3 years. For the year ended 30 June 2004, the average borrowing rate was approximately 6.5% (2003: 6.5%) per annum. Interest rates are fixed at contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

23. MINORITY INTERESTS

	The Group	
	2004	2003
Amount due to a minority shareholder of a subsidiary	30,501	30,501
Share of net liabilities of subsidiaries by minority shareholders	(20,187)	(20,187)
	10,314	10,314

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

24. SHARE CAPITAL

	Number of ordinary shares	Amount
Ordinary shares of HK\$0.1 each		
Authorised:		
At 30 June 2003 and 30 June 2004	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 July 2002	2,027,864,500	202,786
Repurchase of own shares	(1,667,000)	(167)
At 30 June 2003 and 30 June 2004	2,026,197,500	202,619

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

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

25. RESERVES

	Share premium	The Company Accumulated losses	Total
At 1 July 2002	3,869,931	(145,977)	3,723,954
Repurchase of own shares	(1,564)	—	(1,564)
Net loss for the year	—	(415,745)	(415,745)
At 30 June 2003 and 1 July 2003	3,868,367	(561,722)	3,306,645
Net profit for the year	—	61,617	61,617
Proposed final dividend	—	(60,786)	(60,786)
At 30 June 2004	3,868,367	(560,891)	3,307,476

The Company's reserves available for distribution represent the share premium less accumulated losses of HK\$3,307,476,000 (2003: HK\$3,306,645,000). 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.

26. SHARE OPTION SCHEMES

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

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

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

26. SHARE OPTION SCHEMES (continued)

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

For the year ended 30 June 2003

Date of grant	Exercise price HK\$	Number of share options				Balance as at 30.6.2003
		Balance as at 1.7.2002	Granted during the year	Exercise during the year	Cancelled/ Lapsed during the year	
Directors:						
28.3.2000	10.380	4,255,000	—	—	—	4,255,000
30.11.2000	3.885	450,000	—	—	—	450,000
7.4.2001	2.340	2,320,000	—	—	—	2,320,000
8.7.2002	1.430	—	1,200,000	—	—	1,200,000
		<u>7,025,000</u>	<u>1,200,000</u>	<u>—</u>	<u>—</u>	<u>8,225,000</u>
Employees:						
28.3.2000	10.380	1,840,000	—	—	(330,000)	1,510,000
30.11.2000	3.885	1,487,500	—	—	—	1,487,500
7.4.2001	2.340	1,150,000	—	—	(255,000)	895,000
8.7.2002	1.430	—	1,050,000	—	—	1,050,000
		<u>4,477,500</u>	<u>1,050,000</u>	<u>—</u>	<u>(585,000)</u>	<u>4,942,500</u>

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

26. SHARE OPTION SCHEMES (continued)

For the year ended 30 June 2004

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

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

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

26. SHARE OPTION SCHEMES (continued)

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

For the year ended 30 June 2004

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

No options were granted or outstanding under the SUNeVision Share Options during the year ended 30 June 2003.

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

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

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

Total consideration received during the year from the directors and employees for taking up the options granted amount to HK\$16 (2003: HK\$7).

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

27. RELATED PARTY TRANSACTIONS AND BALANCES

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

(A) Transactions with the SHKP Group:

	Notes	2004	2003
Advertising and e-commerce transactions	(i)	5,031	8,147
Design and renovation services income	(i)	229	19
Income from installation, operation and provision of cable networking	(i)	25,168	42,107
Income from maintenance and repair of network infrastructure and security systems	(i)	34,463	35,991
Non-core value added service income	(i)	783	771
Project consultancy income	(i)	—	1,008
Space and rack rental income	(i)	2,782	972
Cable and network rental charges	(i)	2,232	998
Estate agency fees paid	(i)	771	843
Insurance service charges paid	(i)	1,346	1,983
Interest expense on convertible note	(ii)	—	14,520
Management fee charges	(iv)	2,000	2,000
Promotion service charges	(i)	1,339	998
Property management service fees paid	(iii)	8,780	8,363
Rent paid	(iii)	4,221	4,262
Retrofitting service charges	(i)	234	199
Technical service charge paid	(i)	732	993

Notes:

- (i) These transactions were carried out at market prices or, where no market price was available, at cost plus a percentage profit mark-up.
- (ii) Interest was payable on the convertible note at 3% per annum in accordance with the agreement.
- (iii) The amounts were paid in accordance with the relevant agreements for which the rental and building management fee charge were set by reference to market value of similar transactions.
- (iv) The amounts were paid in accordance with the relevant agreement for which the services were reimbursed at cost.

