



SUNeVision Holdings Ltd.
新意網集團有限公司

2005-2006

Interim Report 中期業績報告

Results for the six months ended 31 December 2005
截至 2005 年 12 月 31 日止 六 個 月 業 績

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The Directors collectively and individually accept full responsibility for this report which is given in compliance with the requirements (Rules Governing the Listing of Securities on the Growth Enterprise Market) of the Stock Exchange. The Directors confirm, having made all reasonable enquires, 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.

HIGHLIGHTS

- SUNeVision posted a net profit of HK\$125.3 million for the first half of the 2005/06 financial year.
- HK\$132.4 million in turnover for the period under review, up 10 percent over last year's HK\$120.4 million.
- Operating expenditures continued falling to HK\$20.4 million, HK\$3.8 million less than in the same period last year.
- Financial position remained strong, with approximately HK\$1.5 billion in cash and interest bearing securities on hand.

	Jul to Dec 2005 HK\$'M	(Restated) Jul to Dec 2004 HK\$'M
Turnover	132.4	120.4
Gross profit	53.1	44.0
– as a % of turnover	40.1%	36.6%
Operating expenditures*	(20.4)	(24.2)
Other revenue	96.1	21.4
Profit before taxation	128.8	41.2
Taxation	(3.5)	–
Net profit	125.3	41.2

* Selling, general and administrative expenses

CHAIRMAN'S STATEMENT

SUNeVision continued profitable in the first half of the financial year 2005/06, recording a net profit of HK\$125.3 million for the six months ended 31 December 2005.

Turnover in the first half of the financial year 2005/06 was HK\$132.4 million, HK\$12.0 million higher than in the first half of last financial year. Factors contributing to the increase included higher revenues from the Group's data centre and last-mile connectivity businesses. Compared to the first half of last financial year, gross margin improved 3.5 percent to 40.1 percent, largely as a result of the increase in revenues and continuous improvement in operations. Operating expenditures continued to fall, dropping to HK\$20.4 million as against HK\$24.2 million in the first half of last financial year.

Other revenue, being revenue in addition to turnover from operations, was HK\$96.1 million. This was substantially higher than that in the first half of last financial year, largely as a result of the redemption of several bond holdings in the second quarter of the current financial year. Net profit for the period was HK\$125.3 million, compared to HK\$41.2 million in the first half of last financial year.

The Group's financial position remained strong, with approximately HK\$1.5 billion of cash and interest-bearing securities on hand.

During the second quarter of the financial year, iAdvantage continued to win new customers including major multinational and local businesses. Overall data centre occupancy was approximately 68 percent. During the period, the Group's other business units continued to strengthen their market positions and trim costs.

Looking forward to the second half of the financial year, iAdvantage will continue to strengthen its market position, and strive to increase the occupancy of its data centres in Hong Kong and China. As noted in the report for the first quarter of the current financial year, SUNeVision aims to improve upon last year's recurring profit so that the payment of dividend to shareholders may be considered at the end of the financial year.

Finally, I would like to thank the board, management, and every member of staff for their unremitting dedication and hard work, and our shareholders for their loyalty and confidence.

KWOK Ping-luen, Raymond

Chairman

Hong Kong, 9 February 2006

CHIEF EXECUTIVE OFFICER'S REPORT

OVERVIEW

SUNeVision continued profitable in the first half of the financial year 2005/06, generating a net profit of HK\$125.3 million for the six months ended 31 December 2005. Turnover in the first half of the financial year 2005/06 was HK\$132.4 million, HK\$12.0 million higher than the first half of last financial year. Factors contributing to the increase included higher revenues from the Group's data centre and last-mile connectivity businesses. Compared to the first half of last financial year, gross margin improved 3.5 percent to 40.1 percent, largely as a result of the increase in revenues and continuous improvement in operations.

Operating expenditures continued to fall, dropping to HK\$20.4 million as against HK\$24.2 million in the first half of last financial year. Other revenue, being revenue in addition to turnover from operations, was HK\$96.1 million. This was substantially higher than the first half of last financial year, largely as a result of the redemption of several bond holdings in the second quarter of the current financial year. Net profit for the period was HK\$125.3 million compared to HK\$41.2 million in the first half of last financial year.

The Group's financial position remained strong, with approximately HK\$1.5 billion of cash and interest-bearing securities on hand.

