



**sun**e**vision**

Sunvision Holdings Limited

## Placing and Public Offer

Sponsor, Global Coordinator  
and Lead Manager



**JardineFleming**

Jardine Fleming Securities Limited

If you are in any doubt about this prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.



**sun**vision

**Sunvision Holdings Limited**

**新意網集團有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**INITIAL PUBLIC OFFERING  
AND LISTING ON  
THE GROWTH ENTERPRISE MARKET OF  
THE STOCK EXCHANGE OF HONG KONG LIMITED**

**PLACING AND PUBLIC OFFER**

<b>Number of Shares under the Share Offer</b>	<b>:</b>	<b>300,000,000 Shares</b> <b>(subject to Over-allotment Option adjustment)</b>
<b>Number of Placing Shares</b>	<b>:</b>	<b>270,000,000 Shares</b> <b>(subject to Over-allotment Option adjustment and reallocation)</b>
<b>Number of Public Offer Shares</b>	<b>:</b>	<b>30,000,000 Shares</b> <b>(subject to reallocation)</b>
<b>Issue Price</b>	<b>:</b>	<b>not more than HK\$10.38 per Offer Share</b> <b>(payable in full by applicants in the Public Offer and the Preferential Offer, subject to refund)</b>
<b>Nominal Value</b>	<b>:</b>	<b>HK\$0.10 each</b>
<b>Stock Code</b>	<b>:</b>	<b>8008</b>

**Sponsor, Global Coordinator and Lead Manager**



**JardineFleming**

**Jardine Fleming Securities Limited**

**Co-lead Managers**

**BOCI Asia Limited**  
**HSBC Investment Bank Asia Limited**

**CLSA Global Emerging Markets**  
**Warburg Dillon Read**

**Co-Managers**

**ABN AMRO Rothschild**  
**BNP Prime Peregrine**  
**Credit Suisse First Boston**  
**Dao Heng Securities Limited**  
**Honour Securities Company Limited**  
**Indosuez W.I. Carr Securities**  
**Kim Eng Securities (Hong Kong) Limited**

**Bear Stearns Asia Limited**  
**Cazenove Asia Limited**  
**China International Capital Corporation (Hong Kong) Limited**  
**Goodwill Financial Services (Holdings) Limited**  
**ICEA Capital Limited**  
**Kingsway SW Securities Limited**  
**Salomon Smith Barney International**  
**Tai Fook Securities Company Limited**

*The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss whatsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.*

*A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies" in Appendix 7 to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong. The Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.*

*The Issue Price is expected to be fixed by agreement between Jardine Fleming, on behalf of the Underwriters, and the Company on the IPO Pricing Date, which is expected to be on or around 9 March 2000. The Issue Price will not be more than HK\$10.38 per Offer Share and is expected to be not less than HK\$8.38 per Offer Share. Jardine Fleming, on behalf of the Underwriters, may, with the consent of the Company, reduce the indicative Issue Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer, the Preferential Offer and the User Preferential Offer. Applicants should note that in no circumstances can applications be withdrawn once submitted. If, for any reason, the Issue Price is not agreed between the Company and Jardine Fleming, on behalf of the Underwriters, the Share Offer will not proceed.*

\* For identification purposes only.

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## IMPORTANT NOTICE

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

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.

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## EXPECTED TIMETABLE

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2000

Latest time to lodge <b>WHITE, YELLOW, BLUE</b> and <b>RED</b> application forms . . . . .	12:00 noon on 9 March
Application lists open ( <i>Note 1</i> ) . . . . .	11:45 a.m. on 9 March
Application lists close . . . . .	12:00 noon on 9 March
IPO Pricing Date (expected) . . . . .	9 March
Announcement of Issue Price, results of applications under the Public Offer, indication of level of interests in the Placing, basis of allocation of the Public Offer Shares and the number of Shares (if any) reallocated from the Placing to the Public Offer to be published in the GEM website, South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before . . . . .	14 March
Despatch of share certificates and refund cheques in respect of wholly or partially unsuccessful applications on or before ( <i>Note 2</i> ) . . . . .	15 March
Dealings in Shares on GEM to commence on . . . . .	17 March

*Notes:*

1. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. to 12:00 noon on 9 March 2000, the application lists will not open on that day. See the section headed “How to apply for the Public Offer Shares, Reserved Shares and User Preferential Shares — Effect of bad weather on the opening of the application lists” in this prospectus.
2. If you are applying for Shares using a WHITE, a BLUE or a RED application form for 100,000 Shares or more and have indicated on your application form that you will collect your share certificates, you may collect them in person from Central Registration Hong Kong Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Hong Kong, between 9:00 a.m. and 1:00 p.m. on the date notified by the Company in the newspapers and the GEM website as the date of despatch of share certificates. This is expected to be on 15 March 2000. You must show your identification documents to collect your share certificates. If you do not collect your share certificates, they will be sent to the address specified in your application form shortly after the date of despatch, by ordinary post and at your own risk. If you have not indicated on your application form that you will collect your share certificates, then your share certificates will be sent to the address specified in your application form on the date of despatch, by ordinary post and at your own risk.

For details of the structure of the Share Offer, including conditions, see the section headed “Structure of the Share Offer”.

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You should rely only on the information contained in this prospectus and the application forms to make your investment decision.

The Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not made in this prospectus must not be relied on by you as having been authorised by the Company, Jardine Fleming, the other Underwriters, the directors of any of them, or any other person involved in the Share Offer.

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## SUMMARY OF THIS PROSPECTUS

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*This summary aims to give you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. Capitalised terms not defined in this summary are defined in “Definitions” or “Glossary of Technical Terms” below.*

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors”, which you should read carefully before you decide to invest in the Offer Shares.*

### **BUSINESS**

The Group’s IT infrastructure operations began in 1992. In that year Sun Technology commenced business in the design, installation and maintenance of network infrastructure systems, namely SMATV systems, in residential buildings, including SHKP developments. In 1993, Sun Technology expanded its business operations to include the installation and maintenance of security surveillance and smart card systems. The Group further developed its network infrastructure business in 1999, when iHON commenced operations, designing, installing and maintaining fibre optic and other broadband networks.

As a result of Sun Technology retaining ownership of some of the network infrastructure installed by it, and in response to demands for high technology features to promote SHKP’s residential developments, the Group began to develop services that could be delivered through such network infrastructure. In early 1998, the *shkhome.net* Internet service was launched at the SHKP Symphony Bay development in Hong Kong to provide tailored information and services for its residents. In July 1999, the Group commenced the development of an Internet auction and trading service, *red-dots.com*, which was launched in October 1999. In February 2000, the *superhome.net* service, an enhanced version of *shkhome.net*, was launched on a trial basis at SHKP’s East Point City development. This vertical portal concept is also being developed into a similar service initially for small to medium sized enterprises called *super-office.net*. Most recently, in February 2000, the Group established a property database service on the Internet called *propertystreet.net* and has announced the development of insurance and banking database services called *insurancestreet.net* and *bankingstreet.net*.

Building on the Group’s experience derived from Sun Technology’s network infrastructure activities, SHKP’s expertise in facilities management and its existing Internet operations, in 1999 the Group diversified into a further related business. In April 1999, the Group established iAdvantage, a facilities management and server co-location centre operator. The One-iAdvantage centre in Millennium City, a SHKP commercial development in Hong Kong, opened for business in November 1999.

The Group has investments in venture capital funds, the first of which was made in May 1999. These include Beijing Technology Development Fund, Asia Java Fund, Incubasia and DynaFund II. In addition, the Group has partnered with HKITC to offer an incubation programme for start-up companies in Hong Kong.

In summary, the Group’s business has developed into two associated and complementary business segments: first, IT infrastructure, in which Sun Technology, iHON and iAdvantage operate, and second, Internet services, in which SuperHome, Super-office, Red-Dots and PropertyStreet operate. In addition, the Group has a number of investments in IT and Internet related businesses.

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## SUMMARY OF THIS PROSPECTUS

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### TRADING RECORD

The following table summarises the Group's combined turnover and results for the financial years ended 30 June 1998 and 30 June 1999 and the six months ended 31 December 1999, as if the current Group structure had been in existence throughout such periods:

	<b>Year ended 30 June 1998</b>	<b>Year ended 30 June 1999</b>	<b>Six months ended 31 December 1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover ( <i>Note 1</i> )	<u>51,731</u>	<u>47,578</u>	<u>31,553</u>
(Loss) profit before taxation	(864)	232	(14,830)
Taxation	<u>357</u>	<u>952</u>	<u>1,271</u>
Loss after taxation	<u>(1,221)</u>	<u>(720)</u>	<u>(16,101)</u>
Dividend	<u>2,900</u>	<u>0</u>	<u>0</u>
Loss per Share (cents) ( <i>Note 2</i> )	<u>0.07</u>	<u>0.04</u>	<u>0.95</u>

*Notes:*

1. Turnover represents the aggregate of installation and maintenance fees of satellite/security systems, income from customer use of a server co-location centre and Internet facilities, and advertising revenue, after elimination of intra-group transactions.
2. Based on a total of 1,700,000,000 Shares in issue.
3. The above table excludes rental income in respect of five floors at Millennium City acquired in March 2000 as set out in Note 7 'Subsequent Events' to the Accountants' Report as set out in Appendix 1 to this prospectus.

### BUSINESS OBJECTIVES

#### Overall business objectives

The Group's overall business objective is to be a leading provider of premium-quality IT infrastructure and Internet services in Asia. The Group has identified three key business objectives in order to achieve this goal:

- *Building on core assets and capabilities:* To develop the Group's existing assets and capabilities, as well as to implement new IT infrastructure, Internet and e-commerce initiatives, in order to establish its existing businesses and brands as the providers of choice.

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## SUMMARY OF THIS PROSPECTUS

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- *Applying its expertise in the areas of greatest opportunity:* To apply its knowledge and expertise to new initiatives which will provide the Group with the greatest prospects for growth.
- *Playing a significant role in Mainland China's 'New Economy':* To target Mainland China as the key market for the expansion of its IT infrastructure and Internet services businesses.

### PRINCIPAL STRENGTHS OF THE GROUP

The Directors believe that the Group has combined strengths of capability and commitment arising from:

- its ultimate parent company, SHKP, which has substantial resources and an established international reputation for professional management;
- access to the residents and tenants of the SHKP Group's extensive residential, retail and commercial properties;
- a wide range of local, regional and international business relationships through SHKP; and
- an experienced and committed management team able to attract talented employees.

### BUSINESS STRATEGIES

The Directors' strategies to develop the Group's IT infrastructure and Internet services businesses will focus on four areas:

- *Leveraging facilities management expertise to build IT infrastructure:* Building on iAdvantage's expertise in facility management to become a leading provider of server co-location and network management services in Hong Kong and Mainland China. This involves expanding the number of server co-location centres in Hong Kong and Mainland China to a level that gives iAdvantage a significant market presence and greater efficiencies of scale. In addition increasing customer satisfaction and loyalty through providing an immediate cost effective, quality business solution and supplementing revenues by offering value-added services such as network management and hosted application services;
- *Leveraging SHKP's position to establish on-line communities and e-commerce in Hong Kong:* Leveraging the SHKP Group's position in the Hong Kong property market and its business relationships to build community portals with content and services tailored to the commercial and residential occupants of SHKP buildings. Such Internet platforms are expected to function as the "first portal of call" providing information for such residents, which will enable the Group to develop business to consumer e-commerce as well. In addition, firmly establishing the Group's Internet services brands and increasing the number of transactions over its Internet services companies by forming alliances with other portals and content providers, conducting innovative marketing campaigns and developing new and existing features for such services;

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## SUMMARY OF THIS PROSPECTUS

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- *Leveraging SHKP's position to play a significant role in the e-commerce revolution in Mainland China:* Investing in strategic opportunities in Mainland China, including business to business e-commerce and vertical portals, by leveraging off the SHKP Group's collective management expertise and network of business and government relationships in order to facilitate and implement the global and local partnerships necessary for successful operations in Mainland China; and
- *Utilising the Group's resources to become the partner of choice in the 'New Economy':* Leveraging the Group's financial resources, reputation and managerial expertise to implement investments in the following areas:
  - *Reinforcing existing operating businesses in Hong Kong:* Investing strategically in and establishing partnerships with local and international content providers and other Internet related services in order to enhance the Group's existing technology, Internet and e-commerce businesses in Hong Kong; and
  - *Making investments in related businesses:* Investing in partners and companies with industrial focus or with a geographical focus in Hong Kong or Mainland China, which may be suitable to provide strategic benefit to the Group and facilitate the growth of its businesses.

### SUMMARY OF RISK FACTORS

The Directors of the Company consider that there are certain risks involved in the Group's business, which include those set out in the section headed "Risk Factors" of this prospectus. These risks can be categorised into: (i) risks relating to the Group; (ii) political and economic risks; (iii) risks relating to the Shares; and (iv) issues to consider in relation to statements made in this prospectus and are summarised as follows:

#### Risks relating to the Group

##### *General financial risks*

- The Group has a limited operating history
- The Group anticipates future losses
- Significant future growth may place significant strain on the Group

##### *Risks relating to the Company's ultimate parent*

- Dependence of the Group on operating and financial resources provided by SHKP
- The interests of SHKP, the Group's ultimate parent, may not always coincide with those of the Group, which could hamper the Group's development

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## SUMMARY OF THIS PROSPECTUS

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### ***Risks relating to the Group's current business operations***

- The Group depends on its key executives and personnel
- The Group operates in markets subject to rapid technological change
- Failure by third party suppliers to provide content, software and hardware components could affect the business and operations of the Group
- The Group may encounter difficulties with respect to its use of intellectual property rights

### ***Risks relating to the Group's IT infrastructure businesses***

- The Group is subject to risks relating to the expansion of its server co-location business
- The Group may be subject to competition from foreign companies with greater resources
- The Group is exposed to risks relating to systems failure
- The Group may not be able to expand its operations sufficiently to meet customer requirements

### ***Risks relating to the Group's Internet services businesses***

- The Group will have to make a significant commitment in developing its Internet service brands
- The Internet services business is an intensely competitive market
- The Group's model to generate advertising revenue from its Internet services is not proven
- The Group's model to generate revenue from its Internet e-commerce services is not proven
- Government regulation and legal uncertainties could adversely affect the conduct of business on the Internet
- The Group may be held liable for information retrieved from its Internet services which may not be covered by or may be in excess of its insurance coverage
- The Group's Internet services may be subject to capacity constraints
- The Group's Internet services are dependent on factors outside its control

### ***Risks relating to the Group's strategy and future operations***

- The Group may not be able successfully to implement its strategy for future growth
- The Group's strategy of expansion into Mainland China may expose the business of the Group to further risks
- Use of proceeds from the Share Offer

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## SUMMARY OF THIS PROSPECTUS

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### Political and economic risks

- There are political and economic risks associated with doing business in Hong Kong
- A change in currency exchange rates could increase costs relative to revenues of the Group
- There are political and economic risks associated with doing business in the PRC

### Risks relating to the Shares

- An active trading market for the Shares may not develop and their market price may be subject to volatility
- The shareholders' interests in the Company may be diluted in the future
- The Company may be permitted to issue new Shares within six months of the Listing Date

### Issues to consider in relation to statements made in this prospectus

- Certain statistics are derived from unofficial publications
- Forward-looking statements contained in this prospectus may not be accurate

### OFFER STATISTICS (based on the Issue Price of HK\$10.38 per Offer Share)

	<i>HK\$</i>
Market capitalisation . . . . .	20,760 million
Adjusted net tangible asset value per Share ( <i>Note 1</i> ) . . . . .	1.83

*Note:*

1. The adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in the paragraph headed "Adjusted Net Tangible Assets" of the section headed "Financial Information" of this prospectus and on the basis of a total of 2,000,000,000 Shares in issue and to be issued immediately following the completion of the Share Offer but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or of exercise of options that may be granted under the Company Share Option Scheme or upon the conversion of the Convertible Note or which may fall to be issued or repurchased by the Company pursuant to the general mandates for the issue or repurchase of Shares granted to the Directors referred to in Appendix 5 to this prospectus.

### USE OF PROCEEDS

The proceeds from the Share Offer (based on an Issue Price of HK\$10.38), after deducting related expenses, are estimated to be approximately HK\$2,929 million (on the basis that the Over-allotment Option is not exercised). If the Over-allotment Option is exercised in full, the net proceeds (based on such Issue Price) will increase to approximately HK\$3,382 million. The Directors intend to apply such net proceeds as follows:

- approximately HK\$2,175 million will be used by iAdvantage of which (i) approximately HK\$120 million and HK\$30 million will be used to refurbish and equip the Jumbo-iAdvantage server co-location centre in the first half and second half of 2000, respectively, (ii) approximately HK\$420 million will be used to construct and equip the Mega-iAdvantage server co-location centre in the second half of 2000, (iii) approximately HK\$120 million and HK\$1,000 million will be used to refurbish and

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## SUMMARY OF THIS PROSPECTUS

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equip server co-location centres in Greater China, and to establish points of presence in international locations in 2000 and 2001, respectively and (iv) approximately HK\$485 million will be used as working capital and for capital investments to support its ongoing operations;

- approximately HK\$200 million will be used to fund the marketing and promotional activities and development costs of the Internet service subsidiaries of the Group and to support their ongoing operations;
- approximately HK\$121 million will be allocated for future direct and indirect investments in IT and Internet related businesses;
- the balance of approximately HK\$433 million will be used as working capital of the Group to support its ongoing operations and expansion; and
- in the event that the Over-allotment Option is exercised in full, the additional net proceeds of approximately HK\$453 million will be applied by the Company, as to approximately 20 per cent. for further funding of marketing and promotional activities and development costs of the Internet service subsidiaries of the Group, as to approximately 30 per cent. for future direct and indirect investments in IT and Internet related businesses and as to approximately 50 per cent. for general working capital of the Group to support its ongoing operations and expansion.

To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes, it is the present intention of the Directors that such proceeds should be placed on short-term deposit with banks or financial institutions in Hong Kong.

In the event that the Issue Price is less than HK\$10.38, the net proceeds allocated in respect of working capital shall be reduced accordingly.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:*

“Asia Java Fund”	Asia Java Fund Pte. Ltd., a limited company incorporated in Singapore with a limited duration
“associate(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Assured Entitlements”	the entitlements of Qualifying Shareholders to apply for Reserved Shares under the Preferential Offer on the basis of an assured entitlement of one Reserved Share for every whole multiple of 140 SHKP Shares held by each Qualifying Shareholder on the Record Date
“Banking Street”	BankingStreet.net (H.K.) Limited, a limited company incorporated in Hong Kong which is a wholly-owned subsidiary of the Company
“Beijing Technology Development Fund”	Beijing Technology Development Fund (Cayman) LDC, a limited company incorporated in the Cayman Islands with a limited duration
“Board”	the board of Directors
“business day”	any day (other than a Saturday or Sunday) on which banks in Hong Kong are generally open for business
“CCASS”	the Central Clearing and Settlement System established and operated by Hongkong Clearing
“Companies Law”	the Companies Law (1998 Revision) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended)
“Company”	Sunevision Holdings Limited, a company incorporated on 25 January 2000 in the Cayman Islands with limited liability
“Company Share Option Scheme”	the share option scheme for full time employees and executive Directors of the Group, the principal terms of which are summarised in the section headed “Statutory and General Information — Share Option Schemes” in Appendix 5 to this prospectus
“Conversion Shares”	Shares to be issued by the Company on the conversion of the Convertible Note (in whole or in part) in accordance with the terms and conditions of the Convertible Note
“Convertible Note”	the HK\$730 million 3 per cent. redeemable convertible note due 2003 issued by the Company to Sunco, the principal terms of which are set out in Appendix 3 to this prospectus

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## DEFINITIONS

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“CyberIncubator”	an incubation programme offered in partnership with HKITC in Hong Kong
“Director(s)”	the director(s) of the Company
“DynaFund II”	DynaFund II, L.P., a venture capital limited partnership incorporated in Delaware, US
“Excluded Shareholders”	shareholders of SHKP who are the chief executive or directors of any member of the Group, or an associate of such chief executive or directors
“Existing Shareholder”	Sunco, a wholly-owned subsidiary of SHKP
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the board of the Stock Exchange with responsibility for GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“GEM website”	the website of GEM located at <i>www.bkgem.com</i>
“Greater China”	the PRC, Hong Kong and Taiwan
“Group”	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, the present subsidiaries of the Company
“Guaranteed Entitlement”	the assured entitlement (subject to satisfaction of certain pre-conditions) of each Qualifying User to subscribe for 500 User Preferential Shares under the User Preferential Offer
“HKITC”	The Hong Kong Industrial Technology Centre Corporation
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hongkong Clearing”	Hong Kong Securities Clearing Company Limited
“Huge Profit”	Huge Profit Investments Ltd., a limited company incorporated in the British Virgin Islands which is a wholly-owned subsidiary of the Company
“iAdvantage”	iAdvantage Limited, a limited company incorporated in Hong Kong which is a wholly-owned subsidiary of the Company
“iAdvantage Share Option Scheme”	the share option scheme for full time employees and executive directors of iAdvantage, the principal terms of which are summarised in the section headed “Statutory and General Information — Share Option Schemes” in Appendix 5 to this prospectus