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

27. 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:

	2004	2003
Trade and other receivables	15,426	28,613
Amounts due from customers for contract work	12,846	6,532
Trade and other payables	20,131	13,672
Amounts due to customers for contract work	9	—

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

(C) Transaction with a director

During the year, the Group paid professional fees of HK\$322,000 (2003: HK\$161,000) to Messrs. Woo, Kwan, Lee & Lo, a firm of solicitors which provided day to day professional services to the Group. Mr. Cheung Wing Yui, a director of the Company, is a partner of Messrs. Woo, Kwan, Lee & Lo.

These transactions were carried out with reference to market prices.

(D) Transaction with an associate

	2004	2003
Maintenance fee income	—	144

This transaction was carried out with reference to market prices.

(E) Transaction with an investee company

	2004	2003
Rental income	90	295
Broadband service income	—	91

These transactions were carried out with reference to market prices.

28. 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:

	2004	2003
Within one year	3,536	3,277
In the second to fifth year inclusive	2,669	5,783
	6,205	9,060

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

The Group as lessor

Rental income earned during the year was HK\$89,747,000 (2003: HK\$94,052,000). All of the properties held have committed tenants for one to nine years (2003: one to four years).

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

	2004	2003
Within one year	80,001	72,389
In the second to fifth year inclusive	126,750	98,629
Over five years	41,783	—
	248,534	171,018

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

29. CAPITAL COMMITMENTS

	The Group	
	2004	2003
Contracted for but not provided in the financial statements		
— Acquisition of property, plant and equipment	4,397	88
— Investments	109,770	124,250
	114,167	124,338
Authorised but not contracted for		
— Acquisition of property, plant and equipment	1,043	—

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

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

30. DEFERRED TAXATION

The Group

The following analysis is the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior reporting years:

	Accelerated tax depreciation	Tax losses	Others	Total
At 1 July 2002	(58,328)	57,876	452	—
Credit (charge) to income statement for the year	2,882	(2,882)	—	—
Effect of change in tax rate (charge) credit to the income statement	(5,468)	5,426	42	—
At 30 June 2003 and 1 July 2003	(60,914)	60,420	494	—
(Charge) credit to income statement for the year	(811)	469	342	—
At 30 June 2004	(61,725)	60,889	836	—

At the balance sheet date, the Group has unrecognised tax losses and deductible temporary differences of HK\$1,115,215,000 (2003: HK\$1,137,200,000) of which HK\$50,152,000 (2003: HK\$45,107,000) will expire at various dates up to 31 December 2009. Recognition of these unrecognised tax losses depends on future taxable profits available and losses agreed with the relevant tax authorities.

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

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

31. RETIREMENT BENEFITS SCHEME

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

In addition, the Group also participates in a defined contribution retirement benefit scheme which is operated by the SHKP Group for all qualifying employees. The assets of this scheme are held separately from those of the SHKP Group in independently managed and administered funds. Contributions to this scheme are made by both the SHKP 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\$1,861,000 (2003: HK\$1,745,000), net of forfeited contributions of HK\$61,000 (2003: HK\$293,000).

32. CONTINGENT LIABILITIES

The Group and Company

The Company has given guarantees to banks in respect of general facilities granted to its subsidiaries amounting to approximately HK\$33 million (2003: HK\$33 million). The extent of such facilities utilised by the subsidiaries at 30 June 2004 was HK\$6,205,000 (2003: HK\$6,256,000) principally in respect of utility deposits for the electricity companies.

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 30 June 2004 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 of SMATV/CABD, security surveillance, building access, network cabling systems and provision of related repair and maintenance services
SUNeVision SuperHome (H.K.) Limited*	HK\$2	100%	Provision of on-line Internet and off-line on-site contents and services for estate management and home users
SUNeVision PropertyStreet (H.K.) Limited*	HK\$2	100%	Provision of add-value services and products related to properties
SUNeVision InsuranceStreet (H.K.) Limited*	HK\$2	100%	Provision of insurance information and products on Internet
SUNeVision BankingStreet (H.K.) Limited*	HK\$2	100%	Provision of banking related products
SUNeVision Red-Dots Limited*	Ordinary shares — HK\$2 Deferred shares — HK\$2	100%	Provision of web-based auction and e-commerce services

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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

Notes to the Financial Statements

For the year ended 30 June 2004, expressed in HK\$'000

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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

Notes:

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

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

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

34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 46 to 85 were approved and authorised for issue by the Board of Directors on 20 September 2004.

Particulars of Properties Held by the Group

(At 30 June 2004)

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