BUSINESS REVIEW

Data Infrastructure

iAdvantage

iAdvantage continues to strengthen its position as the leading carrier-neutral data centre operator in Hong Kong and on the Mainland, and has become the preferred facilities partner for major IT service providers and infrastructure consultants. iAdvantage's proven customer focus and world-class facilities continue to offer dependable service to customers and meet their most stringent requirements. Overall occupancy during the period under review was approximately 68 percent.

iAdvantage was a member of the Data Centre Dynamics Conference and Exposition held in Hong Kong in November 2005 and garnered favourable responses from other participants. The company will continue working with its business partners to offer new technologies and value-added services to meet customers' increasingly sophisticated needs.

Super e-Technology

Super e-Technology won several contracts for the installation of ELV, SMATV and IT systems at various sites during the period under review. The company also secured new contracts for its Super e-Shooter system. Security digital video recorder installations were well received by customers and new orders continued to grow. The enablement of SMATV systems to deliver a major pay-TV operator's programming is proceeding on schedule.

Super e-Network

Super e-Network posted higher revenue and net profit during the period under review. The company completed the design of broadband infrastructure for the Manhattan Hill development in West Kowloon, and collaborated with several business partners to provide Wi-Fi services in more than 200 locations. The company is in a strong position to take advantage of new business opportunities.

Enabling Services*SuperHome*

SuperHome continues to provide state-of-the-art e-management and a range of value-added services to residents of over 30 estates in Hong Kong. The company continues to look for new products and services to enrich member residents' quality of living.

SuperStreets

SuperStreets' mortgage referral business was stable during the period under review, and generated stable income for the Group.

Red-Dots

Red-Dots continues to serve its loyal customers with a reliable e-commerce platform and premium auction services. The company continues to look for opportunities to grow its market.

Investment*Venture Capital*

The venture capital group remained prudent and conservative in its investment approach during the period under review. Funds are only committed where there are demonstrably attractive returns. No further provisions were made to the investment portfolio during the period under review.

OTHER FINANCIAL DISCUSSION AND ANALYSIS

The Group practises prudent financial management and has a strong balance sheet, with healthy liquidity and financial resources. As of 31 December 2005, the Group had cash and interest-bearing securities of approximately HK\$1.5 billion.

Gearing at 31 December 2005, calculated on the basis of net debt (after deducting cash and bank balances) to shareholders' funds, was zero.

As at 31 December 2005, the Group had contingent liabilities in respect of guarantees for general banking facilities utilized by group subsidiaries and other guarantees totaling HK\$105.5 million.

The Group's core operations are in Hong Kong and its assets are primarily denominated in Hong Kong or US dollars, so there is no significant exposure to foreign exchange rate fluctuations. The Group had not pledged any of its assets as of 31 December 2005.

There were no material acquisitions or disposals of subsidiaries or affiliated companies during the period under review.

There have been no material changes in the composition of the Group's equity technology investment portfolio since 30 June 2005.

EMPLOYEES

The Group is keen to retain and motivate talent and continues to make adjustments, where necessary, in recognition of employees' contributions and in response to changes in the employment market. Various training and development opportunities are offered to enhance employees' knowledge and skills. The Group also offers a share-option scheme to recognize employees who make significant contributions. Particulars of the scheme are set out in the relevant sections of this report.

In closing, I would like to thank all our staff for their ongoing commitment and hard work, and our shareholders for their continued trust and support.

SO Sing-tak, Andrew

Chief Executive Officer

Hong Kong, 9 February 2006

CONSOLIDATED INCOME STATEMENT*For the three and six months ended 31 December 2005*

	Notes	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
		(Restated)		(Restated)	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover		66,698	59,605	132,383	120,390
Cost of sales		(39,458)	(37,260)	(79,293)	(76,348)
Gross profit		27,240	22,345	53,090	44,042
Other revenue		79,127	11,068	96,101	21,362
		106,367	33,413	149,191	65,404
Selling expenses		1,624	1,790	3,270	3,284
Administrative expenses		8,593	10,605	17,132	20,891
Profit from operations	3	96,150	21,018	128,789	41,229
Finance charges on finance leases		–	1	–	3
Profit before taxation		96,150	21,017	128,789	41,226
Taxation	4	(2,015)	–	(3,456)	–
Profit attributable to equity holders of the Company		94,135	21,017	125,333	41,226
Earnings per share – Basic	5	4.64 cents	1.04 cents	6.18 cents	2.04 cents