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## DEFINITIONS

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“IDC”	International Data Corporation, a company incorporated in Massachusetts, US, which provides information technology market research
“iHON”	iHON Limited, a limited company incorporated in Hong Kong which is a wholly-owned subsidiary of the Company
“Incubasia”	Incubasia Ltd., a limited company incorporated in the British Virgin Islands
“Insurance Street”	Insurancestreet.net (H.K.) Limited, a limited company incorporated in Hong Kong which is a wholly-owned subsidiary of the Company
“IPO Pricing Date”	the date, expected to be on or around 9 March 2000, on which the Issue Price is fixed for the purposes of the Share Offer
“Issue Price”	the price per Offer Share (exclusive of brokerage costs and the Stock Exchange transaction levy) at which the Shares are to be subscribed and issued pursuant to the Share Offer, to be determined as described in the section headed “Structure of the Share Offer — Determining the Issue Price”
“Jardine Fleming”	Jardine Fleming Securities Limited, an investment adviser and dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong), acting as the sponsor, global coordinator and lead manager of the Share Offer
“Jumbo-iAdvantage”	the iAdvantage co-location centre under development at Tsuen Wan
“Latest Practicable Date”	28 February 2000, being the latest practicable date for ascertaining certain information in this prospectus prior to its publication
“Listing Date”	the date trading in the Shares commences on GEM
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Management Shareholders”	SHKP and Sunco or either of them
“Mega-iAdvantage”	the iAdvantage co-location centre under development at Chai Wan
“Offer Shares”	the Public Offer Shares and the Placing Shares
“OFTA”	Office of Telecommunications Authority of Hong Kong

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## DEFINITIONS

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“Over-allotment Option”	the option granted by the Company to the Placing Underwriters, exercisable by Jardine Fleming (on behalf of the Placing Underwriters) pursuant to the Underwriting Agreement under which the Company may be required to issue up to 45,000,000 additional new Shares, representing 15 per cent. of the Shares initially available under the Share Offer, to cover over-allocations in the Placing
“Overseas Shareholders”	holders of SHKP Shares whose addresses on the register of members of SHKP were outside Hong Kong on the Record Date
“Placing”	the conditional placing by the Placing Underwriters of the Placing Shares (i) with institutional and professional and other investors expected to have a sizeable demand for Shares pursuant to an international placement, (ii) with certain employees of SHKP on a preferential basis, (iii) with Qualifying Users on an assured basis under the User Preferential Offer, and (iv) with Qualifying Shareholders on an assured basis under the Preferential Offer, as described under “Structure of the Share Offer”
“Placing Shares”	270,000,000 new Shares (subject to Over-allotment Option adjustment and reallocation) being offered under the Placing
“Placing Underwriters”	Jardine Fleming, Credit Lyonnais Securities (Asia) Limited, HSBC Investment Bank Asia Limited, UBS AG, ABN AMRO Rothschild, Bear Stearns Asia Limited, BNP Prime Peregrine Securities Limited, BOCI Asia Limited, Cazenove Asia Limited, Credit Suisse First Boston (Hong Kong) Limited, China International Capital Corporation (Hong Kong) Limited, Dao Heng Securities Limited, Honour Securities Limited, Indosuez W.I. Carr Securities Limited, Kim Eng Securities (Hong Kong) Limited and Salomon Brothers International Limited
“PRC” or “Mainland China”	People’s Republic of China and for the purposes of this prospectus, excluding Hong Kong, Macau and Taiwan
“Preferential Offer”	the preferential offer to the Qualifying Shareholders for subscription of the Reserved Shares at the Issue Price on and subject to the terms and conditions stated herein and in the application form relating thereto
“Property Street”	PropertyStreet.net (H.K.) Limited, a limited company incorporated in Hong Kong which is a wholly-owned subsidiary of the Company
“Public Offer”	the offer for subscription by the public of the Public Offer Shares for cash at a price of not more than HK\$10.38 per Share, on and subject to the terms and conditions stated in this prospectus and in the application forms relating thereto

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## DEFINITIONS

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“Public Offer Shares”	the 30,000,000 new Shares (subject to reallocation) being offered by the Company for subscription under the Public Offer
“Public Offer Underwriters”	Jardine Fleming, BOCI Asia Limited, Credit Lyonnais Securities (Asia) Limited, HSBC Investment Bank Asia Limited, UBS AG, Dao Heng Securities Limited, Goodwill Financial Services (Holdings) Limited, Honour Securities Company Limited, ICEA Capital Limited, Kingsway SW Securities Limited and Tai Fook Securities Company Limited
“QIB”	“qualified institutional buyer” within the meaning of Rule 144A
“qualified purchasers”	“qualified purchasers” within the meaning of the U.S. Investment Company Act of 1940
“Qualifying Users”	9,000 registered users of <i>red-dots.com</i> and 9,000 registered users of <i>propertystreet.net</i> who satisfy certain criteria which include the following: (i) they are individuals who have provided to <i>red-dots.com</i> or <i>propertystreet.net</i> (as the case may be) their correct and valid Hong Kong Identity Card number, e-mail address and all other information required for registration as a user, (ii) they were the first in time to register as users of these Internet services, and (iii) they receive an e-mail from the Company on the date of this prospectus confirming that they are eligible (provided certain other pre-conditions are met) to apply for User Preferential Shares. The Company has the sole discretion to determine whether such criteria have been satisfied by each such registered user and the Company’s decision in respect thereof shall be final and binding on the registered users
“Qualifying Shareholders”	holders of SHKP Shares, whose names appeared on the register of members of SHKP on the Record Date, other than Overseas Shareholders, US Shareholders and Excluded Shareholders
“Record Date”	1 March 2000, being the record date for ascertaining the Assured Entitlements
“Red-Dots”	Red-Dots Limited, a limited company incorporated in Hong Kong which is a wholly-owned subsidiary of the Company
“Red-Dots Share Option Scheme”	the share option scheme for full time employees and executive directors of Red-Dots, the principal terms of which are summarised in the section headed “Statutory and General Information — Share Option Schemes” in Appendix 5 to this prospectus
“Regulation S”	Regulation S under the US Securities Act

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## DEFINITIONS

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“Reorganisation”	the reorganisation of the Group in preparation for the listing of the Shares on GEM, the details of which are set out in the section “Statutory and General Information — Corporate Reorganisation” in Appendix 5 to this prospectus
“Reserved Shares”	9,000,000 Placing Shares (subject to reallocation) being offered pursuant to the Preferential Offer
“Rule 144A”	Rule 144A under the US Securities Act
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong) (as amended)
“SEC”	the US Securities and Exchange Commission
“Senior Management Officers”	the individuals listed under the section “Directors, Management and Staff — Senior Management”
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Share Offer”	the Public Offer and the Placing
“Share Option Schemes”	the Company Share Option Scheme, the iAdvantage Share Option Scheme and the Red-Dots Share Option Scheme
“SHKP”	Sun Hung Kai Properties Limited, a company incorporated in Hong Kong with limited liability on 14 July 1972, the shares of which are listed on the Main Board and the ultimate controlling shareholder of the Company, whose interest in the Company is held through Sunco
“SHKP Group”	SHKP and its subsidiaries, but excluding the Company and its subsidiaries
“SHKP Shares”	shares with a par value of HK\$0.50 each in the share capital of SHKP
“SmarTone”	Smartone Mobile Communications Limited, a limited company incorporated in Hong Kong and an associate of the SHKP Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Streets”	Property Street, Insurance Street and Banking Street
“Sunco”	Sunco Resources Limited, a limited company incorporated in the British Virgin Islands which is a wholly-owned subsidiary of SHKP from whom the Company acquired its entire equity interest in and all shareholders’ loans made to the Group (other than the Company), pursuant to the Reorganisation

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## DEFINITIONS

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“Sun Technology”	Sun Technology Services Limited, a limited company incorporated in Hong Kong which is a wholly-owned subsidiary of the Company
“SuperHome”	SuperHome.net (H.K.) Limited, a limited company incorporated in Hong Kong which is a wholly-owned subsidiary of the Company
“Super-office”	Super-office.net (H.K.) Limited, a limited company incorporated in Hong Kong which is a wholly-owned subsidiary of the Company
“SuperStreets”	SuperStreets Ltd., a limited company incorporated in the British Virgin Islands which is a wholly-owned subsidiary of the Company, and the holding company of the Streets
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreement”	the conditional placing and underwriting agreement relating to the Share Offer dated 3 March 2000 entered into between, inter alia, the Company and the Underwriters
“US” or “United States”	the United States of America
“US Securities Act”	the US Securities Act of 1933, as amended
“US Shareholders”	shareholders of SHKP who are US persons or who are within the United States (as such terms are defined in Regulation S)
“User Preferential Offer”	the preferential offer to Qualifying Users for subscription of the User Preferential Shares at the Issue Price on and subject to the terms and conditions stated herein and in the application form relating thereto
“User Preferential Shares”	9,000,000 Placing Shares (subject to reallocation) being offered pursuant to the User Preferential Offer, as described in the section headed “Structure of the Share Offer” in this prospectus
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

*All third party trademarks appearing in this prospectus are the property of their respective owners.*

*For the purposes of this prospectus, unless otherwise indicated, Hong Kong dollar amounts have been translated using the rate of US\$1 : HK\$7.80.*

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## GLOSSARY OF TECHNICAL TERMS

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*The glossary contains explanations of certain terms and definitions used in this prospectus in connection with the Group and its business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.*

“broadband”	telecommunications that provide multiple channels of data over a single communication medium
“CABD”	Communal Aerial Broadcasting Distribution, the traditional means of receiving free-to-air programming via a roof-top aerial
“CAT-5”	Category 5 high quality copper cable, commonly used for LANs
“coaxial cable”	an insulated copper wire surrounded by a grounded aluminium layer which acts as a shield against electrical and radio frequency interference, commonly used in cable television installations
“community”	an interacting population of individual Internet users in a common location
“cpm”	Cost Per Mille, being cost per thousand advertisement impressions
“domain name”	the Internet name of a website which is registered with an approved domain name registrar, eg. “ <i>red-dots.com</i> ”
“download”	to copy files from one computer to another via a network or using a modem
“e-commerce”	electronic commerce carried out through or facilitated by the Internet
“fibre optic cable”	a cable containing a bundle of glass or plastic fibres which carry information encoded in pulses of light
“FTNS”	Fixed Telecommunications Network Services. FTNS involves the transmission of communications traffic from and to fixed points over a wireless network using radio waves
“hit”	a statistic used to measure website activity. One hit is counted each time a user accesses a different file on a website. Each page viewed on a website may contain many such files, so a single pageview or visit may account for multiple hits
“HTML”	HyperText Markup Language, a coding language used to make hypertext documents for use on the web. HTML resembles old-fashioned typesetting code, where a block of text is surrounded by codes that indicate how it should appear. HTML allows text to be “linked” to another file on the Internet

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## GLOSSARY OF TECHNICAL TERMS

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“HTTP”	HyperText Transfer Protocol, the data exchange protocol used for the world wide web. HTTP allows for the transfer of multimedia and hyperlinked data
“hypertext link”	a method of instantly linking one website to another
“ICP”	Internet content provider, a company that provides information, articles and other content over the Internet
“impressions”	an advertisement’s appearance on an accessed webpage. Advertisers use impressions to measure the number of views their advertisements receive and often buy advertising space according to a number of impressions. Impressions are tracked in a log maintained by a site server and are often sold on cpm basis
“Internet”	a global network of interconnected, separately administered public and private computer networks
“Internet penetration rate”	number of Internet subscribers divided by the subject population
“Intranet”	an intranet is a network that connects a geographically distinct group of people, to be contrasted with the Internet which is a system of worldwide networks
“ISP”	Internet service provider, a company that provides businesses and individuals with access to the Internet
“IT”	information technology incorporating Internet related services and business
“LAN”	Local Area Network. A LAN is a number of computers connected together over a relatively small geographical area, such as an office building or university campus
“link”	a graphic image or hypertext link on a website which transports a user from one web page to another with a click of a mouse. Links can be text or graphic. A graphic link usually has a frame around it while a hypertext link will usually be underlined and often in a different colour than the rest of the text on the web page
“LMDS”	Local Multipoint Distribution System. LMDS involves two-way broadband wireless data transmission within a line-of-site radius
“Mbps”	megabits per second, which is a measurement of speed for digital signal transmission expressed in millions of bits per second

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## GLOSSARY OF TECHNICAL TERMS

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“online”	being connected to the Internet
“online community”	a collection of Internet users organised around topics in such a way that the user actively contributes to both the dialogue and content within the community
“online navigation”	connecting to and viewing different websites and other Internet content, typically using a web browser
“pageviews”	a statistic used to measure website activity. One pageview is recorded each time a single page on a website (which may count for several hits) is loaded on a web browser
“PC”	personal computer
“PC penetration”	number of PCs divided by the subject population
“PNETS”	Public Non-Exclusive Telecommunications Service, a general telecommunications licence issued by OFTA with general and specific conditions tailored to the licensee
“portal”	a website that attracts visitors by offering information or services which is updated on an ongoing basis, but also acts as an entry point and gateway to other web-related services and links
“search engine”	an on-line application designed to find specific words or subject matter on the web
“server”	a computer that provides services for users of a computer network such as file server, print server or database server
“SMATV”	Satellite Master Antenna Television System
“traffic”	the volume of web users visiting a website
“visit”	a statistic used to measure website activity. A visit is generally recorded only once each time a user accesses a website, although, if a user is inactive for a period of time while accessing a website (i.e., the user is not recording additional hits and pageviews) an additional visit could be recorded when the user becomes active again
“WAP”	Wireless Application Protocol, a system which allows wireless devices such as mobile phones to display simplified Internet content
“web” or “world wide web”	a worldwide network of servers that support hypertext connections and other links using HTML and HTTP and which permits the communication of text, graphics, video, sound and other data over the Internet

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## GLOSSARY OF TECHNICAL TERMS

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“web browser”	software which provides a graphical interface through which an Internet user can navigate to various websites and other Internet content, and which integrates various tools which perform Internet-related functions for users, such as transferring files and reading e-mail
“web page”	a single file that can be displayed on the web
“website”	a collection of web pages which are linked together by a website operator

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## RISK FACTORS

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*An investment in the Offer Shares involves a high degree of risk and is speculative. Potential investors should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks and special considerations associated with an investment in the Group before making any investment decision in relation to the Group. Additional risks and uncertainties not presently known to the Group or that the Group currently deems immaterial could also harm the business, financial condition and operating results of the Group.*

*This prospectus contains certain forward looking statements relating to the Group's plans, objectives, expectations and intentions. The cautionary statements in this prospectus should be read as applicable to all forward looking statements herein. The Group's future financial results or operations could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below, as well as those discussed elsewhere in this prospectus.*

### **Risks relating to the Group**

#### ***General financial risks***

*The Group has a limited operating history*

The Group in its current form has a limited operating history. Its operations commenced with the establishment of Sun Technology, a then wholly-owned subsidiary of SHKP, in 1992. Since the second half of 1999, the Group has expanded into a number of associated businesses, establishing the Red-Dots Internet auction service, launching the SuperHome and Property Street Internet services, announcing the Insurance Street and Banking Street Internet services and launching the One-iAdvantage server co-location facility. As a result, the Group has a limited operating history on which to base an evaluation of its business and prospects. The Group's prospects must be considered in the light of the risks and uncertainties frequently encountered by companies in their early stages of development, and in particular new companies in the new and rapidly developing IT infrastructure and Internet services markets.

In addition, the Group's business strategy is unproven and the Directors cannot be certain that the Group will achieve its business objectives or that the Group will be able to successfully compete and achieve market acceptance or otherwise address the risk factors disclosed in this prospectus.

*The Group anticipates future losses*

Although Sun Technology's operations have been profitable in the past, the Group incurred a net loss in the six months ended 31 December 1999 of HK\$16.1 million. The Directors anticipate that the Group will continue to incur operating losses at a greater level than this for the foreseeable future due to a high level of planned operating and capital expenditures, potential acquisitions, increased sales and marketing costs, additional personnel hires, greater levels of product development and the Group's general growth objectives. In particular, iAdvantage's server co-location operations require significant initial capital investment.

Whilst Sun Technology commenced operations in 1992, a number of significant new subsidiaries of the Group, which commenced or will commence operations during 1999 and 2000, have been added to form the Group. Therefore, an analysis of the combined historical financial

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## RISK FACTORS

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statements in relation to the Group is not meaningful and should not be relied on as an indication of future performance. In addition, as a result of the rapidly evolving nature of the Group's business and its limited operating history in its current form, it is extremely difficult to forecast future revenues and earnings and the Group believes that period-to-period comparisons of its operating results are not meaningful and should not be relied on as an indication of future performance. See "Active Business Pursuits — Management's Discussion and Analysis of Financial Condition and Results of Operations".

### *Significant future growth may place significant strain on the Group*

The Group is currently experiencing a period of significant expansion in terms of its headcount, facilities and infrastructure and the Directors anticipate that further expansion will be required to address potential growth in its businesses. Such expansion may place a significant strain on the Group's management, operational and financial resources.

The Group's employees include a number of key managerial, marketing, planning, technical and operations personnel who have only recently been recruited, including the Company's managing director, and the Group expects to continue to add additional key personnel in the future. To manage the expected growth of its operations and personnel, the Group will be required to improve existing and implement new management, operational and financial systems, procedures and controls, and to expand, train and manage its growing employee base. The Group will also be required to expand its finance, administrative and operations staff.

Furthermore, the Group may be required to enter into relationships with various strategic partners and other third parties necessary to the Group's business. There can be no assurance that the Group's current and planned personnel, systems, procedures and controls will be adequate to support the Group's future operations, that management will be able to hire, train, retain, motivate and manage required personnel or that the Group's management will be able to identify, manage and exploit existing and potential strategic relationships and market opportunities. The failure of the Group to manage growth effectively could have a material adverse effect on the Group's business, results of operations and financial condition.

### ***Risks relating to the Company's ultimate parent***

#### *Dependence of the Group on operating and financial resources provided by SHKP*

During their operating history, the Group's businesses have been operated as divisions of SHKP. SHKP has only recently reorganised such businesses under the Group for the purposes of the Share Offer. As a result, the combined financial statements included in this prospectus do not necessarily reflect the financial condition of the Group as though the Group had been a stand-alone entity throughout the relevant periods.

Prior to the Reorganisation, the Group's businesses have relied on SHKP for substantially all of their resources and funding. The Group's need to acquire the necessary skills, staff and systems to operate as an independent public company is likely to substantially increase the Group's operating expenses and occupy senior management's time. The Group's future operating results and ability to meet its growth objectives will be materially influenced by how quickly and effectively the Group can operate as an independent public company.

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## RISK FACTORS

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Prior to the Reorganisation, SHKP provided capital to the Group and the balances of such amounts were HK\$581.3 million, HK\$577.0 million and HK\$716.9 million as at 30 June 1998 and 30 June 1999 and 31 December 1999, respectively. Whilst the Company and the other members of the Group will remain subsidiaries of SHKP following the Reorganisation, as a result of the listing of the Offer Shares on GEM, the Group will become subject to the provisions governing connected transactions in the GEM Listing Rules and may require approval by the independent shareholders of the Company which may limit the ability of the Group to rely on SHKP as a source of capital in the future.

*The interests of SHKP, the Group's ultimate parent, may not always coincide with those of the Group, which could hamper the Group's development*

Immediately after the Share Offer, SHKP will indirectly control approximately 85 per cent. of the issued Shares of the Company (assuming the Over-allotment Option is not exercised), will indirectly hold the Convertible Note and will control the Company's board of Directors. Accordingly, SHKP will exercise substantial influence over the Group's operations and business strategy. Such voting control will permit SHKP to pass a special resolution of shareholders as well as permitting SHKP to block certain types of transactions, including those involving an actual or potential change of control of the Group. In the event that there is a divergence of the Group's strategic and other interests from those of the SHKP Group in the future, there can be no assurance that SHKP will not use its influence over the affairs of the Group in a manner which is not in the best interests of the Group. See "Relationship with SHKP".

The Group is dependent on the SHKP Group in respect of the SHKP Group's property activities and its relationships with a number of entities including banks, insurance companies, real estate agents and entities in Mainland China. Furthermore, historically, a significant proportion of the Group's revenues has been dependent on SHKP. For example, in the six months ended 31 December 1999, 95 per cent. of Sun Technology's turnover was attributable to services provided to the SHKP Group. In addition, although the Directors believe that SHKP has no current intention to engage in competing activities, SHKP is under no contractual restriction in this regard.

### ***Risks relating to the Group's current business operations***

*The Group depends on its key executives and personnel*

The Group's performance depends to a significant extent on the continued services and performance of its senior management and other key personnel. The Group's performance also depends on its ability to retain and motivate its other officers and key employees. The Group does not have employment agreements in excess of three years with any of its key personnel and maintains no "key person" life insurance policies.

The ability of certain of officers to provide services to the Group may be adversely affected by the fact that such persons will also provide services to SHKP and other members of the SHKP Group.

In addition, the Group will need to recruit additional personnel to achieve its planned growth. Competition for employees with the necessary experience in the IT infrastructure and Internet industries is intense and is expected to increase. The Group may not be able to retain

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## RISK FACTORS

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existing employees or identify or recruit new employees because of such competition. The failure of the Group to recruit or retain the necessary personnel, or the loss of the services of any of its key personnel, could have a material adverse effect on the Group's business, results of operations and financial condition. See "Directors, Management and Staff".

### *The Group operates in markets subject to rapid technological change*

The markets in which the Group operates are characterised by rapidly changing technology, evolving industry standards, frequent new service and product announcements, introductions and enhancements and changing customer demands. These market characteristics are exacerbated by the emerging nature of the web and the apparent need of companies from a multitude of industries to offer web-based products and services. Accordingly, the Group's future success will depend on its ability to adapt to rapidly changing technologies, to adapt its services to evolving industry standards and continually to improve the performance, features and reliability of its services in response to competitive service and product offerings and evolving demands of the market place. The failure of the Group to adapt to such changes would have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, the widespread adoption of new Internet, networking or telecommunications technologies or other technological changes could require substantial expenditures by the Group to modify or adapt its services or infrastructure, which could have a material adverse effect on the Group's business, results of operations and financial condition.