CONSOLIDATED BALANCE SHEET

At 31 December 2005

		(Unaudited) 31 December 2005 HK\$'000	(Audited and restated) 30 June 2005 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Investment properties		573,000	573,000
Property, plant and equipment	6	1,015,525	1,016,077
Investments	7	231,637	415,133
Interest in an associate		–	–
		<u>1,820,162</u>	<u>2,004,210</u>
CURRENT ASSETS			
Investments	7	70,530	447,688
Inventories		4,477	3,554
Trade and other receivables	8	44,682	59,449
Amounts due from customers for contract work		7,564	6,528
Bank balances and deposits		1,312,669	755,442
		<u>1,439,922</u>	<u>1,272,661</u>
CURRENT LIABILITIES			
Trade and other payables	9	135,084	125,054
Amounts due to customers for contract work		611	409
		<u>135,695</u>	<u>125,463</u>
NET CURRENT ASSETS		<u>1,304,227</u>	<u>1,147,198</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,124,389</u>	<u>3,151,408</u>
NON-CURRENT LIABILITIES			
Deferred Taxation		10,577	7,121
		<u>3,113,812</u>	<u>3,144,287</u>
EQUITY			
Share capital		202,673	202,673
Reserves		2,892,433	2,831,705
Proposed final dividend		–	91,203
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>3,095,106</u>	<u>3,125,581</u>
MINORITY INTERESTS		<u>18,706</u>	<u>18,706</u>
TOTAL EQUITY		<u>3,113,812</u>	<u>3,144,287</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2005

	2005										
	Attributable to equity holders of the Company										
	Share capital	Share premium	Exchange reserve	Property revaluation reserve	Investments revaluation reserve	Shared-based transactions reserve	Accumulated losses	Proposed dividend	Total	Minority interests	Total equity
At 1 July 2005, as previously reported	202,673	3,869,076	336	6,233	(4,522)	-	(1,032,297)	91,203	3,132,702	18,706	3,151,408
Effect of changes in accounting policies (note 1)	-	-	-	-	-	812	(7,933)	-	(7,121)	-	(7,121)
At 1 July 2005, as restated	202,673	3,869,076	336	6,233	(4,522)	812	(1,040,230)	91,203	3,125,581	18,706	3,144,287
Change in fair value on investments	-	-	-	-	(488)	-	-	-	(488)	-	(488)
Net expenses recognised directly in equity	-	-	-	-	(488)	-	-	-	(488)	-	(488)
Profit attributable to equity holders of the Company	-	-	-	-	-	-	125,333	-	125,333	-	125,333
Total recognised (expenses) income for the period	-	-	-	-	(488)	-	125,333	-	124,845	-	124,845
Employee share options benefits	-	-	-	-	-	439	-	-	439	-	439
Dividend paid	-	-	-	-	-	-	-	(91,203)	(91,203)	-	(91,203)
Release upon redemption/disposals of investments	-	-	-	-	(2,216)	-	(62,340)	-	(64,556)	-	(64,556)
At 31 December 2005	202,673	3,869,076	336	6,233	(7,226)	1,251	(977,237)	-	3,095,106	18,706	3,113,812

	2004										
	Attributable to equity holders of the Company										
	Share capital	Share premium	Exchange reserve	Property revaluation reserve	Investments revaluation reserve	Shared-based payment transactions reserve	Accumulated losses	Proposed dividend	Total	Minority interests	Total equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2004, as previously reported	202,619	3,868,367	288	6,233	-	-	(1,095,236)	60,786	3,043,057	18,976	3,062,033
Effect of changes in accounting policies (note 1)	-	-	-	-	-	301	(301)	-	-	-	-
At 1 July 2004, as restated	202,619	3,868,367	288	6,233	-	301	(1,095,537)	60,786	3,043,057	18,976	3,062,033
Change in fair value on investments	-	-	-	-	6,105	-	-	-	6,105	-	6,105
Net income recognised directly in equity	-	-	-	-	6,105	-	-	-	6,105	-	6,105
Profit attributable to equity holders of the Company	-	-	-	-	-	-	41,226	-	41,226	-	41,226
Total recognised income for the period	-	-	-	-	6,105	-	41,226	-	47,331	-	47,331
Employee share options benefits	-	-	-	-	-	256	-	-	256	-	256
Dividend paid	-	-	-	-	-	-	-	(60,786)	(60,786)	-	(60,786)
Release upon redemption/disposals of investments	-	-	-	-	-	-	279	-	279	-	279
At 31 December 2004	202,619	3,868,367	288	6,233	6,105	557	(1,054,032)	-	3,030,137	18,976	3,049,113