### *Failure by third party suppliers to provide content, software and hardware components could affect the business and operations of the Group*

The Group depends on third party suppliers of content, software and hardware components. The failure of the Group's suppliers to meet increasing demand may prevent them from supplying the Group with components and products as required by the Group. The Group's inability to develop alternative sources for such content, software and hardware could delay and increase the cost of expanding its IT infrastructure and Internet services and could adversely affect the operating efficiency and results of operations of the Group by, among other things, impairing the Group's ability to execute its strategy of increasing its market share.

In addition, although the Group, and in particular SuperStreets, has signed memoranda of understanding and letters of intent with certain content providers, such memoranda and letters are non-exclusive and non legally binding and therefore there can be no assurance that such content providers will not provide such information to a competing website nor that the Group would be able to require such content providers to continue to supply content were they to stop providing such information. Although, the Group intends to enter into legally binding agreements with its content providers in the future, there can be no assurance that this will be achieved nor that the terms will be equivalent to, or more beneficial to the Group than, the current arrangements. Failure by the Group's significant content providers to provide the Group with original content for the Group's services could have a material adverse effect on the Group's business, results of operations and financial condition.

### *The Group may encounter difficulties with respect to its use of intellectual property rights*

The Group currently owns and uses technology licensed to it by third parties. As the Group continues to introduce new services that require new technology, the Directors believe that the Group could be adversely affected by the following risks:

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## RISK FACTORS

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*Licensing technology from third parties.* The Group anticipates that it may need to obtain licences to use additional third party technology. The Directors cannot provide any assurance that these technology licences will be available to the Group on commercially reasonable terms, if at all. The Group's inability to obtain any of these technology licences or inadvertent infringement of others' intellectual property rights could delay or compromise the introduction of new services, cause the Group to incur liabilities and could have a material adverse effect on the Group's business, results of operations and financial condition.

*Litigation with respect to use of the Group's intellectual property rights.* Given that the Group is operating in the IT and Internet industries, it may be possible that the Group will have to litigate to enforce or protect the intellectual property rights of the Group, including contractual rights, patents, copyright, trademarks and trade secrets, or to determine the validity and scope of the proprietary rights of others, which could result in substantial costs and diversion of the Group's resources. In addition, if the Group is unable to establish or protect these rights in the domestic and international markets in which the Group competes, its competitors may be able to use its intellectual property to compete against the Group in such markets. This could have a material adverse effect on the business, operations and financial condition of the Group.

*Potential Litigation.* The Company has received a letter from a firm of solicitors in Hong Kong acting for Sun Microsystems, Inc of USA making certain claims as to trade mark infringement and passing off (see Appendix 5 under the paragraph headed "Litigation"). The Company will defend any possible legal action which may be taken by Sun Microsystems, Inc. The Company is of the view that if it were unsuccessful in its defence, the Company would face an award of damages and legal costs and restrictions on its ability to use "SUNeVision", the "SUNeVision" logo and/or "Sun Technology".

*Registration of the Group's intellectual property rights.* The Group regards its copyrights, service marks, trade marks, domain names and similar intellectual property as critical to its success. Applications have been made by the Group for registration of the service marks and trade marks referred to in the section headed "Intellectual Property" of Appendix 5 to this prospectus. There is no assurance that these applications will not be opposed by third parties who claim to have proprietary rights to such intellectual property. Members of the Group are the registrants of the domain names referred to in the section headed "Intellectual Property" in Appendix 5 to this prospectus or have entered into transfer agreements pursuant to which the domain names referred to in such section will be transferred to it. If the Group were to lose its proprietary rights to such domain names, or its service marks or trade marks such loss could have a material adverse effect on the business, operations and financial condition of the Group.

### ***Risks relating to the Group's IT infrastructure businesses***

*The Group is subject to risks relating to the expansion of its server co-location business*

A key element of the Group's business strategy is the expansion of the Group's network through the opening of additional Internet server co-locations in geographically diverse locations. The Group intends to expand domestically, with an additional two server co-location centres expected to be completed in Hong Kong this year, as well as internationally at a later stage. There can be no assurance that the Group will be able successfully to continue the expansion and development of its network in a timely manner, at a reasonable cost or on terms and conditions acceptable to the Group. The Group's ability to manage this expansion effectively

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## RISK FACTORS

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will also require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The Group's inability to establish additional Internet server co-location centres or manage effectively their expansion, could have a material adverse effect upon the Group's business, results of operations and financial condition.

The establishment of each additional Internet server co-location centre will require the Group to expend substantial resources in relation to the selection and acquisition of the appropriate location, construction the necessary facilities, installation of equipment and telecommunications infrastructure and hiring of the necessary operations and sales personnel. Moreover, the Group expects to make investments in sales and marketing and the development of new services as part of its expansion strategy.

Capital expenditures, including those for new Internet server co-location centres, will be funded primarily through internally generated funds and the proceeds of the Share Offer. However, there can be no assurance that the Group will be successful in generating sufficient cash from sales of services or in raising capital in sufficient amounts on terms acceptable to it. If the Group is unable to generate sufficient cash or raise sufficient capital, the Group may have to delay or abandon some or all of its development and expansion plans or otherwise forego market opportunities, which may make it difficult for the Group to respond to competitive pressures, any of which could have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, expenditures related to a new Internet server co-location centre commence well before the centre opens and it takes an extended period to approach break-even capacity utilisation at each site. As a result, the Group expects that individual Internet server co-location centres will generally experience losses for in excess of one year from the time such centres are opened. There can also be no assurance that the Group will be able to anticipate accurately the customer demand for such additional Internet server co-location centres or that the Group will be able to attract a sufficient number of customers to such facilities. The Group's inability to attract customers to new Internet server co-location centres in a timely manner, or at all, would have a material adverse effect on the Group's business, results of operations and financial condition.

*The Group may be subject to competition from foreign companies with greater resources*

Whilst the Directors believe that the number of current competitors of comparable size and service in the server co-location business in Hong Kong is limited, there can be no assurance that new firms will not enter the Hong Kong market. In addition, the Group's strategy is to expand its server co-location business in order to take advantage of the increased demand for such services that is expected to be created by the deregulation of the Hong Kong telecommunications industry (see "Industry Overview"). There can be no assurance that new telecommunications operators will not establish their own co-location centres nor that such strategy will be successful. Such events could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group expects to expand its server co-location operations outside Hong Kong into markets where it may be subject to competition from international operators. In the international market for server co-location services, many of the Group's competitors have substantially greater financial, technical and marketing resources, larger customer bases, longer operating histories, greater name recognition and more established relationships in the industry than the

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## RISK FACTORS

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Group. As a result, certain of these competitors may be able to develop and expand their network infrastructures and service more quickly, adapt to new or emerging technologies and changes in customer requirements more quickly, take advantage of acquisition and other opportunities more readily, devote greater resources to the marketing and sale of their products and adopt more aggressive pricing policies than the Group.

In addition, many of these competitors have entered and will likely continue to enter into joint ventures or consortiums to provide additional services competitive with those provided by the Group. Certain of the Group's competitors may be able to provide customers with additional benefits in connection with their Internet system and network management solutions, including reduced communications costs, which could reduce the overall costs of their services relative to the services of the Group. There can be no assurance that the Group will be able to offset the effects of any such price reductions. In addition, the Group believes that the businesses in which the Group competes are likely to encounter consolidation in the future, which could result in increased price and other competition that could have a material adverse effect on the Group's business, results of operations and financial condition.

### *The Group is exposed to risks relating to systems failure*

The Group's server co-location operations are dependent upon its ability to protect its network infrastructure and customers' equipment against damage from human error, fire, earthquakes, floods, power loss, telecommunications failures, sabotage, hackers, intentional acts of vandalism and similar events. Despite precautions taken by, and planned to be taken by, the Group, the occurrence of a natural disaster or other unanticipated problems at one or more of the Group's Internet server co-location centres could result in interruptions in the services provided by the Group or significant damage to customer equipment. In addition, failure of any of the Group's telecommunications providers, such as Cable & Wireless HKT, to provide the data communications capacity required by the Group, as a result of human error, a natural disaster or other operational disruption, could result in interruptions in the Group's Internet server co-location services.

Any damage to or failure of the systems of the Group or its service providers could result in reductions in, or terminations of, services supplied to the Group's customers, which could have a material adverse effect on the Group's business, results of operations and financial condition. In addition, the Group's reputation could be materially adversely affected.

Whilst it is intended that customers should be responsible for damage or loss with respect to their own hardware, data or software, should the Group incur significant obligations in connection with system downtime or should damage be caused to the hardware, data or software of any of its customers, there can be no assurance that the Group's liability insurance would be adequate to cover such damage. Indeed, iAdvantage does not currently have insurance cover for risks such as data loss or loss of profit, as the Directors believe that it is not currently possible to procure insurance for such risks in Hong Kong at commercially reasonable rates.

### *The Group may not be able to expand its operations sufficiently to meet customer requirements*

The success of the Group's IT infrastructure operations will depend upon the capacity, scalability, reliability and security of its network infrastructure, including the capacity leased from its telecommunications network suppliers. The Group must continue to expand and adapt

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its server network infrastructure as the number of users and the amount of information they wish to transport increase and to meet changing customer requirements. The expansion and adaptation of the Group's telecommunications infrastructure will require substantial financial, operational and management resources as the Group negotiates telecommunications capacity with its existing and other network infrastructure suppliers. Due to the limited deployment of the Group's services to date, the ability of the Group's network to connect and manage a substantially larger number of customers at high transmission speeds is as yet unknown, and the Group faces risks related to the network's ability to be scaled up to its expected customer levels while maintaining superior performance.

As customers' usage of bandwidth increases, the Group will need to make additional investments in its infrastructure to maintain adequate data transmission speeds, the availability of which may be limited or the cost of which may be significant. There can be no assurance that additional network capacity will be available from third-party suppliers as it is needed by the Group nor that its network will be able to achieve or maintain a sufficiently high capacity of data transmission. In particular, the Group is dependent on Cable & Wireless HKT and certain other telecommunications providers for their network capacity and is therefore dependent on such companies to maintain the operational integrity of such networks.

There can be no assurance that the Group will be able to expand or adapt its telecommunications infrastructure to meet additional demand or its customers' changing requirements, on a timely basis and at a commercially reasonable cost, or at all. The Group's failure to achieve or maintain high capacity data transmission could significantly reduce customer demand for its services and have a material adverse effect on its business, results of operations and financial condition.

### ***Risks relating to the Group's Internet services businesses***

*The Group will have to make a significant commitment in developing its Internet service brands*

The Group believes that strengthening the brands of its Internet services is critical to achieving widespread acceptance of such services and customer loyalty. The number of Internet websites that offer competing auction and e-commerce services increases the importance of establishing and maintaining recognition of the Group's brand names. Promoting and positioning its brand will depend largely on the success of the Group's marketing efforts and the ability of the Group to provide high quality services. In order to promote its brand, the Group may need to increase its marketing budget and otherwise increase its financial commitment to create and maintain brand loyalty among users. There can be no assurance that such activities will yield increased revenues or that any such revenues would offset the expenses incurred by the Group in building its brand.

*The Internet services business is an intensely competitive market*

The market for Internet services is new, rapidly evolving and intensely competitive, and the Group expects competition to intensify further in the future. Barriers to entry into Internet services businesses are relatively low, and current and new competitors can launch new sites at a relatively low cost using commercially-available software. Many of the existing competitors of the Group, as well as a number of potential new competitors, have longer operating histories in

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the Internet market, greater name recognition, larger customer bases and databases and significantly greater financial, technical and marketing resources than the Group. Competitive pressures created by any of the Group's competitors, individually or collectively, could have a material adverse effect on the Group's business, results of operations and financial condition.

Furthermore, as a strategic response to changes in the competitive environment, the Group may, from time to time, make certain pricing, service or marketing decisions or acquisitions that could have a material adverse effect on its business, results of operations and financial condition. New technologies and the expansion of existing technologies may also increase the competitive pressures on the Group by enabling the Group's competitors to offer a lower-cost service.

The e-commerce sector in Asia is relatively new and the Directors believe that the sector will undergo substantial changes in the course of the next few years, with a number of companies establishing operations in the sector. The Group expects to encounter significant competition in connection with its entry into the Asian e-commerce sector. In addition, the Directors believe that there are a number of potential competitors who are already strong players in the e-commerce sector in other regions as well as other companies who are already operating in Asia in sectors which are related to e-commerce, who have not yet made a substantial commitment to developing a market for e-commerce in Asia and who may decide to do so in the future. Many of the companies already operating in the e-commerce sector in Asia, as well as those who may commence such operations in the future, have longer operating histories than the Group in this sector, greater name recognition, larger customer bases and databases and significantly greater financial, technical and marketing resources than the Group. There can be no assurance that the Group will be able to successfully compete against these and other potential competitors in the e-commerce sector. Failure to do so would have a material adverse effect on the business, financial condition and results of operations of the Group.

*The Group's model to generate advertising revenue from its Internet services is not proven*

The financial prospects of the Group's Internet services are, in part, dependent on the anticipated expansion of online advertising in Asia and the increased revenues generated by such advertising. As the development of Internet advertising is in its early stages, revenues generated from online advertising are currently more unpredictable than they would otherwise be. The ability of the Group to generate and maintain significant advertising revenue will depend on, among other things, advertisers' acceptance of the Internet as an effective and sustainable advertising medium and the development of a critical mass of users of the Group's Internet services possessing demographic characteristics attractive to advertisers.

Furthermore, the Directors believe that the number of Internet companies in Asia trying to attract web-based advertising revenue will increase in the future. Accordingly, it is likely that the Group will face increased competition, resulting in increased pricing pressures on the Group's advertising rates which could in turn have a material adverse effect on the Group's business, results of operations and financial condition. In addition to other Internet companies, the Group also faces competition from traditional forms of media advertising such as newspapers, magazines, radio and television.

The development of web software that blocks certain forms of Internet advertisements before they appear on a user's screen may also hinder the growth of online advertising. Such

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software would prevent an advertisement being downloaded from the Group's server, which would decrease the Group's advertising revenue and adversely affect the Internet as a medium for advertising. The wide use of such software on the Internet could therefore have a material adverse effect on the Group's business, results of operations and financial condition.

*The Group's model to generate revenue from its Internet e-commerce services is not proven*

The financial prospects of the Group's Internet services are, in part, dependent on the anticipated expansion of e-commerce on the Internet and the revenues generated by intermediating such transactions. The Group's plan to generate revenues from the evolving e-commerce market is an unproven business model. The ability of the Group to generate and maintain significant e-commerce revenues not only depends on its ability to attract businesses to its Internet services and to attract a critical mass of users to its websites, but also on e-commerce gaining public acceptance as a medium through which to transact.

The Internet may not prove to be a viable mass commercial marketplace for a number of reasons, including public distrust due to the lack, or perceived lack, of acceptable security technologies for credit card payments, concerns over privacy, legal, regulatory and taxation issues, inconsistent quality of service and inadequate dispatch and delivery systems. There can be no assurance that the Group will be able to successfully establish an e-commerce model that will be accepted by the public as a medium through which to conduct business. Failure to establish such a model could have a material adverse effect on the Group's business, results of operation and financial condition.

The expansion of the Group's Internet services, and in particular e-commerce transactions, into Mainland China may be affected by the extent of credit card penetration and the development of payment systems that are able to settle transactions. Until such systems are established, the Group's Internet services that use credit card payments may be limited to areas in which merchants have a relationship with the bank operating the payment gateway on such Internet services.

*Government regulation and legal uncertainties could adversely affect the conduct of business on the Internet*

The application of existing laws to the Internet and Internet-related applications is uncertain and as a result is being clarified and refined around the world. The vast majority of relevant laws were adopted prior to the advent of the Internet and related technologies and, as a result, do not contemplate or address the unique issues presented by the Internet and related technologies. Such laws relate to issues such as freedom of expression, pricing, content and quality of products and services, property ownership, copyright and other intellectual property issues, taxation, libel, obscenity, information, security and personal privacy. In addition, in many jurisdictions a number of new legislative and regulatory proposals applicable to the Internet are under consideration. Generally, the Internet services regulatory regime in the PRC is more restrictive than other jurisdictions, and the PRC government has been reported as expressing its intention to implement further controls on existing and new areas of business relating to the Internet. In particular, the PRC has enacted regulations governing Internet access and the distribution of information which expose on-line information providers to potential liability for content included on their portals and liability for distribution of content deemed to be socially destabilising.

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The adoption of laws or regulations in relation to any such issues could decrease the rate of growth of Internet use, which in turn could decrease the demand for the Group's services or increase the cost of doing business. There can be no assurance that any state or country will not introduce legislation or regulations in the future in relation to these or other issues, in such a way that would not have a material adverse effect on the Group's business, results of operations and financial condition.

*The Group may be held liable for information retrieved from its Internet services which may not be covered by or may be in excess of its insurance coverage*

Since the Group's services can be used to download and distribute information to others, there is a risk that claims may be made against the Group for defamation, negligence, copyright or trademark infringement or other claims based on the nature and content of such material. Any imposition of liability that is not covered by the Group's insurance policies or is in excess of the Group's insurance coverage could have a material adverse effect on the Group's business, results of operations and financial condition.

*The Group's Internet services may be subject to capacity constraints*

As its revenues are dependent on the volume of traffic and transactions through its Internet services, the Group seeks to generate a high volume of traffic and transactions. Therefore, any system failure or inadequacy that causes interruptions in the availability of services of the Group, or increases the response time of services of the Group, could reduce user satisfaction, future traffic and the attractiveness of the Group's services to advertisers and customers.

Any substantial increase in the volume of traffic using the Group's Internet services will require the Group to expand and upgrade its technology, transaction processing systems and network infrastructure. There can be no assurance that the Group will be able to accurately project the rate or timing of increases, if any, in the use of its Internet services or expand and upgrade its systems and infrastructure to accommodate such increases in a timely manner. In addition, as the number of web pages and traffic increases in relation to each of its Internet services, there can be no assurance that the Group will be able to scale systems proportionately. Any failure to expand or upgrade its systems could have a material adverse effect on the Group's business, results of operations and financial condition.

*The Group's Internet services are dependent on factors outside its control*

The Group is dependent upon ISPs, telecoms carriers and other website operators in Asia and elsewhere, some of which may have experienced significant system failures and electrical outages in the past. Users of the Group's services may in the future experience difficulties due to system failures unrelated to systems and services of the Group.

In the event of damage from fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins and similar events, the Group could experience a complete system shut-down. Insurance coverage of the Group may not be adequate to compensate the Group for all losses that may occur in these circumstances.

Inappropriate use of the Group's Internet services and its server co-location facilities could jeopardise the security of confidential information (such as credit card numbers) stored on the Group's computer system or those of its customers, which may cause losses to the Group or its

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customers. Inappropriate use of the Internet includes attempting to gain unauthorised access to information or systems, commonly known as “cracking” or “hacking.” Although the Group has implemented security measures to protect its facilities, it is impossible to eliminate this risk completely. Alleviating problems caused by computer viruses or other inappropriate uses or security breaches may also lead to interruptions, delays or cessation in the Group’s services. The Group does not carry insurance covering losses or liabilities caused by computer viruses or security breaches.

### ***Risks relating to the Group’s strategy and future operations***

#### *The Group may not be able to successfully implement its strategy for future growth*

As a significant number of the Group’s subsidiaries have a limited operating history and do not expect to earn profits in the foreseeable future, a significant portion of the value of the Offer Shares in the future will depend on the Group’s success in implementing its long-term strategy. The success of such strategy depends upon a number of factors, both within and outside the control of the Group.

The Directors believe that the success of the Group in the future will substantially depend on, among other things, the Group’s success in leasing its expanded server co-location facilities in Hong Kong and other countries and successfully adapting its Internet services into e-commerce communities that generate revenues from advertising and Internet transactions, as well as its ability to successfully replicate such operations and develop new projects in Mainland China.

The Group has commenced expanding its operations in Hong Kong and expects to expand its operations in Mainland China in order to enhance the Group’s revenue growth, operations and profitability. Such expansion may result in significant capital expenditures by the Group and amortisation expenses related to goodwill and other intangible assets, each of which could have a material adverse effect on the Group’s business, results of operation and financial condition. Acquisitions involve numerous risks, including difficulties in integrating and assimilating the operations, technologies, products and personnel of the acquired business, the diversion of management’s attention from other business concerns and the potential loss of key employees of any acquired business.

There can be no assurance that additional financing will be available on terms favourable to the Group or at all. If adequate funds are not available or are not available on acceptable terms, the Group may not be able to fund its expansion, take advantage of unanticipated acquisition opportunities, develop or enhance services or products or respond to competitive pressures. Such inability could have a material adverse effect on the Group’s business, results of operations and financial condition.

#### *The Group’s strategy of expansion into Mainland China may expose the business of the Group to further risks*

The planned expansion of the Group into the Mainland China market through acquisitions, joint ventures or other arrangements could also expose the business of the Group to a number of risks including unexpected changes in regulatory requirements, potentially adverse tax and regulatory consequences, export and import restrictions and controls, tariffs and other trade barriers and political instability and fluctuations in currency exchange rates.

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The development of the Internet and related technologies is at an even earlier stage in Mainland China than in many other jurisdictions. For example, current Internet penetration rates are lower, payment systems less sophisticated and IT infrastructure less advanced than in other jurisdictions. In addition, it has been reported that the PRC government is considering imposing restrictions on the flow of information over the Internet. There can be no assurance that the PRC government will not seek to control or regulate the proposed business activities which the Group expects to seek to carry on in Mainland China. In addition, there can be no assurance that one or more of the factors discussed above will not have a material adverse effect on the Group's future Mainland China operations and, consequently, on the Group's business, results of operations and financial condition.