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 31 December 2005*

	(Unaudited)	
	Six months ended	
	31 December	
	2005	2004
	HK\$'000	HK\$'000
Net cash from operating activities	71,295	30,681
Net cash from investing activities	577,135	89,496
Net cash used in financing activities	(91,203)	(58,859)
Net increase in cash and cash equivalents	557,227	61,318
Cash and cash equivalents at 1 July	755,442	607,661
Cash and cash equivalents at 31 December	1,312,669	668,979

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of Preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and with the applicable disclosure requirements of Chapter 18 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The condensed interim financial statements are unaudited, but have been reviewed by the Audit Committee.

The principal accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s financial statements for the year ended 30 June 2005, except that the Group has changed certain of its accounting policies following its adoption of the applicable new Hong Kong Financial Reporting Standards (“HKFRS”), HKAS and Interpretations (collectively “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005.

The changes to the Group’s accounting policies and the effect of adopting these new HKFRSs have been set out in the notes to the unaudited consolidated results for the three months ended 30 September 2005.

The comparative figures for 2004 presented have incorporated the effect of adjustments, where applicable, resulting from the adoption of the new HKFRSs.

2. 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.

Satellite master antenna television system (“SMATV”), communal aerial broadcast distribution (“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.

2. Business and Geographical Segments (*continued*)

Business segments (continued)

Segment information about these businesses is presented below:

For the six months ended 31 December 2005

	Internet services centre and IT facilities <i>HK\$'000</i>	SMATV, CABD, structural cabling and security systems <i>HK\$'000</i>	Properties holding <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER					
External	78,842	37,537	16,004	-	132,383
Inter-segment	680	378	1,121	(2,179)	-
Total	79,522	37,915	17,125	(2,179)	132,383
RESULTS					
Segment results	19,418	9,234	11,870	-	40,522
Unallocated corporate expenses					(7,320)
Interest income					30,544
Gain on redemption/disposal of debt securities					65,043
Profit from operations					128,789
Finance charges on finance leases					-
Profit before taxation					128,789
Taxation					(3,456)
Profit attributable to equity holders of the Company					125,333

2. Business and Geographical Segments (continued)

Business segments (continued)

For the six months ended 31 December 2004

	Internet services centre and IT facilities HK\$'000	SMATV, CABD, structural cabling and security systems HK\$'000	Properties holding HK\$'000	Elimination HK\$'000	(Restated) Consolidated HK\$'000
TURNOVER					
External	72,408	32,149	15,833	–	120,390
Inter-segment	1,068	407	1,195	(2,670)	–
Total	<u>73,476</u>	<u>32,556</u>	<u>17,028</u>	<u>(2,670)</u>	<u>120,390</u>
RESULTS					
Segment results	<u>13,480</u>	<u>6,864</u>	<u>11,215</u>	<u>–</u>	<u>31,559</u>
Unallocated corporate expenses					(10,638)
Interest income					22,030
Loss on redemption of debt securities					(1,201)
Loss on disposal of equity technology investments					(521)
Profit from operations					41,229
Finance charges on finance leases					(3)
Profit before taxation					41,226
Taxation					–
Profit attributable to equity holders of the Company					<u>41,226</u>

Inter-segment sales are charged at prevailing market rates.

Geographical segments

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

3. Profit from Operations

	Six months ended 31 December	
	2005	2004
	HK\$'000	HK\$'000

Profit from operations has been arrived at after crediting (charging):

Gain (Loss) on redemption/disposal of debt securities	65,043	(1,201)
Interest income	30,544	22,030
Compensations received from tenants	–	500
Depreciation	(22,833)	(23,040)
Loss on disposal of equity technology investments	–	(521)
(Loss) Gain on disposal of property, plant and equipment	(7)	21

4. Taxation

	Six months ended 31 December	
	2005	2004
	HK\$'000	HK\$'000

Deferred taxation relating to origination and reversal of temporary differences	3,456	–
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No tax is payable on the profit for both periods arising in Hong Kong since the estimated assessable profit is wholly absorbed by tax losses brought forward.