### *Use of proceeds from the Share Offer*

The business plan of the Group as described in the section headed "Statement of Business Objectives and Strategies" is based on assumptions of future events which by their nature are subject to uncertainty and there is no assurance that the plans of the Group will materialise as intended. In addition, a portion of the proceeds of the Share Offer is intended to be used for future direct and indirect investments in IT and Internet related businesses. As a result of unforeseeable events, the proceeds of the Share Offer may not be utilised as described above in the section headed "Use of Proceeds" and the Directors may need to reallocate the intended part of the net proceeds of the Share Offer to other business plans or new projects of the Group or hold such funds in bank accounts or short term securities so long as the Directors consider this to be in the best interests of the Group.

### **Political and economic risks**

#### *There are political and economic risks associated with doing business in Hong Kong*

Most of the facilities and operations of the Group are currently located in Hong Kong. Hong Kong is a Special Administrative Region of the PRC with its own government and legislature. Under the Basic Law, Hong Kong is entitled to a high degree of autonomy from the PRC under the principle of "one country, two systems". However, there can be no assurance that Hong Kong will continue to enjoy its current level of autonomy from the PRC, and if it does not, this could have a material adverse effect on the Group's business, results of operations and financial condition.

The US Dollar : Hong Kong dollar exchange rate has remained stable since 1983 due to the US dollar peg and currency board system that has been in effect in Hong Kong. As a result of the Asian crisis in mid-1997, interest rates in Hong Kong rose significantly, real estate values and retail sales declined and the Hong Kong economy went into recession until the second quarter of 1999. Also, Hong Kong is suffering deflation. The Hong Kong dollar was subject to currency speculation in 1998 and the Hong Kong government supported the market for the Hong Kong dollar, both directly and indirectly through the purchase of securities listed on the Stock Exchange in 1998. There can be no assurance that such economic factors will not recur or that the currency peg of the Hong Kong dollar to the US dollar will be maintained. Recurrence of recession in Hong Kong, deflation or the discontinuation of the currency peg could materially and adversely affect the business, financial condition and results of operations of the Group.

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*A change in currency exchange rates could increase costs relative to revenues of the Group*

Historically, substantially all revenues, expenses and liabilities of the Group have been denominated in HK dollars and US dollars. In the future, the Group may conduct business in additional jurisdictions which could generate revenues, expenses and liabilities in other currencies such as Renminbi. As a result, the Group will be subject to the effects of exchange rate fluctuations with respect to any of these currencies. The Group has not entered into agreements or purchased instruments to hedge the Group's exchange rate risks although the Group may do so in the future. As a result, future exchange rate fluctuations could have a material adverse effect on the business, financial condition and operations of the Group.

*There are political and economic risks associated with doing business in the PRC*

The PRC economy has traditionally been a planned economy. One, five and ten-year State Plans are adopted by the PRC government in connection with the development of the economy. Although state-owned enterprises still account for a substantial portion of the PRC's industrial output, in general, the State is reducing the level of direct control which it exercises over the economy through State Plans and other measures, and there is an increasing degree of liberalisation in areas such as allocation of resources, production, pricing and management and a gradual shift in emphasis to a socialist market economy.

During the last 18 years, the PRC government under its current leadership has been reforming, and is expected to continue to reform, its economic and political systems. Many of the reforms are unprecedented or experimental and are expected to be refined and improved upon. Other political, economic and social factors may also lead to further readjustment of the reform measures. The Group's business prospects in the PRC could be adversely affected by changes in the PRC's State Plans or political, economic and social conditions or changes in policies by the PRC government, changes in laws and regulations (or the interpretation thereof), measures which may be introduced to control inflation, changes in the rate or method of taxation, imposition of additional restrictions on currency conversion, and reduction in tariff rates and other import restrictions.

The PRC economy has experienced significant growth in the last five years, but such growth has been unevenly spread, geographically and among various sectors of the economy. The PRC government has implemented from time to time various policies, including during the period from 1989 to 1991 and again beginning in the second half of 1993, to control inflation and regulate economic expansion with a view to preventing overheating of the economy. Although the Group could benefit from the reduction of inflation, such measures or other action by the PRC government could have a material adverse effect on economic conditions in the PRC and therefore the business prospects of the Group.

With effect from 1 January 1994, the PRC government abolished its two-tier exchange rate system and replaced it with a unified floating exchange rate system largely based on market supply and demand. Since the introduction of this unified floating rate system, movements in the exchange rate of the Renminbi against other currencies, such as US dollars, are to an extent subject to market forces. Despite such developments, the Renminbi is still not a freely convertible currency. In addition, there is no assurance that the Renminbi will not be subject to devaluation

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or depreciation due to administrative or legislative intervention by the PRC government or adverse market movements, or that shortages in the availability of foreign currency will not develop. The value of the Group's investments and the profitability of its future operations may be adversely affected by any devaluation of the Renminbi.

### **Risks relating to the Shares**

*An active trading market for the Shares may not develop and their market price may be subject to volatility*

An active trading market for the Shares may not develop and the trading price for Shares may fluctuate significantly. Prior to the Share Offer, there has been no public market for any of the Shares. The Issue Price for the Offer Shares will be determined by negotiation between the Group and the Underwriters. This price may not be indicative of the price at which Shares will trade following the completion of the Share Offer. In addition, there can be no guarantee that an active trading market for Shares will develop, or, if it does develop, that it will be sustained following the completion of the Share Offer, or that the market price of the Shares will not decline below the Issue Price.

The trading price of the Shares could also be subject to significant volatility in response to, among other factors:

- investor perceptions of the Group and the Group's plans for its server co-location facilities portal and e-commerce businesses and expansion into Mainland China;
- developments in the IT infrastructure and Internet service industries;
- variations in operating results of the Group and SHKP;
- announcements of new products or services;
- technological innovations;
- changes in pricing made by the Group, the Group's competitors or providers of alternative services;
- changes to senior management;
- changes in share prices of other companies in the Internet sector;
- the depth and liquidity of the market for the Shares and the development of GEM as a stock market; and
- general economic and other factors.

*The shareholders' interests in the Company may be diluted in the future*

The Group may need to raise additional funds in the future to finance expansion of or new developments relating to its existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing shareholders, the percentage ownership of the shareholders of the

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Company may be reduced, shareholders may experience subsequent dilution and/or such securities may have rights, preferences and privileges senior to those of the Company's Shares. *Furthermore, subject to relevant legal and regulatory obligations, the Company may consider listing the Shares or the shares of one or more of its subsidiaries or 'spin-off' assets for the purposes of obtaining a listing on another stock exchange, if an appropriate opportunity arises and the Directors consider such future listing and/or 'spin-off' are in the best interests of the Group.*

*The Company may be permitted to issue new Shares within six months of the Listing Date*

Without the approval of the Stock Exchange, no further shares or securities convertible into equity securities of the Company may be issued or form the subject of any agreement to issue within the first six months of the Listing Date, pursuant to Rule 17.29 of the GEM Listing Rules. As the Group is engaged in Internet related businesses which are experiencing rapid growth, it is anticipated that funding will be required from time to time to finance the expansion of the business and operations of the Group which could be very soon after the listing of the Shares. As opportunities arise, the Directors will consider the funding options available to them at the time which may include the issue of Shares by the Company. Accordingly, there is a possibility that the Company may need to issue new Shares as consideration, or to raise funds, for acquisitions, or investments in, Internet and related businesses within the first six months of listing. Such fund raising may also include "top-up" placings by Sunco. Any such issues will be subject to approval by the Stock Exchange.

### **Issues to consider in relation to statements made in this prospectus**

*Certain statistics are derived from unofficial publications*

Certain statistics in this prospectus relating to the Internet industry, such as statistics relating to current and projected numbers of installed PCs, Internet usage and e-commerce revenues in various jurisdictions, as well as statistics regarding consumer preferences, are derived from various unofficial publications, in particular, those produced by IDC. Such information has not been independently verified by the Group and may be not accurate, complete or up-to-date. The Group makes no representation as to the correctness or accuracy of such statements and, accordingly, such information should not be unduly relied upon.

*Forward-looking statements contained in this prospectus may not be accurate*

Included in this prospectus are various forward-looking statements which can be identified by the use of forward looking terminology such as "may", "will", "expect", "anticipate", "estimate", "continue", "believe" and other similar words. The Group and its Directors have made forward-looking statements with respect to the following, among other things:

- the Group's objectives and strategies to achieve such objectives;
- the importance and expected growth of Internet technology;
- the importance and expected growth of e-commerce;
- the pace of change in the Internet marketplace;

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- the demand for IT infrastructure and Internet services; and
- advertising revenues.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Important factors that could cause the Group's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the loss of key personnel of the Group, changes relating to the Asian and global Internet industry and changes in general economic and business conditions. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed above in this section. These forward-looking statements speak only as of the Latest Practicable Date.

**GEM LISTING RULES WAIVERS**

*For the purpose of the listing of the Shares on the GEM, the Company has sought a number of waivers from the GEM Listing Division in relation to certain requirements under the GEM Listing Rules. Details of such waivers are described below.*

**Waiver on share disposal restriction**

Pursuant to Rule 13.16(2) of the GEM Listing Rules, the Company shall procure that Sunco undertakes to the Company and the Stock Exchange that, for a period of two years from the listing date, Sunco will not, save as provided in Rule 13.17 of the GEM Listing Rules, dispose of (nor enter into any agreement to dispose of) nor permit the registered holder to dispose of (or to enter into any agreement to dispose of) any of its direct or indirect interest in relevant securities (as defined in the GEM Listing Rules).

Since the Group is at the stage of rapid expansion of its business and operations, it will require funding from time to time. In order to facilitate the Group in raising funds by way of a placing and top-up transaction, Sunco should be allowed to have the flexibility of first disposing of the Shares held by it prior to the subsequent top-up done by way of a subscription for new Shares. Sunco has confirmed that it will apply the whole of the sales proceeds received from such a placing to subscribe for new Shares, in order to maintain Sunco's interest in the same number of Shares it had held in the Company prior to the placing.

In addition, Sunco, Jardine Fleming and the Company entered into a stock borrowing agreement (the "Stock Borrowing Agreement") on 3 March 2000 pursuant to which Sunco shall upon request by Jardine Fleming lend up to 45,000,000 Shares, representing 15 per cent. of the Offer Shares, to Jardine Fleming which Shares shall be returned to Sunco and deposited with the escrow agent not later than two business days following the last day of the exercise of the Over-allotment Option or the date on which the Over-allotment Option is exercised in full, whichever is the earlier. Further particulars of such stock borrowing arrangements are set out in the paragraph headed "Over-allotment Option" in the section headed "Structure of the Share Offer" in this prospectus.

The Company has applied to the GEM Listing Division for a waiver from strict compliance with Rule 13.16(2) of the GEM Listing Rules to allow Sunco to dispose of its interests in the Company during the lock up period as may be prescribed by the GEM Listing Rules at the time of listing of the Shares where such disposal is made as part of a placing and top-up transaction to raise funds for the Group as well as where such disposal is made pursuant to the Stock Borrowing Agreement and the Exchange has granted such waiver on condition that:—

- (a) such disposal pursuant to a placing and top-up transaction may only be made six months after the Listing Date;
- (b) as with the original Shares which have been placed, the newly subscribed Shares will be subject to the lock-up provisions of Rule 13.16(2) of the GEM Listing Rules unless they are subsequently disposed pursuant to another placing and top-up transaction;

- (c) any Shares which may be made available to Jardine Fleming under the stock borrowing arrangements must be returned to Sunco and deposited with the escrow agent not later than two business days following the last day of the exercise of the Over-allotment Option or the date on which the Over-allotment Option is exercised in full, whichever is the earlier;
- (d) all applicable laws, rules and regulations in connection with the stock borrowing arrangements will be complied with; and
- (e) Sunco will continue to undertake to the Stock Exchange and to the Company not to dispose of its relevant securities (as defined in the GEM Listing Rules) in the Company during the lock up period prescribed by the GEM Listing Rules in circumstances other than a placing and top-up transaction in compliance with Rule 20.23(3)(d) of the GEM Listing Rules (which applies to securities which are issued to a connected person within 14 days after such a connected person has executed an agreement to reduce its holding in that class of securities by placing securities to a third person who is not its associate) or pursuant to the above mentioned stock borrowing arrangements.

Under Rule 20.23(3)(d) of the GEM Listing Rules, the Shares must be issued at a price not less than the placing price, which placing price may be adjusted for the expenses of the placing; the issue to Sunco must not increase the shareholding percentage of Sunco and its associates in the Company above that immediately before the placing; and the Company is required to make an announcement containing details of the placing and subscription of Shares by Sunco in accordance with Rule 17.30 of the GEM Listing Rules.

**Waiver on connected transactions**

The following are connected transactions entered into between members of the Group and members of the SHKP Group:—

1. *Lease arrangements between members of the Group and members of the SHKP Group (the “Lease Arrangements”)*

Various subsidiaries of the Company have entered, or intend to enter, into lease agreements with various subsidiaries of SHKP for the renting of premises in Hong Kong and the PRC, particulars of which are as follows:—

- (a) Tenancy in respect of Rooms 2108 to 2119 of 21st Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong

Landlord:	Perry Holdings Limited
Tenant:	the Company
Term:	three years commencing 20 January 2000
Rental:	HK\$110,862 per month exclusive of rates, management and air conditioning charges
Rent free period:	four months from 20 January 2000 to 19 May 2000

- (b) Tenancy in respect of Units 809 to 817, 8th Level, Tower 1, Sun Dong An Plaza, 138 Wangfujing Avenue, Dongcheng District, Beijing, PRC

Landlord:	Beijing Sun Dong An Company Limited
Tenant:	iAdvantage or a company (which shall be a member of the Group) to be nominated by iAdvantage or its agent
Term:	six years commencing 1 May 2000 (with five renewal options for a term of three years each)
Rental:	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 30 April 2004, US\$13,308 per month for the period from 1 May 2004 to 30 April 2006, open market rent (subject to a cap of $\pm 35$ per cent. 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
Rent free period:	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

- (c) Tenancy in respect of Level 37, Shanghai Central Plaza, 381 Huihai Central Road, Luwan District, Shanghai, PRC

Landlord:	Shanghai Central Plaza Property Co. Limited
Tenant:	iAdvantage or a company (which shall be a member of the Group) to be nominated by iAdvantage or its agent
Term:	six years commencing from 1 April 2000 (with five renewal options for a term of three years each)
Rental:	US\$17,891.55 per month for the period from 1 April 2000 to 31 March 2003, open market rent subject to a cap of $\pm 35\%$ of the rental for the third year for the period 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

- Rent free period: six months being the periods from 1 April 2000 to 31 May 2000, 1 April 2001 to 31 May 2001, and 1 April 2002 to 31 May 2002
- (d) Tenancy in respect of Units 4601 and 4620 to 4625, Level 46, Tower I, Metroplaza, 223 Hing Fong Road, Kwai Chung, New Territories, Hong Kong
- Landlord: Rainforce Limited and Donora Limited
- Tenant: Sun Technology
- Term: two years commencing from 9 March 1999
- Rental: HK\$58,214 per month exclusive of rates, management fees and air conditioning charges
- (e) Licence in respect of storage area on Ground Floor, Shield Industrial Centre, 84-92 Chai Wan Kok Road, Tsuen Wan, New Territories, Hong Kong
- Licensor: Estate-Care Property Management Limited (as agent for the registered owner)
- Licensee: Sun Technology Services Limited
- Term: two years commencing from 1 September 1999
- Licence fee: HK\$4,600 per month exclusive of rates and all other outgoings
- (f) Licence in respect of Room 3203, 32nd Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong
- Licensor: Delux Plan Enterprises Limited
- Licensee: Red-Dots
- Term: three years commencing from 1 October 1999
- Licence fee: HK\$32,800 per month exclusive of rates, management fees and other charges
- Rent free period: six months from 1 October 1999
- (g) Tenancy in respect of Flat B, 30th Floor, Block 2, Pacific View, 38 Tai Tam Road, Tai Tam, Hong Kong
- Landlord: Sun Hung Kai Real Estate Agency Limited (as agent for Biliboss Limited, the registered owner)
- Tenant: the Company
- Term: three years commencing from 1 March 2000
- Rental: HK\$70,000 per month exclusive of rates and management fees

- (h) Tenancy in respect of Rooms 1237 to 1240 of 12th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong:

Landlord:	Perry Holdings Limited
Tenant:	Sunevision e-Commerce Limited
Term:	three years commencing 5 January 2000
Rental:	HK\$40,362 per month exclusive of rates, management and air conditioning charges
Rent free period:	two months from 5 January 2000 to 4 March 2000

The property referred to in (g) above is used by the Group as a director's quarters. It is expected that the above Lease Arrangements will continue to have effect after the listing of the Company.

The Directors have confirmed that any future Lease Arrangements between the Group and the SHKP Group will be entered into and carried out in the ordinary course of business of the Group and the transactions will be fair and reasonable to the Company and its shareholders taken as a whole. It is expected that the aggregate consideration paid by the Group under the Lease Arrangements for any financial year will not exceed HK\$6,667,800 for that year.

DTZ Debenham Tie Leung Limited, an independent property valuer, has confirmed that the rental payable under the Lease Arrangements are fair and reasonable and the terms of the Lease Arrangements are at arm's length and on normal commercial terms.

## 2. *Advertising and sales on Internet services of the Group*

Currently, members of the SHKP Group place advertisements on various Internet services operated by companies which are members of the Group. It is envisaged that members of the SHKP group may continue to place advertisements on such Internet services operated by the Group (the "Advertising Transactions") from time to time after Listing. It is also envisaged that members of the SHKP Group may continue to conduct e-commerce transactions (including auctioning on *red-dots.com*) through such Internet services (the "E-commerce Transactions"). SHKP and the Company entered into an agreement on 26 February 2000, whereby SHKP will procure members of the SHKP Group to enter into Advertising Transactions and E-commerce Transactions with members of the Group for a period of three years from the date of the agreement.

The Directors have confirmed that any such transactions between the Group and the SHKP Group will be entered into and carried out in the ordinary course of business of the Group and the transactions will be fair and reasonable to the Company and its shareholders taken as a whole. It is expected that the aggregate consideration derived by the Group from Advertising Transactions and E-commerce Transactions for any financial year will not exceed HK\$70 million per year.

3. *Installation, operation and provision of cable networking for buildings owned and/or managed by the SHKP group*

Sun Technology is currently providing services to the SHKP Group in connection with the design, installation and operation of SMATV and security surveillance systems to and the laying of network infrastructure in buildings owned and/or managed by the SHKP Group. It is envisaged that the SHKP Group will continue to engage the services of Sun Technology as well as other subsidiaries of the Company for the design, installation and operation of SMATV and security surveillance systems and the laying of network infrastructure in buildings owned and/or managed by the SHKP Group (the “Networking Arrangements”) for a fee calculated by reference to fees charged by Sun Technology to other unrelated customers. SHKP and the Company entered into an agreement on 26 February 2000, pursuant to which the Company will procure relevant members of the Group to provide services to members of the SHKP Group with respect to the Networking Arrangements for a period of three years from the date of the agreement.

The Directors have confirmed that such Networking Arrangements have been and will be entered into on normal commercial terms in the ordinary course of business of the Group. Due to the nature of the Networking Arrangements, it is expected that the fees payable by the SHKP Group to the Group for provision of such services may be substantial. It is however difficult for the Directors at this stage to evaluate the amount payable in any financial year.

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

Sun Technology is currently engaged by the SHKP Group to carry out maintenance and repair works for infrastructure network and security surveillance systems in buildings owned and/or managed by the SHKP Group at a monthly fee agreed between the relevant SHKP subsidiary and Sun Technology. It is envisaged that the SHKP Group will continue to engage the services of Sun Technology as well as other subsidiaries of the Company to carry out maintenance and repair works for infrastructure network and security surveillance systems in buildings owned and/or managed by the SHKP Group (the “Maintenance Arrangements”) and Sun Technology and the relevant subsidiaries of the Company shall be paid a monthly fee for the provision of such maintenance and repair services at an amount to be agreed between the relevant SHKP subsidiary and Sun Technology or the relevant subsidiary of the Company, as the case may be. SHKP and the Company entered into an agreement on 26 February 2000, pursuant to which the Company will procure relevant members of the Group to provide services to members of the SHKP Group with respect to the Maintenance Arrangements for a period of three years from the date of the agreement.

The Directors have confirmed that such Maintenance Arrangements have been and will be entered into on normal commercial terms in the ordinary course of business of the Group. Although such Maintenance Arrangements have been and will be entered into between members of the Group and members of the SHKP Group, such that technically they are connected transactions, in essence they are transactions between members of the Group and the owners/tenants of the relevant buildings with the relevant members of the SHKP Group merely acting as agents (in the capacity of building managers) for and on behalf of the incorporated owners or tenants of such buildings. The fees payable to the Group under such Maintenance Arrangements in fact come from those owners/tenants of the relevant buildings.

5. *Provision of project management and construction services to the Group*

The Group currently owns two sites in Hong Kong namely, No. 399 Chai Wan Road and No. 1 Sun Yip Street, Chai Wan (the “Chai Wan Site”) and Lee Tai Industrial Building, Nos. 145-159 Yeung Uk Road (the “Yeung Uk Road Site”) both of which are under development and are intended to be used by iAdvantage as co-location centres. iAdvantage has engaged subsidiaries of SHKP to undertake project management and construction works in connection with such sites, at a fee calculated by reference to fees charged by such subsidiaries of SHKP to third parties on projects of similar nature. It is intended that the relevant SHKP subsidiaries will continue to provide such project management services to the Group after the listing of the Shares (the “Project Management Arrangements”) until the developments have been completed. SHKP and Weelek Company Limited (“Weelek”), a wholly-owned subsidiary of the Company, entered into an agreement on 26 February 2000, pursuant to which SHKP will procure relevant members of the SHKP Group to provide services with respect to the Project Management Arrangements during the construction and renovation stages of the Chai Wan Site which shall not exceed a period of three years from the date of the agreement. SHKP and Top Merchant Investment Limited (“Top Merchant”), also a wholly-owned subsidiary of the Company, entered into an agreement on 26 February 2000, pursuant to which SHKP will procure relevant members of the SHKP Group to provide services with respect to the Project Management Arrangement during the construction and renovation stages of the Yeung Uk Road Site which shall not exceed a period of three years from the date of the agreement.

The Directors have confirmed that the Project Management Arrangements have been and will be entered into on normal commercial terms in the ordinary course of business of the Group and the transactions are fair and reasonable to the Company and its shareholders taken as a whole. It is expected that the fees payable by the Group to the SHKP Group pursuant to the Project Management Arrangements for the Yeung Uk Road Site and the Chai Wan Site will not exceed HK\$180 million and HK\$480 million respectively.

6. *Provision of property management services to the Group*

The Group currently owns various properties which are managed by subsidiaries of SHKP. It is intended that such subsidiaries of SHKP will continue to provide such property management services to the Group after the listing of the Shares (the “Property Management Arrangements”).

Weelek has, pursuant to a letter dated 12 February 2000, agreed to appoint Kai Shing Management Services Limited (“Kai Shing”), a member of the SHKP Group, as the building manager for the Chai Wan Site for a term of three years from the date to be notified by Weelek which shall be on or before the issuance of the occupation permit. Top Merchant has, pursuant to a letter dated 12 February 2000, agreed to appoint Kai Shing as the building manager for the Yeung Uk Road Site for a term of three years from the date to be notified by Top Merchant which shall be on or before the issuance of the occupation permit.

The Directors have confirmed that the Property Management Arrangements have been and will be entered into on normal commercial terms in the ordinary course of business of the Group and the transaction is fair and reasonable to the Company and its shareholders taken as a whole. It is expected that the aggregate fees payable by the Group under such Property Management Arrangement for any financial year will not exceed HK\$10 million.

7. *Provision of insurance services to the Group*

The Group currently maintains its entire insurance coverage with or through Sun Hung Kai Properties Insurance Limited (“SHKP Insurance”), a subsidiary of SHKP and this arrangement is envisaged to continue after listing of the Shares (the “Insurance Arrangements”). SHKP Insurance and the Company entered into an agreement on 24 February 2000, whereby SHKP Insurance agreed to provide services under the Insurance Arrangements to members of the Group for a period of three years from the date of the agreement.

The Directors have confirmed that this arrangement is for the best benefit and interest of the Group as the Group can be assured of the integrity of the insurer and its terms. It is expected that the aggregate fees payable by the Group under such Insurance Arrangements for any financial year will not exceed HK\$7 million.

**Application for waiver in respect of the connected transactions**

The Directors (including the independent non-executive Directors) are of the view that each of the Lease Arrangements, the Advertising Transactions, the E-commerce Transactions, the Networking Arrangements, the Maintenance Arrangements, the Project Management Arrangements, the Property Management Arrangements and the Insurance Arrangements (together the “Connected Transactions”) has been entered into on normal commercial terms, in the ordinary course of business of the Group and the transactions are and will be fair and reasonable to the Company and its shareholders taken as a whole. Relying upon such confirmation by the Directors and based on the documents and information provided by the Company, Jardine Fleming is of the view that the Connected Transactions that have been entered into are fair and reasonable as far as the Company’s shareholders as a whole are concerned.

Since the Connected Transactions are expected to continue in future after the listing of the Shares, each Connected Transaction constitutes a non-exempted continuing connected transaction under Rule 20.26 of the GEM Listing Rules. Under the GEM Listing Rules, such transactions are normally subject to the reporting and announcement requirements set out in Rule 20.34 and Rule 20.35 of the GEM Listing Rules respectively and the shareholders’ approval requirement set out in Rule 20.36 of the GEM Listing Rules. However, as the Connected Transactions will be conducted in the normal course of business and will occur on a regular basis, the Directors consider that it would not be practical to make ongoing disclosure of such transactions. The Company has therefore made an application to the Stock Exchange for a waiver from the announcement and shareholders’ approval requirement as required under Rule 20.35 and Rule 20.36 of the GEM Listing Rules for each of the Connected Transactions and the Stock Exchange has indicated that such waiver will be granted on condition that:

- (a) the aggregate consideration in any financial year in respect of:—
  - (i) the aggregate amounts relating to the Lease Arrangements does not exceed HK\$6,667,800;
  - (ii) the Advertising Transactions and E-commerce Transactions in aggregate do not exceed HK\$70 million;
  - (iii) the Project Management Arrangements for the Yeung Uk Road Site and the Chai Wan Site do not exceed HK\$180 million and HK\$480 million, respectively;

- (iv) the Property Management Arrangements do not exceed HK\$10 million; and
- (v) the Insurance Arrangements do not exceed HK\$7 million;
- (b) details of the Connected Transactions will be disclosed in the Company's annual report as described in Rule 20.34(1) to (5) of the GEM Listing Rules;
- (c) the independent non-executive Directors shall review the Connected Transactions annually and confirm in the Company's next annual report and accounts that the relevant Connected Transactions have been entered into:
  - (i) in the ordinary and usual course of business of the Group;
  - (ii) on normal commercial terms; and
  - (iii) 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;
- (d) each year the auditors of the Company shall provide a letter to the board of Directors (with a copy to the Stock Exchange) confirming that each of the relevant continuing Connected Transactions:
  - (i) has received the approval of the board of Directors;
  - (ii) has been entered into in accordance with the terms of the relevant agreement governing such transaction;
  - (iii) has not exceeded the relevant cap amount set out in paragraph (a) above;
- (e) the Company shall promptly notify the Stock Exchange if it knows or has reason to believe that the independent non-executive Directors and/or the auditors will not be able to confirm the matters set out in Rules 20.27 and/or 20.28 of the GEM Listing Rules respectively and the Company may have to re-comply with Rules 20.26(3) and (4) of the GEM Listing Rules and any other conditions the Stock Exchange considers appropriate; and
- (f) the Company shall comply with all disclosure and shareholders' approval requirements of the GEM Listing Rules after the expiration of three years from the date on which dealings in the Shares first commence on GEM unless further waiver has been granted by the Stock Exchange.

All of the leases under the Lease Arrangements are for periods of three years or less, other than two leases of iAdvantage in respect of premises in Beijing and Shanghai, respectively, the landlord of which, in each case is a PRC joint venture in which SHKP has an equity interest exceeding 35 per cent. Under Note 1 to Rule 20.26(1) of the GEM Listing Rules, the term of an agreement for a continuing connected transaction should not exceed three years except in special circumstances. In respect of these two leases, as a result of the fact that significant amounts will have to be spent by iAdvantage to equip these premises as server co-location centres, it would not be economically viable or in the interest of the shareholders of the Company if such leases

were not to exceed three years. It is the intention of the Company that these two leases will be each for a period of six years. As such, the Company has made an application to the Stock Exchange for a waiver from strict compliance with the requirement that the Lease Arrangements in respect of the premises in Beijing and Shanghai should not exceed three years, in view of the special circumstances of the present case and the Stock Exchange has indicated that such waiver will be granted.

Under Rule 20.26(2) of the GEM Listing Rules, a maximum aggregate annual value (the “cap”) which is acceptable to the Stock Exchange should be set in respect of each continuing connected transaction. Due to the nature of the Networking Arrangements, it would be impracticable and unduly onerous on the Company if it is required to set a cap to each of such transactions for any financial year, since the amount receivable by the Group from the SHKP Group in any year from Networking Arrangements would depend on the number of buildings constructed and completed by the SHKP Group for that year, which in turn would depend on the economic situation of Hong Kong as well as land available to the SHKP Group for development at the time, which cannot be accurately predicted for the entire three year period. The Company has therefore applied to the Stock Exchange for a waiver from strict compliance with the requirement that a cap be set on the Networking Arrangements in view of the special circumstances of the present case and the Stock Exchange has indicated that such waiver will be granted.

The Maintenance Arrangements are connected transactions in that the contracts are or will be entered into between the Group and the SHKP Group. The Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 20.26(2) of the GEM Listing Rules which requires that a maximum aggregate annual value which is acceptable to the Stock Exchange should be set in respect of each connected transaction. Due to the nature of the Maintenance Arrangements which to a large extent depend on the number of buildings completed by SHKP for any financial year which in turn depend on the economic situation and the land available to SHKP for construction during that year, it is impracticable and unduly onerous on the Company to estimate a cap for any financial year for each of the three year period. The Company has therefore applied to the Stock Exchange for a waiver from strict compliance with the requirement that a cap be set on the Maintenance Arrangements in view of the special circumstances of the present case and the Stock Exchange has indicated that such waiver will be granted.

### **COMPANIES ORDINANCE WAIVER**

*For the purpose of the listing of the Shares on GEM, the Company has sought a waiver from the Hong Kong Securities and Futures Commission in relation to certain requirements under the Companies Ordinance. Details of this waiver are described below.*

Under paragraph 10 of the Third Schedule to the Companies Ordinance, this prospectus is required to include the number, description and amount of any Shares which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for the Shares subscribed for under it, the consideration (if any) given or to be given for it and the name and address of the person to whom it was given. As at the date of this prospectus, the Company has conditionally granted options to 151 persons to subscribe for a total of 10,000,000 Shares under the Company Share Option Scheme and on the terms set out in sub-paragraph (g) of the paragraph headed “Others” in the section headed “Further Information about Directors, Senior Management and Staff” in Appendix 5 to this prospectus.

The Company has applied for a waiver from the Hong Kong Securities and Futures Commission from full compliance with the disclosure requirements of paragraph 10(d) of the Third Schedule to the Companies Ordinance on the ground that full compliance with these requirements would be unduly burdensome for the Company, and the Hong Kong Securities and Futures Commission has granted such a waiver to the Company pursuant to Section 342A of the Companies Ordinance on the conditions that:

1. Full details of all such options conditionally granted to the Directors and senior management staff of the Group (containing the details in respect of each option required under paragraph 10 of the Third Schedule to the Companies Ordinance) are disclosed in this prospectus; and
2. A full list of all optionholders, being 11 executive Directors, 16 senior management staff and 124 other employees of the Group, containing all the details in respect of each option required under paragraph 10 of the Third Schedule to the Companies Ordinance is available for inspection in accordance with the paragraph headed “Documents Available for Inspection” in Appendix 7 to this prospectus.

Please refer to the paragraph headed “Share Option Schemes” and sub-paragraph (g) of the paragraph headed “Others” in the section headed “Further Information about Directors, Senior Management and Staff” in Appendix 5 to this Prospectus for further details of the options referred to above.

### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this prospectus is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this prospectus misleading; and
- (c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

### **FULLY UNDERWRITTEN**

This prospectus is published solely in connection with the Share Offer. The Share Offer comprises the Public Offer of initially 30,000,000 new Shares and the Placing of initially 270,000,000 new Shares (subject, in each case, to re-allocation on the basis described under "Structure of the Share Offer"), in each case, at the Issue Price. For applicants under the Public Offer, this prospectus and the **WHITE** and **YELLOW** application forms set out the terms and the conditions of the Public Offer. For applicants under the Preferential Offer, this prospectus and the **BLUE** application form set out the terms and conditions of the Preferential Offer. For applicants under the User Preferential Offer, this prospectus and the **RED** application form set out the terms and conditions of the User Preferential Offer.

The Share Offer is sponsored by Jardine Fleming and is fully underwritten by the Underwriters pursuant to the Underwriting Agreement. For further information about the Underwriters and the Underwriting Agreement, see the section headed "Underwriting". If, for any reason, the Issue Price is not agreed between the Company and Jardine Fleming (on behalf of the Underwriters), the Share Offer will not proceed.

### **PUBLIC OFFER SHARES, RESERVED SHARES AND USER PREFERENTIAL SHARES TO BE OFFERED IN HONG KONG ONLY**

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than to permit the offering of the Public Offer Shares, Reserved Shares and User Preferential Shares in Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make an unauthorised offer or invitation.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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The Public Offer Shares, Reserved Shares and User Preferential Shares are offered solely on the basis of the information contained and representations made in this prospectus and the related application forms. The Company has not authorised anyone to provide any information or to make any representation not contained in this prospectus and the related application forms, and any information or representation not contained herein and the related application forms must not be relied upon as having been authorised by the Company, Jardine Fleming, the Underwriters, any of their respective directors, or any other person involved in the Share Offer.

The Offer Shares have not been and will not be registered under the US Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the US Securities Act. Each of the Placing Underwriters has agreed that, except as permitted by the Underwriting Agreement, it will not offer or sell the Offer Shares (i) as part of their distribution at any time or (ii) otherwise until 40 days after the latest of the commencement of the Placing, the commencement of the Public Offer and the closing date, within the United States or to, or for the account or benefit of, US persons and it will have sent to each dealer to which it sells Offer Shares during the distribution compliance period a confirmation or other notice setting forth restrictions on offers and sales of the Offer Shares within the United States or to, or for the account or benefit of, US persons. The Offer Shares are being offered and sold outside the United States to non-US persons in reliance on Regulation S. The Underwriting Agreement provides that certain Placing Underwriters approved by Jardine Fleming may, through US broker-dealers, arrange for the offer and sale of Offer Shares in the United States only to QIBs that are qualified purchasers in reliance upon an exemption from the registration requirements of the US Securities Act. Terms used in this paragraph have the same meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the Share Offer, an offer or sale of the Shares within the United States by any dealer that is not participating in the Share Offer may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the US Securities Act, including without limitation the exemption provided by Rule 144A.

The Offer Shares may not be offered or sold, directly or indirectly, in Canada in contravention of the securities laws of Canada or any province or territory thereof. Any offer or sale of Shares in Canada may be made only pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer or sale is made.

This prospectus has not been approved by an authorised person in the United Kingdom and has not been registered with the Registrar of Companies in the United Kingdom. The Offer Shares may not be offered or sold in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purpose of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, as amended. In addition, no person may issue or pass on to any person in the United Kingdom any document received by it in connection with the offer of the Offer Shares unless that person is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1995 or is a person to whom such document may otherwise lawfully be issued or passed on.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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This prospectus has not been and will not be registered with the Registrar of Companies and Businesses in Singapore. Accordingly, this prospectus and any other document or materials in connection with the offer of the Offer Shares may not be issued, circulated or distributed in Singapore nor may any of the Offer Shares be offered for subscription or sold, directly or indirectly, nor may an invitation or offer to subscribe for or purchase any Offer Shares be made, directly or indirectly, to persons in Singapore other than under circumstances in which such offer or sale does not constitute an offer or sale to the public in Singapore; or to the public or any member of the public in Singapore other than to persons specified in Section 106C of the Companies Act, Chapter 50 of Singapore (the “Singapore Companies Act”); or otherwise pursuant to, and in accordance with the conditions of, any other applicable exemption under Division 5A of Part IV of the Singapore Companies Act. The Registrar of Companies and Businesses in Singapore takes no responsibility as to the contents of this prospectus.

The Share Offer has not been and will not be registered under the Securities and Exchange Law of Japan. The Offer Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an applicable exemption from the registration requirements of the Securities and Exchange Law of Japan and any other applicable Japanese law.

No offer of Shares may be made to the public in the Cayman Islands.

Each person acquiring the Offer Shares will be required to, or is deemed by his acquisition of the Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

### **APPLICATION FOR LISTING ON GEM**

The Company has applied to the GEM Listing Committee of the Stock Exchange for listing of and permission to deal in its existing issued Shares, the Offer Shares and any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the exercise of options that may be granted under the Company Share Option Scheme and any Shares which may be issued upon the conversion of the Convertible Note.

No part of the Company’s share or loan capital is listed or dealt in on any other stock exchange. At present, the Company is not seeking or proposing to seek listing or permission to deal on any other stock exchange.

Pursuant to Rule 11.23(1) of the GEM Listing Rules at the time of listing and at all times thereafter, the Company must maintain the “minimum prescribed percentage” of 15 per cent. of the issued share capital of the Company in the hands of the public.

### **HONG KONG BRANCH REGISTER**

All Shares to be issued pursuant to applications made in the Share Offer will be registered on the Company’s branch register of members to be maintained by Central Registration Hong Kong Limited in Hong Kong. The Company’s principal register of members is maintained by Bank of Butterfield International (Cayman) Ltd. in the Cayman Islands.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for the Offer Shares, or about purchasing, holding, disposing or dealing in, or the exercise of any rights in relation to, the Offer Shares, you should consult an expert.

None of the Company, Jardine Fleming, their respective directors and any other person involved in the Share Offer accepts responsibility for tax effects on, or liability of, any person resulting from subscribing for, or purchasing, holding, disposing, dealing or the exercise of any rights in relation to the Offer Shares.

### STAMP DUTY

Dealings in the Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

### PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES, RESERVED SHARES AND USER PREFERENTIAL SHARES

The procedures for applying for the Public Offer Shares, Reserved Shares and User Preferential Shares are set out in the section headed "How to apply for the Public Offer Shares, Reserved Shares and User Preferential Shares" and on the relevant application forms.

### STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including conditions, are set out in the section headed "Structure of the Share Offer".

### FURTHER ISSUANCE OF SHARES

**Pursuant to Rule 17.29 of the GEM Listing Rules, no further shares or securities convertible into equity securities of the Company may be issued or form the subject of any agreement to issue within the first six months of the Listing Date. As the Group is engaged in Internet related businesses which are experiencing rapid growth, it is anticipated that funding will be required from time to time to finance the expansion of the business and operations of the Group which could be very soon after the listing of the Shares as opportunities arise, the Directors will consider the funding options available to them at the time which may include the issue of Shares by the Company. Accordingly, there is a possibility that the Company will issue new Shares as consideration, or to raise funds, for acquisitions, or investments in, Internet and related businesses within the first six months of listing. Such fund raising may also include "top-up" placings by Sunco. Any such issues will be subject to approval by the Stock Exchange at the relevant time and, for the avoidance of doubt, as at the date of this prospectus no such approval has been granted by the Stock Exchange.**

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**DIRECTORS**

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<b>Name</b>	<b>Address</b>	<b>Nationality</b>
<i>Executive Directors</i>		
Kwok Ping Luen, Raymond	51-55 Deep Water Bay Road Hong Kong	British
Kwok Ping Sheung, Walter	8A South Bay Road Hong Kong	British
Kwok Ping Kwong, Thomas	8A South Bay Road Hong Kong	British
Hui Ho Ming, Herbert	20C Star Court Waterloo Hill Kowloon Hong Kong	British
Chan Kui Yuen, Thomas	Tower 1A, 40th Floor Dynasty Court 23 Old Peak Road Hong Kong	Chinese
Wong Yick Kam, Michael	H2, 33rd Floor 6 Broadwood Road Hong Kong	British
Leung Kui King, Donald	Suite 38A, Royal Court 3 Kennedy Road Hong Kong	British
So Chung Keung, Alfred	B1, 19th Floor 41A, Stubbs Road Hong Kong	Canadian
Tung Chi Ho	Flat B, 30/F Block 2 Pacific View 38 Tai Tam Road Hong Kong	British
Wong Chin Wah	18A, Tower 1 18 Old Peak Road Hong Kong	Singaporean
Tung Yiu Kwan, Stephen	Flat 3602, Block A Fortress Metro Tower 238 King's Road Hong Kong	Canadian

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## DIRECTORS

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<b>Name</b>	<b>Address</b>	<b>Nationality</b>
<i>Non-executive Directors</i>		
Cheung Wing Yui	House B6 Nos. 5-9 Shouson Hill Road West Hong Kong	British
<i>Independent Non-executive Directors</i>		
Kao Kuen, Charles	36 Mount Austin Road The Peak Hong Kong	USA
Li On Kwok, Victor	B16, Block 1 23 Sha Wan Drive Pok Fu Lam Hong Kong	USA

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## PARTIES INVOLVED IN THE SHARE OFFER

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**Sponsor, Global Coordinator  
and Lead Manager**

Jardine Fleming Securities Limited  
46th Floor, Jardine House  
1 Connaught Place  
Central  
Hong Kong

**Public Offer Underwriters**

Jardine Fleming Securities Limited  
46th Floor, Jardine House  
1 Connaught Place  
Central  
Hong Kong

BOCI Asia Limited  
35th Floor, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

Credit Lyonnais Securities (Asia) Limited  
38th Floor, Tower 2  
Lippo Centre  
89 Queensway  
Hong Kong

HSBC Investment Bank Asia Limited  
Level 15  
1 Queen's Road Central  
Hong Kong

UBS AG  
25th Floor, One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

Dao Heng Securities Limited  
12th Floor, The Center  
99 Queen's Road Central  
Hong Kong

Goodwill Financial Services (Holdings) Limited  
20th Floor, Henley Building  
5 Queen's Road Central  
Hong Kong

Honour Securities Company Limited  
45th Floor, Sun Hung Kai Centre  
30 Harbour Road  
Wanchai  
Hong Kong

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## PARTIES INVOLVED IN THE SHARE OFFER

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ICEA Capital Limited  
43rd Floor, NatWest Tower, Times Square  
Causeway Bay  
Hong Kong

Kingsway SW Securities Limited  
5th Floor, Hutchison House  
10 Harcourt Road  
Central  
Hong Kong

Tai Fook Securities Company Limited  
25th Floor, New World Tower I  
16-18 Queen's Road Central  
Hong Kong

### **Placing Underwriters**

Jardine Fleming Securities Limited  
46th Floor, Jardine House  
1 Connaught Place  
Central  
Hong Kong