5. Earnings Per Share

The calculation of basic earnings per share is based on the unaudited profit attributable to equity holders of the Company for the three months and six months ended 31 December 2005 of HK\$94,135,000 and HK\$125,333,000 (three months and six months ended 31 December 2004: HK\$21,017,000 and HK\$41,226,000) and the weighted average number of 2,026,730,833 (three months and six months ended 31 December 2004: 2,026,197,500) ordinary shares in issue during the periods.

5. Earnings Per Share (continued)

No diluted earnings per share is presented for the three months and six months ended 31 December 2005 and 2004 as the exercise price of the Company's outstanding share options was higher than the average market price of the shares of the Company during the periods.

6. Property, Plant and Equipment

During the period, additions to fixed assets amounted to HK\$22,293,000 and net book value of fixed assets disposed amounted to HK\$12,000.

7. Investments

	31 December 2005 <i>HK\$'000</i>	30 June 2005 <i>HK\$'000</i>
Available-for-sale investments include:		
Debt securities	187,548	750,687
Equity technology investments	114,619	112,134
	302,167	862,821
Carrying amount analysed for reporting purpose as:		
Current (debt securities redeemable within one year)	70,530	447,688
Non-current	231,637	415,133
	302,167	862,821

No provision for impairment of investments has been made for the six months ended 31 December 2005 and 2004.

8. Trade and Other Receivables

Included in trade and other receivables are trade receivables of HK\$29,252,000 (as at 30 June 2005: HK\$27,368,000), of which 81% aged less than 60 days, 8% between 61 to 90 days and 11% more than 90 days (as at 30 June 2005: 86%, 7% and 7% respectively).

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

9. Trade and Other Payables

Included in trade and other payables are trade payables of HK\$3,858,000 (as at 30 June 2005: HK\$3,625,000), of which 82% aged less than 60 days, 0% between 61 to 90 days and 18% more than 90 days (as at 30 June 2005: 98%, 2% and 0% respectively).

10. Related Party Transactions

During the period, the Group had significant transactions with certain related parties as follows:

(A) Transactions with Sun Hung Kai Properties Group

	Notes	Six months ended 31 December	
		2005 HK\$'000	(Restated) 2004 HK\$'000
Advertising and e-commerce transactions	(i)	1,431	2,053
Income from installation, operation and provision of cable networking	(i)	13,085	9,870
Income from maintenance and repair of network infrastructure and security systems	(i)	20,878	18,162
Non-core value added service income	(i)	426	318
Space and rack rental income	(i)	1,204	1,288
Cable and network rental charges	(i)	788	989
Estate agency fees paid	(i)	374	380
Insurance service charges paid	(i)	500	563
Key management compensation	(ii)	2,322	3,071
Management fee charges	(iii)	1,000	1,000
Outsourcing fee paid	(i)	480	480
Promotion service charges	(i)	473	609
Property management service fees paid	(iv)	4,272	4,275
Rent paid	(iv)	2,068	2,084
Technical service charge paid	(i)	508	464

10. Related Party Transactions (continued)

(A) Transactions with Sun Hung Kai Properties Group (continued)

Notes:

- (i) These transactions were carried out in accordance with terms determined and agreed by both parties or at cost plus a percentage profit mark-up.
- (ii) Details of key management compensation of the Group:

	Six months ended 31 December	
	2005 HK\$'000	2004 HK\$'000
Fees, salaries and other benefits	2,150	2,964
Share options benefits	172	107
	2,322	3,071

- (iii) The amounts were paid in accordance with the relevant agreement for which the services were reimbursed at cost.
- (iv) The amounts were paid in accordance with the relevant agreements for which the rental and building management fee charge were set in accordance with terms determined and agreed by both parties.

(B) Transaction with a director

During the period, the Group paid professional fee of HK\$4,200 (2004: HK\$83,270) 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.

(C) Transaction with an investee company

During the period, the Group received rental income of HK\$55,350 (2004: HK\$60,660) from a company in which the Group has a 5% interest. These transactions were carried out with reference to market prices.

11. Capital Commitments

	31 December 2005 <i>HK\$'000</i>	30 June 2005 <i>HK\$'000</i>
Contracted for but not provided in the financial statements		
– Acquisition of property, plant and equipment	4,374	5,772
– Investments	–	71,100
	4,374	76,872
Authorised but not contracted for	–	–

12. Contingent Liabilities

As at 31 December 2005, the Company had contingent liabilities in respect of guarantees for general banking facilities utilized by group subsidiaries and other guarantees in the aggregate amount of HK\$105.5 million (as at 30 June 2005: HK\$104 million).

DIVIDEND

The board does not recommend the payment of an interim dividend for the six months ended 31 December 2005 (2004: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31 December 2005, the interests and short positions of Directors and Chief Executive in shares and, in respect of equity derivatives, underlying shares and debentures of the Company and its Associated Corporations as required to be disclosed under and within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") were as follows:

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

Name of director	Personal	Child under 18		Equity derivatives Others (share option)	Total	% of shares in issue
		or spouse				
Kwok Ping-luen, Raymond	-	-	1,742,500*	233,333	1,975,833	0.09
Kwok Ping-sheung, Walter	-	-	1,070,000*	120,000	1,190,000	0.05
Kwok Ping-kwong, Thomas	-	-	1,070,000*	120,000	1,190,000	0.05
So Sing-tak, Andrew	-	-	-	1,800,000	1,800,000	0.08
Chan Kui-yuen, Thomas	-	-	-	120,000	120,000	0
Wong Yick-kam, Michael	100,000	-	-	120,000	220,000	0.01
Leung Kui-king, Donald <i>(Resigned with effect from 1 January 2006)</i>	-	-	-	120,000	120,000	0
So Chung-keung, Alfred	416	543	-	320,000	320,959	0.01
Tung Chi-ho, Eric	-	-	-	120,000	120,000	0
Wong Chin-wah	-	-	-	320,000	320,000	0.01
Tung Yiu-kwan, Stephen	-	-	-	570,000	570,000	0.02

Note:

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

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

Name of director	Child under 18			Others	Equity derivatives (share option)	Total	% of shares in issue
	Personal	or spouse	Corporate				
Kwok Ping-luen, Raymond	-	-	-	1,079,815,895 [#]	75,000	1,079,890,895	44.97
Kwok Ping-sheung, Walter	-	-	-	1,078,622,522 [#]	75,000	1,078,697,522	44.92
Kwok Ping-kwong, Thomas	1,901,281	304,065	-	1,076,672,214 [#]	75,000	1,078,952,560	44.93
Chan Kui-yuen, Thomas	-	66,000	126,500	-	75,000	267,500	0.01
Wong Yick-kam, Michael	70,904	-	-	-	75,000	145,904	0
Leung Kui-king, Donald	10,000	-	-	-	0	10,000	0
<i>(Resigned with effect from 1 January 2006)</i>							
So Chung-keung, Alfred	189,985	6,500	-	-	60,000	256,485	0.01
Tung Chi-ho, Eric	-	-	-	-	0	0	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-luen, Raymond, Kwok Ping-sheung, Walter and Kwok Ping-kwong, Thomas were deemed to be interested in 1,056,638,347 shares, which represented the same interests and were therefore duplicated amongst these three Directors for the purpose of the SFO.

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

- (a) SmarTone Telecommunications Holdings Limited:

Name of director	Child under 18 or spouse	Others	% of shares in issue
Kwok Ping-luen, Raymond	–	2,237,767	0.38
Li On-kwok, Victor	5,000	–	0

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

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

The interests of the Directors and the Chief Executive in the share options (being regarded for the time being as unlisted physically settled equity derivatives) of the Company and its Associated Corporations are stated in detail in the following sub-section 4 and Share Option Schemes section below.

4. Sun Hung Kai Properties Limited Share Options

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

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.