Credit Lyonnais Securities (Asia) Limited  
38th Floor, Tower 2  
Lippo Centre  
89 Queensway  
Hong Kong

HSBC Investment Bank Asia Limited  
Level 15  
1 Queen's Road Central  
Hong Kong

UBS AG  
25th Floor, One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

ABN AMRO Rothschild  
30th Floor, Edinburgh Tower  
The Landmark  
Central  
Hong Kong

Bear Stearns Asia Limited  
26th Floor, Citibank Tower  
3 Garden Road  
Central  
Hong Kong

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## PARTIES INVOLVED IN THE SHARE OFFER

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BNP Prime Peregrine Securities Limited  
23rd Floor, New World Tower  
16-18 Queen's Road Central  
Hong Kong

BOCI Asia Limited  
35th Floor, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

Cazenove Asia Limited  
3601 Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

Credit Suisse First Boston (Hong Kong) Limited  
13th Floor, Three Exchange Square  
8 Connaught Place  
Central  
Hong Kong

China International Capital Corporation  
(Hong Kong) Limited  
Room 4302, 43rd Floor, Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

Dao Heng Securities Limited  
12th Floor, The Center  
99 Queen's Road Central  
Hong Kong

Honour Securities Company Limited  
45th Floor, Sun Hung Kai Centre  
30 Harbour Road  
Wanchai  
Hong Kong

Indosuez W.I. Carr Securities Limited  
44th Floor, One Exchange Square  
Central  
Hong Kong

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## PARTIES INVOLVED IN THE SHARE OFFER

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Kim Eng Securities (Hong Kong) Limited  
8th Floor, Alexandra House  
16-20 Chater Road  
Central  
Hong Kong

Salomon Brothers International Limited  
20th Floor, Three Exchange Square  
Central  
Hong Kong

### **Legal advisers to the Company**

*As to Hong Kong Law:*  
Woo Kwan Lee & Lo  
27th Floor, Jardine House  
1 Connaught Place  
Central  
Hong Kong

*As to Cayman Islands Law:*  
Maples and Calder Asia  
Suite 1002, One Exchange Square  
8 Connaught Place  
Hong Kong

### **Legal advisers to the Sponsor, Global Coordinator and the Underwriters**

*As to Hong Kong Law and US Law:*  
Linklaters  
10th Floor, Alexandra House  
Chater Road  
Hong Kong

### **Auditors and reporting accountants**

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
26th Floor, Wing On Centre  
111 Connaught Road  
Central  
Hong Kong

### **Property valuer**

DTZ Debenham Tie Leung Limited  
10th Floor, Jardine House  
1 Connaught Place  
Central  
Hong Kong

### **Receiving banker**

Standard Chartered Bank  
8th Floor, Edinburgh Tower  
The Landmark  
Central  
Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office</b>	P.O. Box 309 Ugland House South Church Street George Town Grand Cayman Cayman Islands British West Indies
<b>Head office and principal place of business</b>	2108 Sun Hung Kai Centre 30 Harbour Road Wanchai Hong Kong
<b>Company secretary</b>	Chan Wing Yuen, Hubert, ACIS, ACS
<b>Authorised representatives</b>	Kwok Ping Luen, Raymond and Hui Ho Ming, Herbert
<b>Compliance officer</b>	Hui Ho Ming, Herbert
<b>Qualified accountant</b>	Tsim Wing Kit, Alfred, FHKSA
<b>Audit Committee</b>	Kao Kuen, Charles Li On Kwok, Victor Cheung Wing Yui
<b>Principal bankers</b>	Standard Chartered Bank The Landmark Branch, Ground Floor Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong
<b>Principal share registrar and transfer office</b>	Bank of Butterfield International (Cayman) Ltd. P.O. Box 705 Butterfield House Fort Street George Town Grand Cayman Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	Central Registration Hong Kong Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Hong Kong

*The information provided in this section is derived from various private and/or government publications such as the IDC. This information has not been prepared or independently verified by the Company, the Sponsor, the Underwriters or their respective advisers.*

### **Overview of the Internet**

The Internet is a global network of interconnected computer networks that has now emerged as a mass communications and commerce medium, enabling millions of people world-wide to share information, create communities among individuals with similar interests and conduct business electronically. IDC estimates that the number of Internet users world-wide will grow from approximately 155.6 million at the end of 1998 to approximately 525.6 million by the end of 2003. Although starting from a much lower base, the number of Asia-Pacific (excluding Japan) Internet users is expected to increase rapidly in a similar fashion. The IDC forecasts that the number of Asia-Pacific (excluding Japan) Internet users will increase from approximately 12.9 million to approximately 77.2 million during the same period, a compound annual growth rate of approximately 43.0 per cent.

The rapid growth in the popularity of the Internet to date is due in large part to increasing personal computer and modem penetration, development of the world wide web, the introduction of easy-to-use navigational tools and utilities, and the growth in the number of information, entertainment and commercial applications available on the Internet.

Technological advances relating to the Internet have occurred and continue to occur rapidly, resulting in more robust and lower cost infrastructures, improved security, more value-added services and a wider range of, as well as better quality, content. Growth in client/server computing, multimedia personal computers and online computing services and the proliferation of networking technologies have resulted in a large and growing group of people who are accustomed to using networked computers for a variety of purposes, including e-mail, electronic file transfers, online computing and e-commerce. These trends have led businesses increasingly to explore opportunities for providing Internet-based applications and services within their organisations and externally to customers and business partners.

### **World wide web**

An important factor in the widespread adoption of the Internet has been the emergence of a network of servers and information called the world wide web. The web is a network medium which offers content, activities and services. Examples of content available on the web include magazines, news feeds, radio broadcasts, and corporate, product, educational, research, and political information; activities include chat and web communities; and customer services include ticketing and reservations, banking and information services.

The rapid deployment of the web has introduced fundamental changes in the way information can be produced, distributed and consumed, lowering the cost of publishing information and extending its potential reach. Companies from many industries are publishing products and corporate information or advertising materials through the web and collecting customer feedback and demographic information through the participation of visitors to their web sites. The structure of web documents allows an organisation to publish significant quantities of information while simultaneously allowing each user to view selected information that is of particular interest in a cost effective and timely fashion.

## INDUSTRY OVERVIEW

The recent economic downturn in the Asia-Pacific region has not significantly slowed the rate of Internet penetration in many individual Asia-Pacific markets, as consumers and corporate customers have discovered that Internet applications, such as e-mail and website advertising, represent lower-cost substitutes for comparable non-Internet products and services. In addition, the recent volatility in Asia-Pacific financial markets has increased the demand for reliable, around-the-clock news and information on local, regional and global events, which is often readily available only through the Internet.

### The Internet market in Greater China

IDC has projected high levels of growth in both Internet usage and personal computer installations, important indicators for Internet accessibility, in the Asian markets in which the Group currently operates and/or intends to operate (including Mainland China, Hong Kong and Taiwan). The following table summarises key historical and projected growth rates of Internet usage in these markets:

	1998	2004	Projected compound annual growth rate 1998-2004
	<i>(in millions)<sup>(5)</sup></i>		
<b>Mainland China</b>			
Number of Internet users <sup>(1)</sup>	2.4	33.1	54.9%
Internet penetration rate <sup>(2)</sup>	0.2%	2.6%	53.3%
E-commerce spending <sup>(3)</sup>	8.1	11,708.3	236.3%
Population <sup>(4)</sup>	1,236.9	1,288.7	0.7%
<b>Hong Kong</b>			
Number of Internet users <sup>(1)</sup>	0.7	2.6	24.2%
Internet penetration rate <sup>(2)</sup>	10.5%	35.1%	22.3%
E-commerce spending <sup>(3)</sup>	60.8	5,309.5	110.6%
Population <sup>(4)</sup>	6.7	7.4	1.7%
<b>Taiwan</b>			
Number of Internet users <sup>(1)</sup>	1.0	4.9	30.2%
Internet penetration rate <sup>(2)</sup>	4.6%	21.2%	29.0%
E-commerce spending <sup>(3)</sup>	45.2	8,721.2	140.4%
Population <sup>(4)</sup>	21.9	23.1	0.9%

*Notes:*

1. Source: IDC, October 1999.
2. Calculated by dividing the number of Internet users by country population.
3. U.S. dollars. Source: IDC, October 1999.
4. Figures are for total mid-year population. Source: United States Census Bureau, January 2000.
5. Except penetration and growth rates.

### ***The PRC***

According to IDC, the number of Internet users in the PRC is expected to increase to approximately 33.1 million in 2004 from approximately 2.4 million as at the end of 1998, representing a compound annual growth rate of 54.9 per cent. As at mid 1998, given a population of approximately 1.2 billion, the PRC had an Internet penetration rate of 0.2 per cent. Although the PRC is still a developing country in terms of technology, growth of Internet usage is expected to be significant for the foreseeable future. Growth is expected to be supported by a reduction in Internet access costs and an increase in ownership of personal computers. The potential for Internet access through a variety of media such as television-based Internet access devices, using telephone lines or through cable or satellite technologies, may be a further accelerating factor. IDC estimates that e-commerce revenues generated by users in the PRC will reach US\$11.7 billion by 2004 from US\$8.1 million in 1998. As the Internet becomes more pervasive in the PRC, the opportunities for online advertising and e-commerce are also expected to expand.

### ***Hong Kong***

According to IDC, the number of Internet users in Hong Kong is expected to increase to 2.6 million by the end of 2004 from 0.7 million at the end of 1998, representing a compound annual growth rate of 24.2 per cent. As at mid 1998, given a population of approximately 6.7 million, most of whom reside in urban areas, Hong Kong had an Internet penetration rate of approximately 10.5 per cent. Hong Kong is relatively technologically advanced, having been one of the first cities in the world to have a fully digitised telecommunications network. Hong Kong is currently developing its broadband Internet access capability to meet expected demand. IDC also forecasts e-commerce revenues to grow significantly. IDC estimates that e-commerce revenues generated by users in Hong Kong will increase from US\$60.8 million as at the end of 1998 to US\$5.3 billion by the end of 2004.

### ***Taiwan***

The Taiwanese Internet market is also expected to achieve significant growth in the next five years. IDC estimates that the number of Internet users in Taiwan will increase from 1.0 million as at the end of 1998 to 4.9 million users by the end of 2004, representing a compound annual growth rate of 30.2 per cent. As at mid 1998, given a population of approximately 21.9 million, Taiwan had an Internet penetration rate of 4.6 per cent. IDC estimates that e-commerce revenues generated by users in Taiwan will increase from US\$45.2 million as at the end of 1998 to US\$8.7 billion by the end of 2004.

### **Key Internet business opportunities**

The substantial increase in the number of Internet users and websites and the development of existing and new Internet technologies are fuelling the expansion of many Internet business applications. Of these, three key business areas are online advertising, e-commerce and IT infrastructure provision.

### ***Advertising***

Advertisers have identified the Internet as a means for mass communication of their messages, similar in many respects to the use of advertising in traditional media such as television and radio broadcasting and print publishing. The Directors believe that advertisers have also

recognised that web-based advertising may be more effective in a number of respects than traditional media advertising, in that the Internet allows advertisers to present messages to specific, targeted audiences and enables users to interact with advertising information presented in web pages. The nature of the Internet permits advertisers to measure the number of impressions, or times that an advertisement is downloaded by users, as well as “click-throughs” or user requests for additional information made by clicking on the advertiser’s banner linking the user to the advertiser’s web site. Advertisers can therefore measure the effectiveness of their advertising.

### ***E-commerce***

The Internet is also affecting the methods by which consumers and businesses are evaluating and buying goods and services. The Internet provides online merchants the ability to reach a global audience and to operate with minimal infrastructure, reduced overheads and greater economies of scale than other means, while providing customers with a broader selection of products, increased pricing power and in many cases greater convenience compared to some other shopping methods. As a result, the volume of business transacted on the Internet is anticipated to grow significantly. IDC estimates that world-wide e-commerce revenues will grow from US\$48.4 billion as of the end of 1998 to US\$1,303.0 billion by the end of 2003. IDC predicts that Asia-Pacific (excluding Japan) online spending will increase from US\$722.7 million to US\$51.3 billion during the same period.

### ***IT infrastructure provision***

As use of the Internet has grown, the IT infrastructure required for Internet operations has become ‘mission-critical’ for virtually all Internet-based businesses and is becoming increasingly ‘mission-critical’ for many mainstream enterprises. Any ‘downtime’ of ‘mission-critical’ Internet sites as a result of technical problems is likely to result in losses in revenue and impairment of customer goodwill.

In order to ensure the reliability of their ‘mission-critical’ Internet operations, enterprises need to ensure that these operations perform 24 hours-a-day, seven days-a-week and are secure, scalable and expertly managed. However, setting up such an operation in-house often will require a longer lead-in time and may not be as cost effective and flexible as using a server co-location facility. Such facilities can offer enterprises geographically distributed, state-of-the-art operations, application hosting and content delivery services that are monitored and managed by experts in Internet technology, that can be upgraded to reflect changing technologies and that can be scaled as the needs of enterprises evolve. IDC predicts that world-wide revenues for website hosting services provided by US-based companies will grow from US\$822.7 million in 1998 to US\$18.9 billion in 2003, representing a compound annual growth rate of 87.2 per cent.

### **Deregulation of the Hong Kong telecommunications market**

The telecommunications market in Hong Kong has undergone rapid deregulation over the last five years. The following summarises the key milestones in the deregulation process:

*July 1995 - Local Fixed Line* - Previously a monopoly environment, OFTA opened up the local fixed line market on 1 July 1995 through the issuance of three additional fixed telecommunications network services licences to New World Telephone, New T&T and Hutchison Telecommunications.

*July 1996 - Cellular Communications* - In July 1996, six new cellular communication licences were awarded in addition to the four already in existence. Competition in the sector was further enhanced by the introduction of mobile number portability in March 1999.

*January 1999 - International Services* - On 1 January 1999, the external telecommunications services (“ETS”) market was opened up to competition with the introduction of voice international simple resale. As at 3 February 2000, 152 operators have been licensed as ETS providers.

*January-February 2000 - Local Wireless and External Facilities Licences* - During January and February 2000, the Telecommunications Authority (“TA”) announced that it had issued five licences for local wireless FTNS, twelve licences for satellite-based external fixed telecommunications network services (“EFTNS”) facilities and letters of intent to thirteen applicants for licences for cable-based EFTNS facilities. Also, in January the TA announced that it had awarded a licence to Hong Kong Cable TV to provide telecommunications services over its hybrid fibre coaxial cable network.

### **Telecommunications regulation**

Under the Telecommunication Ordinance (Chapter 106 of the Laws of Hong Kong) (the “Telecommunication Ordinance”), companies which establish or maintain any means of telecommunication or possess or use any apparatus for radio communication or that generate and emit radio waves in Hong Kong are required to be licensed. For example, ISPs that provide Internet access to the public are required to obtain a PNETS licence from OFTA. OFTA’s primary responsibility is to regulate the telecommunications industry in Hong Kong. OFTA formulates and implements policies relating to the telecommunications industry in Hong Kong and issues licences to companies providing telecommunications services in Hong Kong. OFTA also acts as the body responsible for enforcement of the Telecommunication Ordinance and the regulations made under it, so it has, for example, power to direct a licensee to demonstrate that the licensee’s services comply with any technical requirements imposed by relevant legislation or any other directions which may be issued by OFTA.

A PNETS licence is usually valid for a period of 12 months and is renewable, on payment of a prescribed fee, at the discretion of OFTA. Under the Telecommunication Ordinance, any licence may be cancelled or withdrawn at any time by the authority which issued it or be suspended for a period not exceeding 12 months in the event of any contravention by the licence holder of the Telecommunication Ordinance or the regulations made under it or any condition attached to a licence to which such licence holder is subject or at any time by the Chief Executive of Hong Kong if he considers it to be in the public interest to do so. A PNETS licence holder is also prohibited from entering into any agreement or arrangement which will in any way prevent or restrict competition in relation to the operation of its services or any other telecommunications services licensed by OFTA. If a PNETS licence is revoked for any reason, the relevant licence holder will no longer be able lawfully to continue to provide its telecommunications services in Hong Kong to its customers.

### Other legislation

*Personal Data Ordinance.* The Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “Personal Data Ordinance”) applies to “data users” in Hong Kong. An Internet service which collects personal information from users, such as their name or birth date, will be a data user. In addition, the Personal Data Ordinance may apply to a company depending on how “clicktrails” information (i.e. information regarding an Internet users’ pattern of Internet use) is used.

In relation to “clicktrails” information, the Privacy Commissioner has indicated that customer site-to-site activity stored on a server’s log is personal data if it is possible to associate such clicktrails with an individual customer. Analysis of “clicktrails” information will enable the development of a profile of the user’s interests which could be sold or transmitted to third parties for direct marketing purposes. The Privacy Commissioner has stated that a company should not perform such analysis if the user has not provided the data for such use.

*Control of Obscene and Indecent Articles Ordinance.* Under the Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong) any person who publishes, possesses for the purpose of publication or imports for the purpose of the publication any obscene article, whether or not the person knows that it is an obscene article, commits an offence and is liable for a fine of up to HK\$1 million and imprisonment for up to three years. It is also an offence to publish any indecent article to a person who is a juvenile, whether it is known that it is an indecent article or that such person is a juvenile. Such an offence may give rise to a fine of up to HK\$400,000 and/or imprisonment for up to 12 months. A subsequent conviction may give rise to a fine of up to HK\$800,000. Presently, it is unclear as to whether portal operators in Hong Kong such as the Group would be liable under such Ordinance for obscene or indecent material distributed over their portal.

*Copyright Ordinance.* The Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) provides protection for recognised categories of literary, dramatic, musical and artistic works, as well as films, television broadcasts and cable diffusion, and works made available to the public on the Internet. A copyright owner can take legal action against any person who infringes copyright in respect of a work. The owner of a copyright generally has the exclusive right to copy a work and distribute it to the public.

Copyright may subsist in the materials and information supplied by an ICP or included in the pages relating to trading on the Internet. An ICP may have the right to reproduce and disseminate information in connection with its business either by creating the content itself or through agreements with companies that provide it with content. An ICP’s web site may also include hypertext links to third party websites. A third party name, logo or other graphic representation, statement, phrase or heading, which may be used as a hypertext link, may also be protected by copyright.

**HISTORY AND DEVELOPMENT**

The Group's IT infrastructure operations began in 1992. In that year Sun Technology commenced business in the design, installation and maintenance of network infrastructure systems, namely SMATV systems, in residential buildings, including SHKP developments. In 1993, Sun Technology expanded its business operations to include the installation and maintenance of security surveillance and smart card systems. The Group further developed its network infrastructure business in 1999, when iHON commenced operations, designing, installing and maintaining fibre optic and other broadband networks.

As a result of Sun Technology retaining ownership of some of the network infrastructure installed by it, and in response to demands for high technology features to promote SHKP's residential developments, the Group began to develop services that could be delivered through such networks infrastructure. In early 1998, the *shkhome.net* Internet service was launched at the SHKP Symphony Bay development in Hong Kong to provide tailored information and services for its residents. In July 1999, the Group commenced the development of an Internet auction and trading service, *red-dots.com*, which was launched in October 1999. In February 2000, the *superhome.net* service, an enhanced version of *shkhome.net*, was launched on a trial basis at SHKP's East Point City development. This vertical portal concept is also being developed into a similar service initially for small and medium sized enterprises called *super-office.net*. Most recently, in February 2000, the Group established a property database service on the Internet called *propertystreet.net* and has announced the development of insurance and banking database services called *insurancestreet.net* and *bankingstreet.net*.

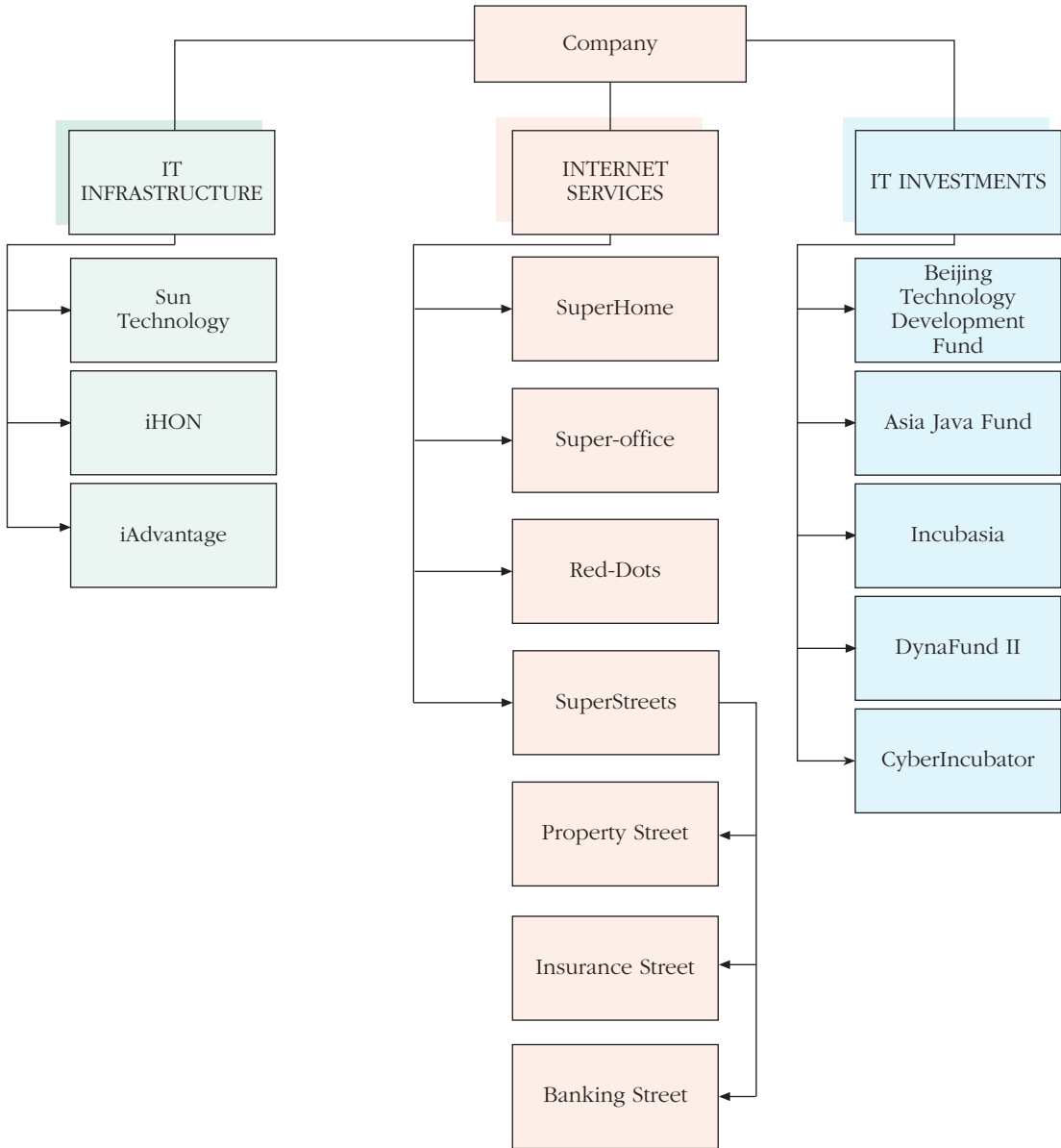
Building on the Group's experience derived from Sun Technology's network infrastructure activities, SHKP's expertise in facilities management and its existing Internet operations, in 1999 the Group diversified into a further related business. In April 1999, the Group established iAdvantage, a facilities management and server co-location centre operator. The One-iAdvantage centre in Millennium City, a SHKP commercial development in Hong Kong, opened for business in November 1999.