4. Sun Hung Kai Properties Limited Share Options (continued)

The following shows the outstanding positions of the Directors and the Chief Executive as at 31 December 2005 with respect to their share options granted under the Old Scheme:

Name of director	Date of grant	Exercise price HK\$	Balance as at 1.7.2005	Number of share options			Balance as at 31.12.2005
				Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	
Kwok Ping-luen, Raymond	16.7.2001	70.00	75,000	-	-	-	75,000
Kwok Ping-sheung, Walter	16.7.2001	70.00	75,000	-	-	-	75,000
Kwok Ping-kwong, Thomas	16.7.2001	70.00	75,000	-	-	-	75,000
Chan Kui-yuen, Thomas	16.7.2001	70.00	75,000	-	-	-	75,000
Wong Yick-kam, Michael	16.7.2001	70.00	75,000	-	-	-	75,000
Leung Kui-king, Donald <i>(Resigned with effect from 1 January 2006)</i>	16.7.2001	70.00	36,000	-	36,000	-	0
So Chung-keung, Alfred	16.7.2001	70.00	60,000	-	-	-	60,000
Tung Chi-ho, Eric	16.7.2001	70.00	60,000	-	60,000	-	0
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 31 December 2005, none of the Directors and the Chief Executive of the Company were, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in shares, underlying shares or debentures of the Company and its Associated Corporations, that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in GEM Listing Rule 5.46.

SHARE OPTION SCHEMES

1. Pre-IPO Share Options

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

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

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

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

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

1. Pre-IPO Share Options (*continued*)

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

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

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

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

2. SUNeVision Share Options

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

2. SUNeVision Share Options (*continued*)

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

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

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

2. SUNeVision Share Options (continued)

The following shows the outstanding positions of the Directors and Chief Executive as at 31 December 2005 with respect to their Pre-IPO Share Options and SUNeVision Share Options:

Name of director	Date of grant	Exercise price HK\$	Number of share options				Balance as at 31.12.2005
			Balance as at 1.7.2005	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period	
Kwok Ping-luen, Raymond	28.3.2000	10.38	251,666	-	-	251,666	-
	7.4.2001	2.34	233,333	-	-	-	233,333
Kwok Ping-sheung, Walter	28.3.2000	10.38	138,334	-	-	138,334	-
	7.4.2001	2.34	120,000	-	-	-	120,000
Kwok Ping-kwong, Thomas	28.3.2000	10.38	138,334	-	-	138,334	-
	7.4.2001	2.34	120,000	-	-	-	120,000
So Sing-tak, Andrew	8.7.2002	1.43	400,000	-	-	-	400,000
	29.11.2003	1.59	400,000	-	-	-	400,000
	10.11.2005	1.41	-	1,000,000	-	-	1,000,000
Chan Kui-yuen, Thomas	28.3.2000	10.38	170,000	-	-	170,000	-
	7.4.2001	2.34	120,000	-	-	-	120,000
Wong Yick-kam, Michael	28.3.2000	10.38	120,000	-	-	120,000	-
	7.4.2001	2.34	120,000	-	-	-	120,000
Leung Kui-king, Donald (Resigned with effect from 1 January 2006)	28.3.2000	10.38	120,000	-	-	120,000	-
	7.4.2001	2.34	120,000	-	-	-	120,000
So Chung-keung, Alfred	28.3.2000	10.38	120,000	-	-	120,000	-
	7.4.2001	2.34	120,000	-	-	-	120,000
	29.11.2003	1.59	200,000	-	-	-	200,000
Tung Chi-ho, Eric	28.3.2000	10.38	120,000	-	-	120,000	-
	7.4.2001	2.34	120,000	-	-	-	120,000
Wong Chin-wah	28.3.2000	10.38	120,000	-	-	120,000	-
	7.4.2001	2.34	120,000	-	-	-	120,000
	29.11.2003	1.59	200,000	-	-	-	200,000
Tung Yiu-kwan, Stephen	28.3.2000	10.38	120,000	-	-	120,000	-
	7.4.2001	2.34	120,000	-	-	-	120,000
	29.11.2003	1.59	200,000	-	-	-	200,000
	10.11.2005	1.41	-	250,000	-	-	250,000

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

A summary of the movements during the period ended 31 December 2005 of the share options granted under the Pre-IPO Share Options and the SUNeVision Share Options to the employees of the Company working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance, other than the Directors and Chief Executive as disclosed above, is as follows:

Date of grant	Exercise price HK\$	Number of share options				Balance as at 31.12.2005	
		Balance as at 1.7.2005	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period		
28.3.2000	10.38	486,666	-	-	486,666	0	
30.11.2000	3.885	825,000	-	-	412,500	412,500	
7.4.2001	2.340	590,000	-	-	20,000	570,000	
8.7.2002	1.430	900,000	-	-	-	900,000	
29.11.2003	1.590	1,400,000	-	-	-	1,400,000	
10.11.2005	1.410	-	2,080,000	-	-	2,080,000	5,362,500

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

4. Valuation of options granted during the period

Pursuant to GEM Listing Rules 23.08, the valuation of the SUNeVision Share Options granted during the period ended 31 December 2005 is as follows:

Name of Participants	Number of Options granted on 10.11.2005	Option Value as at 10.11.2005 HK\$	Option Value as at 31.12.2005 HK\$
So Sing-tak, Andrew (Chief Executive Officer)	1,000,000	246,759	204,149
Tung Yiu-kwan, Stephen (Executive Director)	250,000	61,690	51,037
Aggregate total of Employees	2,080,000	513,257	424,630
Total	3,330,000	821,707	679,816

4. Valuation of options granted during the period (*continued*)

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

According to the Black-Scholes model*, the total value of the SUNeVision Share Options granted on 10 November 2005 was estimated at HK\$821,707 with the following variables and assumptions:

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

4. Valuation of options granted during the period (*continued*)

According to the Black-Scholes model*, the total value of the SUNeVision Share Options granted on 10 November 2005 was estimated at HK\$679,816 as at 31 December 2005 with the following variables and assumptions:

1. Risk Free Rate: 4.04%, being the approximate yield of 3-year Exchange Fund Note traded on 30 December 2005.
2. Expected Volatility: 25.56%, being the annualized volatility of the closing price of the shares in the Company from 1 January 2005 to 31 December 2005.
3. Expected Dividend:
 - (i) Yield 3.31%, being 2005 prospective dividend yield of the shares in the Company.
 - (ii) Growth Rate 16.6% per annum, being 3-year historical dividend growth rate of the Company.
4. Expected Life of such SUNeVision Share Options is 2.9 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 January 2005 to 31 December 2005.
 - (ii) There is no material difference between the dividend growth rate over the whole life of such SUNeVision Share Options and the historical dividend growth rate of the Company over the previous 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. Arrangement to purchase shares or debentures

Other than the share option schemes as mentioned above, at no time during the period 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 31 December 2005, the long positions of every person, other than a Director or the Chief Executive of the Company, being 10% or more in the interest in shares of the Company as recorded in the register required to be kept under section 336 of the SFO, were as follows:

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

Notes:

1. Sunco is the beneficial owner of the 1,713,613,500 shares.
2. As Sunco is a wholly-owned subsidiary of SHKP, SHKP is deemed to have interest in the 1,713,613,500 shares of the Company held by Sunco by virtue of the SFO.

3. HSBC International Trustee Limited is deemed to have interest in the 1,713,613,500 shares of the Company held by SHKP. Of the shares in SHKP in which HSBC International Trustee Limited was interested, 1,056,638,347 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 31 December 2005, none of the substantial shareholders were taken to be interested or deemed to have any other interests or short positions in shares, underlying shares or debentures of the Company that were required to be entered into the register kept by the Company pursuant to section 336 of the SFO.

INTERESTS OF OTHER PERSONS

As at 31 December 2005, other than the interests in shares and underlying shares of the Company and its Associated Corporations held by the Directors, Chief Executive and substantial shareholders stated above, there were no other persons with interests recorded in the register required to be kept under section 336 of the SFO.

MANAGEMENT SHAREHOLDERS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

AUDIT COMMITTEE

The audit committee has four members comprising three Independent Non-Executive Directors, Professor Kao Kuen, Charles (Chairman), Professor Li On-kwok, Victor and Dr. Fong Ching, Eddy and one Non-Executive Director, Mr. Cheung Wing-yui, with terms of reference in compliance with the GEM Listing Rules. The Audit Committee has reviewed the draft of this Report and has provided advice and comments thereon.

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

During the six months ended 31 December 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has complied with The GEM Listing 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 the code provisions set out in the Code on Corporate Governance Practices throughout the accounting period covered by this Report.

By Order of the Board

KWOK Ping-luen, Raymond

Chairman

Hong Kong, 9 February 2006

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