The Group has investments in venture capital funds the first of which was made in May 1999. These include Beijing Technology Development Fund, Asia Java Fund, Incubasia and DynaFund II. In addition, the Group has partnered with the HKITC to offer an incubation programme for start-up companies in Hong Kong.

In summary, the Group's business has developed into two associated and complementary business segments: first, IT infrastructure, in which Sun Technology, iHON and iAdvantage operate, and second, Internet services, in which SuperHome, Super-office, Red-Dots and PropertyStreet operate. In addition, the Group has a number of investments in IT and Internet related businesses.

# THE BUSINESS

The following chart sets out the major business operations of the Group:

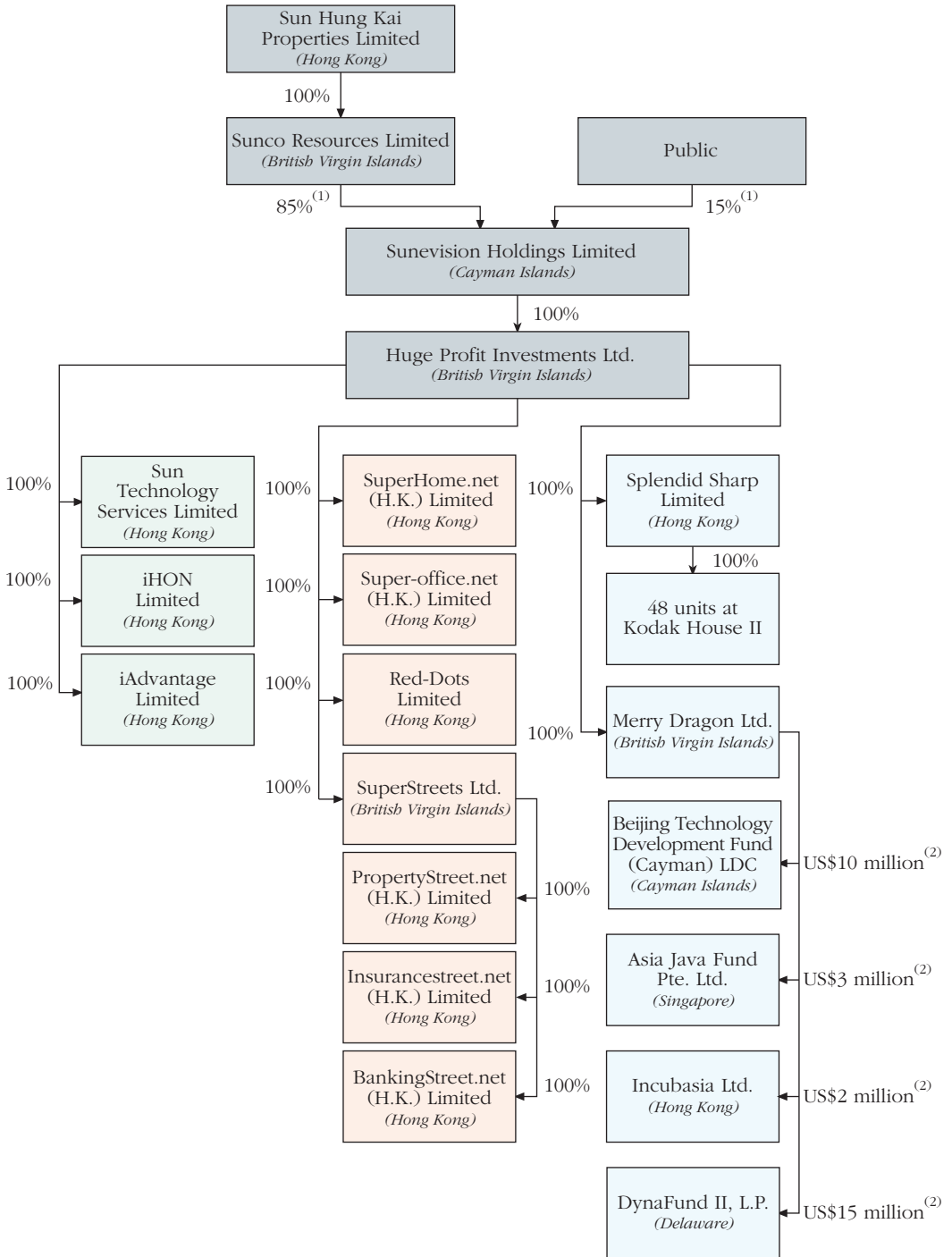


## CORPORATE STRUCTURE

The Company was incorporated in the Cayman Islands on 25 January 2000 as an indirect wholly-owned subsidiary of SHKP and as the holding company for certain of the SHKP Group's IT infrastructure and Internet service businesses. Prior to the date of this prospectus, in preparation for the listing of the Shares on GEM, the companies comprising the Group underwent the Reorganisation, pursuant to which the Company acquired from Sunco, a wholly-owned subsidiary of SHKP, Sunco's entire equity interest in and Sunco's rights and obligations as lender to the Group in consideration for the allotment and issue to Sunco of 1,699,999,998 Shares credited as fully paid and the Convertible Note. It should be noted that pursuant to Rule 11.23(1) of the GEM Listing Rules, the public must hold at least 15 per cent. of the Shares of the Company at all times. Therefore, Sunco will only be able to exercise its conversion rights under the Convertible Note if it takes steps to ensure that the public holding of Shares will not fall below the 15 per cent. limit.

## THE BUSINESS

The following chart sets out the simplified corporate structure of the Company, its parent company and its major subsidiaries immediately following completion of the Share Offer:



*Notes:*

1. Sunco and the public will hold 83.13 per cent. and 16.87 per cent., respectively of the issued share capital of the Company immediately following completion of the Share Offer assuming the Over-allotment Option is fully exercised.
2. Committed amounts.

**IT INFRASTRUCTURE****Sun Technology Services Limited**

Sun Technology, which was established in 1992, provides infrastructure services through the design, installation and maintenance of network infrastructure and security surveillance systems. Such services are provided for properties developed and/or managed by the SHKP Group as well as for other property developers and managers. The network infrastructure installed by Sun Technology is capable of delivering a range of Internet and Intranet services provided by other members of the Group.

***Network infrastructure***

*SMATV.* Sun Technology engages in the design, installation and maintenance of SMATV systems, as well as the integration of SMATV networks with CABD systems. SMATV is a television reception system, through which multiple free-to-air and certain subscription television channels (including, for example, the channels provided by STAR TV) carrying images and sound transmitted via satellite are received and delivered to units in residential and commercial blocks. A satellite dish receiver is usually installed on the roof of a building to receive television signals, which are then transmitted to units within that and adjacent buildings through coaxial cabling which forms a “backbone” within these buildings and which is connected to all the units. Where the SMATV and CABD systems are integrated, the cabling is also used to receive the two Hong Kong terrestrial television broadcasters, TVB and ATV.

As at 31 December 1999, approximately 44,000 households in Hong Kong were connected to SMATV via networks installed and owned by Sun Technology and approximately another 5,000 households were connected to SMATV via networks installed and maintained on an on-going basis by Sun Technology. Sun Technology is the sole nominated contractor of SHKP for the installation of SMATV systems and a majority of the networks installed by Sun Technology are in SHKP’s developments.

The existing SMATV networks can only deliver a signal in one direction, as opposed to broadband networks which provide two-way traffic. Therefore, Sun Technology has, in collaboration with City Telecom (HK) International Limited (“City Telecom”) and SmarTone, conducted two successful trials, in April and November 1999, respectively, to establish whether the existing SMATV networks can be adapted to carry broadband services. The first broadband-enabling trial, with City Telecom, involved connecting a SMATV system to fixed leased lines. The second trial, with SmarTone, provided a number of households in a residential high-rise apartment block with broadband Internet access using wireless fixed telecommunications network services (“FTNS”) transmitted using local multipoint distribution system (“LMDS”) technology.

In January 2000, OFTA awarded licences to five operators for the provision of local wireless FTNS, including SmarTone. Sun Technology is currently in discussions with SmarTone regarding the use of Sun Technology’s SMATV systems for the provision of a local wireless FTNS service. The Directors expect that Sun Technology’s investment in the broadband-enabling costs of their SMATV networks may generate inter-connection fees from such operators, if they choose to use Sun Technology’s infrastructure networks.

Sun Technology is in the process of completing the upgrading work to broadband-enable the SMATV network at the East Point City development, initially to prepare for the soft launch of the SuperHome service. This upgrade has involved changing the existing amplifiers which operated one-way traffic to amplifiers which can facilitate two-way traffic over the existing network infrastructure.

*CAT-5 wiring.* In 1999, Sun Technology reacted to the rising demand for IT infrastructure networks by diversifying its installation and maintenance business to include the installation and maintenance of network infrastructure other than coaxial cabling, such as CAT-5 wiring systems. In the year ended 31 December 1999, Sun Technology laid CAT-5 cables in four office buildings, namely, the CyberIncubator at Kodak House, Apec Plaza, Landmark North and the World Trade Centre, all of which are properties owned and/or managed by SHKP. The CAT-5 wiring systems in these four buildings consist of an IT infrastructure backbone which connects to the cable ducting of each of the floors, providing high-speed broadband Internet access. The revenue generated from this work to date has not been material and is recorded under 'satellite/security systems installation' in the Group's financial statements. Sun Technology has also submitted quotations and tenders to install IT infrastructure in one other residential and three other commercial premises.

*Other technologies.* Although Sun Technology has to date only installed coaxial and CAT-5 wiring systems for its customers, it also has the requisite expertise to install fibre optic and other types of network infrastructure. Depending on the requirements of its customers, Sun Technology is also capable of installing a combination of cables where, for example, fibre optic cabling is used for the vertical backbone and coaxial cabling or CAT-5 wiring are used for the horizontal connections to individual units.

Following its diversification into the design and installation of other network infrastructure systems, Sun Technology continues to consider opportunities to diversify into other activities that are related to its current core businesses.

### ***Security surveillance systems***

Since 1993, Sun Technology has been engaged in the business of providing security surveillance systems design, installation and maintenance services, including wireless security systems, remote monitoring "tele-eye" central control centres, smart cards and video phone systems. In 1998, Sun Technology completed the installation of the security surveillance, car park access control and traffic light systems for the Airport Freight Forwarding Centre at Hong Kong International Airport. The value of such contract was approximately HK\$11 million.

The majority of the security surveillance design, installation and maintenance projects handled by Sun Technology, both in terms of value and number, have been for SHKP owned and/or managed buildings and estates. Most of Sun Technology's security surveillance design, installation and maintenance contracts have been won through a competitive tender process.

### ***Installation and maintenance charges***

Sun Technology charges property developers and building/estate owners for the design and installation of its network infrastructure or security surveillance systems. Sun Technology either transfers title to the system to the owners of the relevant building or retains title to the system. In the latter case, Sun Technology charges the management company of the building, owners'

corporation or users a monthly charge. Sun Technology also charges a monthly maintenance fee where it is engaged to provide maintenance services to network infrastructure or security surveillance systems which it does not own.

Sun Technology is often contracted to install network infrastructure or security surveillance systems at an early stage of development of a building or estate. However, the bulk of the on-site installation work is usually performed when the building is completed which is some time after the award of the contract. Installation revenue is recognised progressively on the basis of the amount of work actually completed. Consequently there is usually a lag between the time the installation contract is entered into and the time for recognition and receipt of installation revenue.

The network infrastructure systems business contributed approximately 44, 34 and 29 per cent. to the gross turnover of Sun Technology, respectively, of which 91, 88 and 89 per cent., respectively, was attributable to the SHKP Group for the financial years ended 30 June 1998 and 30 June 1999 and the six months ended 31 December 1999.

The security surveillance business accounted for approximately 56, 66 and 71 per cent. of the gross turnover of Sun Technology, respectively, of which 95, 97 and 97 per cent., respectively, was attributable to the SHKP Group for the financial years ended 30 June 1998 and 30 June 1999 and the six months ended 31 December 1999.

### ***Marketing***

Marketing of Sun Technology's network infrastructure and security surveillance systems businesses is conducted through its own dedicated sales representatives, who approach property developers and owners, estate management companies and owners' corporations. Sun Technology also submits bids for jobs which are put out to tender, and regularly discusses with SHKP business opportunities for installing and maintaining such systems for properties owned and/or managed by SHKP.

### ***Competition***

As at 31 December 1999, OFTA had awarded licences to 67 SMATV companies in Hong Kong. Among these, the Directors believe that Sun Technology, Rediffusion Satellite Services Ltd. and Pacific Satellite International Ltd. are the three most significant industry participants.

In relation to the prospect of applying local wireless FTNS technology to existing SMATV facilities to provide a LMDS service, Sun Technology will also compete with telephone line, cable and fibre optic network providers, as such media are also capable of being modified to provide broadband services. In this area, Sun Technology believes it has a competitive advantage, as it is likely to be regarded as an independent infrastructure provider by the local wireless FTNS operators rather than a competitor.

In relation to security surveillance systems, Sun Technology faces competition from a number of companies including the in-house operations of other major developers which are responsible for installing security surveillance in buildings constructed by such developers. In addition, the Directors do not consider that licensing requirements and the technology involved in its businesses create high barriers to entry. However, the Directors believe that the relationship between the Group and the SHKP Group will continue to benefit the business of Sun Technology.

### ***Suppliers and customers***

The Group's largest supplier accounted for 7 per cent., 14 per cent. and 7 per cent. of Sun Technology's cost of sales in the six months ended 31 December 1999, the year ended 30 June 1999 and the year ended 30 June 1998, respectively, with the five largest suppliers accounting for 32 per cent., 38 per cent. and 28 per cent. of Sun Technology's cost of sales in such periods, respectively. Such suppliers provided Sun Technology with materials such as cabling, components of security surveillance systems and satellite dishes.

The Group's largest customer accounted for 25 per cent., 29 per cent. and 30 per cent. of Sun Technology's turnover in the six months ended 31 December 1999, the year ended 30 June 1999 and the year ended 30 June 1998, respectively, with the five largest customers accounting for 78 per cent., 74 per cent. and 73 per cent. of Sun Technology's turnover in such periods, respectively. All such customers are members of the SHKP Group.

Except in respect of SHKP, none of the Directors, their associates or the shareholders of the Company owns any interest in the Group's five largest suppliers or five largest customers.

### ***Licences***

Sun Technology is a SMATV operator licensed by OFTA. The SMATV licence held by Sun Technology is required to be renewed on an annual basis.

Sun Technology was awarded a PNETS licence in November 1999 by OFTA enabling Sun Technology to operate as an ISP. This licence was obtained in order that the Group could react quickly, should it wish to provide such services. However, Sun Technology currently has no intention to operate as an ISP.

Sun Technology as a security services operator is also required to hold a security company licence type III, which is renewed on an annual basis upon approval by the Security and Guarding Services Industry Authority, a body formed under the Security and Guarding Services Ordinance (Cap. 460 of the laws of Hong Kong) to regulate such industries.

All such licences are current and the Directors are not aware of any reason why any of them should be withdrawn and no other material licences are required for Sun Technology's operations.

### ***Intellectual property***

The registrant of the domain name *suntechnology.com.hk* has made an application to transfer such domain name to Sun Technology. An application to register Sun Technology's service mark was made on 25 February 2000. Other than its service mark, Sun Technology currently does not have licensed to it, or by it, any intellectual property rights that are material to its operations.

### ***Insurance***

Sun Technology is required pursuant to its SMATV operator licence to take out public liability insurance for all SMATV and network infrastructure systems which it owns. The company has public liability insurance of up to HK\$20 million under a policy from a member of the SHKP Group.

**iHON Limited**

iHON, which was incorporated in September 1999, provides infrastructure services through the design, installation and maintenance of fibre optic and other broadband networks in residential and commercial buildings. Such broadband networks are installed in properties developed and/or managed by the SHKP Group as well as for other property developers and managers.

Such networks can increase Internet access speeds by up to 1,000 times compared with a traditional 56 kpbs Internet modem. The large bandwidth of such networks also allows high quality resolution television and video images to be transmitted and allows users to interact with such images. These broadband networks also provide the basis for establishing an Intranet within residential developments through which e-communities can be formed, using services such as *superhome.net*.

Royal Peninsula in Hung Hom, which is expected to be completed in 2001, will be the first residential property in which iHON has installed a broadband network and retained ownership following installation. The contract value for this development is approximately HK\$7 million. iHON is also currently installing a broadband network at the Ocean Shore development, Tseung Kwan-O, which is expected to be owned and operated on a 50:50 basis with Swire Properties Limited. As with Sun Technology, it is expected that iHON will sub-contract the installation work in relation to certain future projects and in certain cases retain ownership of the networks once installed.

By retaining ownership of the networks, iHON expects to be able to derive revenues from interconnect fees for broadband services including telephone, Internet, video and television provided to the communities linked to the network. iHON will continue discussions with SHKP with regard to installing broadband networks into other new developments of the SHKP Group.

**iAdvantage Limited*****Introduction***

iAdvantage operates one of the most advanced Internet server co-location centres in Hong Kong. iAdvantage was formed by SHKP under its previous name, Silver Victory Limited, in April 1999. iAdvantage held its soft launch in November 1999 and officially opened One-iAdvantage, its first server co-location centre on one floor of Millennium City, Hong Kong on 3 January 2000. One-iAdvantage is one of the few large-scale centres in Hong Kong providing a combination of server hosting, 24-hour facilities management, Internet connectivity, systems management and Internet technology services, on a commercial basis. These services are designed to provide enterprises with 'mission-critical' Internet operations with the security, high performance, scalability and expertise necessary to optimise their Internet operations.

***Server hosting and facilities management***

One-iAdvantage, the first iAdvantage server co-location centre, occupies one floor of the Millennium City development in Kwun Tong, Kowloon comprising approximately 20,000 sq. ft. The Millennium City complex is a SHKP commercial development which was completed in August 1998. The One-iAdvantage centre was specifically adapted for iAdvantage in 1999. As at 31 December 1999, the cost of retrofitting the One-iAdvantage centre had amounted to HK\$22

million and the cost of the network infrastructure, such as routers and switches, had amounted to HK\$10 million. Operations at the centre are in the process of being opened in three phases. The first phase officially opened in January 2000 occupying a gross floor area of approximately 5,000 sq. ft. and as at 31 January 2000, half of the phase one rack facilities were leased. The second phase comprises a gross floor area of approximately 10,000 sq. ft., which is due to be opened in March 2000. The third phase with a gross floor area of approximately 5,000 sq. ft. will become available when iAdvantage moves its offices to the Mega-iAdvantage centre and such offices have been refitted.

Whilst many companies have in the past set up their own data centres, the Internet service centre concept provides distinct advantages as compared with in-house operations. In particular, an Internet service centre offers a technologically sophisticated environment for co-location of servers and other IT equipment of different companies. Such centres are designed to provide a stable and secure environment and high capacity bandwidth and connectivity to the Internet. Although the initial capital costs of the plant and equipment required for such centres is high, due to economies of scale, such centres can generally provide such services more cheaply than in-house solutions.

*Power supply.* Servers require a stable and uninterrupted power supply and in order to provide this the One-iAdvantage centre has its own direct-connection power feeders linked to the China Light & Power Company Limited grid. In addition, the centre has two advanced back-up power systems: an 'Uninterruptible Power Supply System' and two standby diesel generators.

*Air conditioning.* Servers cannot be exposed to extremes of temperature and humidity. Therefore, the area in which the servers are co-located has been designed as a 'dry room', with an advanced air conditioning system configured with a back-up system along with temperature and humidity control.

*Fire systems.* The One-iAdvantage centre also has advanced fire suppression systems. The primary system is the FM 200 Fire Suppression System which emits non-toxic gas to suppress fires, whilst avoiding damage to the hardware in the computer room. In addition, there is a back-up 'Pre-Action Sprinkler System' which, as a safety mechanism, initially emits compressed air to ensure the control centre is aware the sprinkler system is about to be activated.

*Security.* The One-iAdvantage centre's security system comprises two components, systems security and site security. iAdvantage's systems security includes anti-hacker firewall technology using software designed by CheckPoint and Xylan and a regularly updated One-iAdvantage anti-virus programme from Computer Associates International, Inc. to limit the spread of a virus from within the network. In addition, each server rack is continuously monitored by a closed-circuit TV surveillance system and 24-hour security guards patrol the premises. Entry to the One-iAdvantage centre's control room is controlled by a Hand Geometry Reader which recognises the palm of an individual's hand.

*Control room.* The control room monitors both the operational status of the facilities, including the electrical, air conditioning, fire and security systems, and the operational status of the network, including connectivity and the flow of traffic to ensure that response times are minimised, on a 24 hours a day, seven days a week basis. The One-iAdvantage centre is staffed by teams of employees working in shifts with a total staff of 60. The staff at the centre are able to take advantage of regular in-house training programmes.

*Workshop area.* The One-iAdvantage centre also has a workshop area for customers to use whilst servicing their hardware and software or to hold meetings. This is available for use without charge at any time of the day or night.

### ***Internet connectivity***

One of iAdvantage's main objectives is to ensure that its customers' connections to the Internet perform effectively and reliably. Its operations are also designed to be flexible and scaleable, ensuring customers a consistently high level of performance as their Internet operations expand.

In order to maintain continuous, high speed Internet connections, the One-iAdvantage centre has a network of multiple fibre optic cables and dedicated cable risers which can be connected to multiple FTNS operators. Currently, the One-iAdvantage centre's broadband fibre optic backbone has two pre-mounted direct-coupled, connections to two FTNS operators, namely Hutchison Telecommunications Limited ("Hutchison") and Cable & Wireless HKT, which provide the physical path to the Internet. Local connections to the Hong Kong Internet Exchange are made through a 30Mbps connection provided by Cable & Wireless HKT and a 100Mbps connection provided by Hutchison. International connections to the Internet are made through a 20Mbps connection provided by Cable & Wireless HKT and a 10Mbps connection via UUNet Hong Kong Limited. These connections are scaleable which means that customers can take advantage of high speed Internet access and increase bandwidth whenever extra capacity is required. In this way, per unit leased-line rental costs for each customer co-locating in the centre are reduced.

### ***Systems management and Internet technology services***

In addition to iAdvantage's server co-location services, iAdvantage can offer systems management services that include procurement, installation, monitoring and servicing of software and hardware. iAdvantage offers three types of basic service: iStarter Vantage, for companies initially establishing an Internet presence, iCorporate Vantage, aimed at corporate clients and iPartner Vantage, for Internet solution providers.

*iStarter Vantage.* To reduce initial investment costs, iAdvantage offers its clients the iStarter Vantage service. This is a 'one-stop' solution to start-up enterprises which includes web and application hosting, Intranet, customised hosting solutions and equipment leasing. The iStarter Vantage service offers businesses cost-effective, quick entry onto the Internet and gives them access to iAdvantage's expertise reducing initial labour, equipment and connectivity costs.

*iCorporate Vantage.* This service offers superior connectivity, high bandwidth connections and back-up services to corporate clients. In addition, iAdvantage's neutrality, regarding the choice of Internet connections, means it can select the most appropriate providers and services for corporate clients to ensure the most cost effective and efficient connections.

*iPartner Vantage.* To assist Internet solutions providers, iAdvantage offers an iPartner Vantage service. This service allows Internet solutions providers to devolve responsibility for certain functions relating to facilities management and routine operations to iAdvantage, reducing management, hardware and staff costs.

For each of these packages, the appropriate space and network connectivity is offered to clients, in accordance with their specific needs.

*Other value added services.* iAdvantage also offers a range of value-added services including:

- bandwidth management, ensuring that there is sufficient bandwidth to meet a server's demand;
- security management, firewall management and an application monitoring service, designed to detect intrusions;
- server load balancing, ensuring an even distribution of traffic between servers;
- daily operations support: 24-hour backup, system recovery, disaster recovery, job scheduling and a weekly web traffic report to assist operators in analysing the performance of their site;
- site mirroring, which permits ICPs to mirror their website by locating servers in a site geographically closer to centres of population that form significant parts of their traffic in order to improve response times;
- web design and hosting services, involving the design of a website's web pages and providing a location for such web pages on a server, which are offered in association with third party solutions providers; and
- systems integration services, involving the integration of software, hardware and peripherals, and consultancy services, which are offered in association with third party solutions providers.

### **Customers**

iAdvantage's services are targeted at multi-national corporations, small to medium-sized enterprises and start-ups, ISPs, ICPs, web design and host providers, e-commerce services providers, multimedia companies and system integration providers. In addition, due to the deregulation of the telecommunications industry in Hong Kong, telecommunications service providers, such as external telecommunications service providers and LMDS operators, are expected to require a significant amount of space to store servers and gateway management systems.

As at 31 January 2000, two months after the commencement of operations, iAdvantage had approximately 50 customers including, netalone.com Limited, HK Sky-e.com Limited, Information Age Limited and China Electronic Information Technology Ltd., TVB.COM Limited, its ultimate parent SHKP and certain other associated companies such as SmarTone. In addition, the Group's Internet services businesses either currently use iAdvantage's services or are considering using such facilities.

### ***Charges***

iAdvantage's basic charges relate to the size of the space rented by the client. From the smallest shelf of a rack (600mm x 800mm x 445mm) to a full rack (600mm x 800mm x 2450mm) the charges range from HK\$2,500 to HK\$9,000 per month, plus an initial set-up charge of from HK\$2,500 to HK\$10,000 (which may be waived as part of a promotion of the service). The monthly charge is paid in advance and includes the costs of all iAdvantage's basic facility services, such as electricity supply, two Internet protocol addresses per 1/5 rack and 768 Kbps Internet connectivity.

iAdvantage also charges for its value added services, for example HK\$10,000 per Mbps per month for bandwidth management and HK\$1,000 per month for a weekly web traffic report.

In addition, iAdvantage works with various technology companies to offer 'total solutions' for e-commerce, applications service hosting and other Internet-related businesses. In December 1999, iAdvantage launched the "Seasons in the Sun" programme in association with a member of the Sun Microsystems, Inc. group. This programme offers a package of hardware, software and facility services, giving companies of all sizes a cost effective and quick means of establishing a presence on the Internet. Charges for the packages currently range from HK\$9,880 to HK\$46,000 per month for the first 12 months and thereafter HK\$2,500 and HK\$8,000 per month. The packages include:

- a Netra-t series, Enterprise 450 or Enterprise 250 server from Sun Microsystems, Inc.;
- e-commerce solutions from Internet solution partners such as Topsoft Limited, Uni-Tech Technologies Limited, Novel Information Systems Limited, e-Solution Company Limited, First Ecom.com Inc., i Marketing Direct Ltd., EPRO Systems (HK) Limited, High Link Technology Ltd., Nexcel Limited and Automated Systems (HK) Limited; and
- the range of iAdvantage services including hardware and software installation and servicing.

### ***Marketing***

As at 31 January 2000, iAdvantage had 12 dedicated sales and marketing employees, led by two managers. Potential customers are identified through relationships with computer-related companies such as hardware and software manufacturers and system integrators, referrals, cold calling and tenants of SHKP. Solution providers (companies that build Internet sites) are given commissions on a non-exclusive basis for referrals of new customers to iAdvantage. Currently, most of iAdvantage's sales are derived through the efforts of its sales force.

Marketing efforts also focus on increasing public awareness through regular print advertising in finance and economics sections of newspapers and through presentations including press tours of the One-iAdvantage centre. Other activities, including participation in industry exhibitions, are also planned.

### ***Competition***

Currently, iAdvantage's main competitors are Cable & Wireless HKT and iLink.net Limited. In addition, the Directors believe that a number of potential competitors may have the intention or are in the process of entering the server co-location market. However, the Directors believe that iAdvantage has moved into this market before other such potential competitors and has already started to establish a name for the quality and value of its service. In addition, the Directors believe that iAdvantage has the following competitive strengths:

- The deregulation of the telecommunications industry, and the growth of the Internet, are expected to result in future demand for server co-location facilities and the capacity being generated by iAdvantage now will position it to meet such demand;
- As a result of management's experience in facilities management within the SHKP Group and the Group's relationship with SHKP, iAdvantage has an established reputation in facilities management and has access to a wide range of potential new sites for establishing data centres both within Hong Kong and in Mainland China;
- Through the size of its facilities, iAdvantage will be able to benefit from greater economies of scale, better performance and offer its customers infrastructure, hardware and technical support which allow such customers to achieve cost savings and reduce lead-in times as compared with establishing similar facilities themselves; and
- Due to its relationship with SHKP, as opposed to a telecoms company, iAdvantage is neutrally positioned and not restricted to a particular bandwidth provider, so it is able to obtain premises and provide its customers with connections to a range of different telecommunications carriers and/or service providers based on the service and cost savings they can offer.

The Directors believe that there are a number of barriers to entry to other operators, such as the high initial capital expenditure and the expertise that is required for the installation of the power, air conditioning, fire, security and cabling systems to the required specifications, the relatively long lead-in time to construct such a facility and the availability of land and technical expertise in respect of the IT and facilities management aspects of the operations.

### ***Intellectual property***

iAdvantage is the registrant of the *iadvantage.com.cn*, *iadvantage.net*, *iadvantage.net.hk*, *iadvantage.net.cn* and *iadvantagenet.com* domain names. An application to register iAdvantage's service mark was made on 11 January 2000. Other than such domain names and service mark, iAdvantage does not currently have licensed to it, or by it, any intellectual property that is material to its operations.

### ***Insurance***

The total sum insured for accidental damage to the One-iAdvantage centre (excluding the network, hardware and software) is HK\$30.5 million, with a further HK\$10.975 million cover for network computer equipment owned by iAdvantage. In addition, iAdvantage carries public liability insurance of up to HK\$50 million, which covers liability in respect of third party property

damage subject to a limit of HK\$25 million per claim. iAdvantage obtains such cover under policies from a member of the SHKP Group. Whilst customers are intended to be responsible for damage or loss with respect to their own hardware, data and software, iAdvantage is not insured with respect to certain claims including claims in respects of loss of data or loss of profit, as the Directors believe that it is not possible to procure such insurance cover in Hong Kong at commercially viable rates.

### ***Expansion and property interests***

iAdvantage plans to expand its operations in Hong Kong by completing a further two co-location centres in the first half and second half of this year, namely Jumbo-iAdvantage and Mega-iAdvantage. Jumbo-iAdvantage will be located in a eight storey commercial building in Tsuen Wan, Kowloon which is currently undergoing renovation. The estimated capital expenditure for the retrofit of the building at Tsuen Wan and installation of the data centre is HK\$139.0 million (excluding the carrying land and building cost of HK\$149 million). Mega-iAdvantage will be located in a newly constructed building in Chai Wan, Hong Kong specifically designed as a server co-location centre. The estimated capital expenditure for the construction of Mega-iAdvantage is HK\$413.5 million (excluding the carrying land cost of HK\$145 million). The two new centres in Hong Kong will add approximately 500,000 sq. ft. to the Group's Internet server co-location operations.

In addition, iAdvantage has plans to build server co-location centres in Mainland China and has contracted to lease two properties in Beijing and Shanghai for such operations. See "Statement of Business Objectives and Strategies — Strategies — Implementation Schedule". The intention of establishing such a network of server co-location centres is to improve network performance. Once each of the centres is linked to the others by a high-performance network backbone, not only will such centres be able to offer faster and cheaper per unit connectivity among servers within each centre, but also between each of the sites.

iAdvantage owns six floors of Tower II, Millennium City, Kwun Tong, Kowloon which were transferred to it by a member of the SHKP Group as part of the Group reorganisation in preparation for the listing of the Shares on GEM. iAdvantage occupies one level for its One-iAdvantage server co-location centre and the other five levels are let to unconnected parties under commercial leases expiring in 2003 which will, when current agreements for lease become effective, in aggregate generate a rental income of approximately HK\$1.4 million per month exclusive of rates and management charges. To the extent that there is demand, it is the intention of iAdvantage to occupy these levels as and when their current leases expire so as to utilise such space for its operations.

## **INTERNET SERVICES**

### **SuperHome.net (HK) Limited**

#### ***Introduction***

*superhome.net* is a service provided by SuperHome available through Intranets or the Internet, connecting residential occupants of particular property developments in Hong Kong with their management offices, retailers and local amenities. Through *superhome.net* the Group offers a tailored range of services and information to such occupants creating "e-communities". This service is intended to be delivered to units in SHKP or other developments through network infrastructure commonly installed by Sun Technology or iHON, as the case may be. The

*superhome.net* concept was announced in November 1999 and a trial was commenced in February 2000 at one tower of the East Point City development. It is expected that the service will be gradually rolled-out at other blocks at East Point City and to various new and existing residential property developments in Hong Kong owned and/or managed by SHKP.

### ***The service***

SHKP first began developing Internet sites in 1996, in order to offer its residents a service through which they could book the club facilities of the property development in which they lived. This idea was developed into the *shkhome.net* concept in late 1997 and was launched in early 1998 at Symphony Bay and later that year at East Point City, both residential property developments developed by SHKP.

*shkhome.net* is a portal through which information and services can be accessed via a personal computer, and which is provided through the Internet. *shkhome.net* provides content and services in Chinese tailored to residents of each property development in which the service is available. The information presented falls within the four elements of life in Chinese culture; clothing, food, the home and travel. In addition, users can make bookings for club facilities, check bus schedules and receive reminders to pay service charges. In 1999, in association with SmarTone, *shkhome.net* announced the “Smart Living” programme through which some of its services also became accessible at some SHKP developments through SmarTone mobile phones using SIM Application Toolkit Technology.

The Group began to develop *superhome.net* in 1999 with the assistance of a technical consultant, UNI-Tech Technologies Limited. *superhome.net* is a more sophisticated and expanded version of *shkhome.net*. The new service was first introduced at one block of East Point City in February 2000 on a trial basis with limited content. This service will be expanded at East Point City during the first half of this year and then rolled out selectively to include other properties and new developments. *superhome.net* is not merely a portal, but is intended to create an “e-community” for each residential development in which it is introduced. The service will include personalised content, local amenity services, e-commerce and management services.

*Personalised content.* The service will provide specific content relating to the users’ local environment, which they can either choose to personalise by selecting their preferred information or the system itself will personalise the content by observing the browser’s behaviour. Content will include reports on weather, news and travel information in a user’s neighbourhood, entertainment, lifestyle, financial, healthcare and educational information. The service will also feature the Group’s other Internet services such as Red-Dots and the Streets.

Letters of intent have been entered into with more than eight content and service providers, including Health Answers (HK) Ltd., the Continual Professional Development Centre, China INFOBANK Ltd., Sing Tao Ltd., Ming Pao Newspapers Limited and *red-dots.com* to provide content for the *superhome.net* services. Other content providers include Dell Computer Asia Ltd. and *fare.com.hk*. All of the content providers provide content to the Group without charge, and in some cases advertising and e-commerce revenues are shared with SuperHome.

*Local amenity services.* One of the key elements of the service is to provide a link between users and amenities in their local environment. The intention is to create a network within a community which will allow, for example, people to book seats at a local restaurant or to book an appointment with the local dentist or doctor. SuperHome is currently in the process of designing an interface between SuperHome and such local amenities.

*E-commerce.* Another key element to the service will be an e-commerce platform linking local businesses (including those in SHKP shopping malls nearby) with users. In order to be able to settle such transactions on-line with credit cards, SuperHome expects to enter into a payment gateway agreement with Standard Chartered Bank, using encryption software to ensure secure transmission of data.

*Management services.* As with *shkbhome.net*, users will be able to access information about activities within their own developments, such as community events and maintenance works, as well as book clubhouse facilities. In addition, such users will be able to pay management fees on-line.

*Intranet and Internet connectivity.* It is intended that residents of broadband-enabled developments will be able to access *superhome.net* either through an Intranet or the Internet. *superhome.net* will be the default home page on such Intranet. In buildings that are not broadband-enabled, SuperHome will be available only through the Internet.

### ***Fee structure***

The commercial viability of the service is dependent on building a critical mass of users that will attract advertisers and engage in e-commerce. As the service is in the process of being rolled out, its current revenues from advertising are minimal. However, the Directors expect that if such a critical mass of users is achieved, the principal sources of revenue derived from *superhome.net* will be advertising, subscription fees for access to some services, such as on-line education, and commissions on e-commerce transactions. The localised nature of the *superhome.net* service means that it can offer advertising that is targeted at specific social groups.

### ***Marketing***

SuperHome will engage in mass media advertising to promote *superhome.net*. A dedicated sales team will also be formed to market the service to residents of developments and to businesses in SHKP shopping malls and other local shopping centres. In addition, as a substantial proportion of SHKP's residential developments are aimed at the upper and middle income bracket the Directors believe that Internet penetration in such developments is higher than the average in Hong Kong. Discussions will continue to be held with SHKP and approaches have been and will be made to other property developers and management companies for the installation and provision of *superhome.net* in new and existing residential developments.

### ***Competition***

The Directors believe that currently no other property developer or Internet portal service in Hong Kong offers the same focused service as *superhome.net* and believe it has a competitive advantage as the first operator in this market. In addition, SHKP is one of the most significant property developers in Hong Kong and is well-positioned to become an intermediary between the occupants of its residential properties (generally upper middle to high income earners) and the businesses in the shopping centres in Hong Kong owned or managed by it. The relationship between the Group and SHKP means that *superhome.net* is likely to continue to have access to upper middle and high income earners in Hong Kong and that *superhome.net* will be well-positioned to develop online retail and e-commerce for businesses (including on a business-to-business basis) operating in the SHKP shopping centres.

### ***Intellectual property***

The registrants of the domain names *superhome.net* and *shkhome.net* have made applications to transfer such domain names to SuperHome. Applications to register SuperHome's service mark were made on 29 February 2000. Other than its service mark, SuperHome does not currently have licensed to it, or by it, any intellectual property that is material to its operations.

### **Super-office.net (HK) Limited**

#### ***Introduction***

Through *super-office.net* the Group intends to offer a tailored range of office services and information, in association with its partners. This applications and information portal is similar in concept to *superhome.net*, in that it will provide specific Internet related services to a distinct group of customers. This service is intended to be targeted initially at small to medium sized enterprises ("SMEs") that occupy commercial properties in Hong Kong owned/or managed by the SHKP Group. The pilot for this project is expected to commence in the first half of 2000 in three SHKP office buildings, namely the World Trade Centre, APEC Plaza and Landmark North. It is expected that if the pilot proves successful that the service will be rolled-out to various other commercial properties in Hong Kong owned and/or managed by SHKP and other property developers.

#### ***The service***

The Group began to develop *super-office.net* during 1999 and signed a consultancy services agreement with Microsoft Hong Kong Limited ("Microsoft") in December of that year. Pursuant to this agreement the Group has engaged Microsoft to assist it in the design and planning, application development and system implementation of a 'Digital Dashboard' system.

Digital Dashboard is a customised PC desktop that is intended to bring together a range of applications including Microsoft Office 2000™ (when it is launched later this year). This system will initially provide users with e-mail functionality, access to the Internet without the need for an ISP and access to multiple information sources. It will also utilise relevant content from the *superhome.net* site, as well as the Streets.

Super-office expects to take the Digital Dashboard platform and add to it a number of other applications and services relevant to SMEs in Hong Kong, creating, in a similar manner to SuperHome, an interactive service that is focused on local user requirements. The additional services that are expected to be added include remote storage of data, video conferencing, finance news (this will probably include the Streets), an e-commerce platform for companies to trade their products and list their websites, local traffic and weather reports, information specific to users' buildings and information specific to their local area, such as shops and restaurants.

Much of the information to be accessed through the Super-office service is intended to be accessed through a network connection with *super-office.net* servers located with iAdvantage, rather than from servers based within a company's office. As the servers are located remotely, fast data transmission speeds are required and therefore this system needs to utilise broadband network infrastructure. This makes the system suitable for buildings in which Sun Technology or iHON has or can install broadband network infrastructure.

The attraction of this system is that it is intended to provide SMEs with access to applications such as Microsoft Office 2000™ without requiring such SMEs to purchase the relevant software, buy the servers required to support their operations and employ people to service such hardware and software. As a result, the service is expected to reduce initial investment costs as well as ongoing maintenance costs.

### ***Fee structure***

Super-office is currently considering a number of pricing options for this service including incorporating their charges in the rental payments of the relevant company or charging directly based on a package of services for a specific number of users.

### ***Intellectual property***

SHKP, the registrant of *super-office.net* has submitted an application to transfer the registration of such domain name to Super-office Ltd. Super-office does not currently have licensed to it, or by it, any intellectual property that is material to its operations.

### **Red-Dots Limited**

#### ***Introduction***

Red-Dots operates the *red-dots.com* Internet auction service. This is an on-line trading community on the Internet which brings together buyers and sellers, primarily from Hong Kong, in order to auction a wide range of goods and services in an efficient and user-friendly manner. Currently, the sales on the site are made by either individuals or businesses to individuals. Red-Dots' management and technical teams were formed in June 1999 and the site was launched in October 1999.

#### ***The service***

The Red-Dots service permits sellers to post items for sale and buyers to bid for and purchase items of interest. The geographical focus and target market of the site is users in Hong Kong, although users from anywhere in the world may at any time browse through and buy or post items for sale on the site. All items are quoted for sale in Hong Kong dollars. Red-Dots offers buyers a selection of items including ones that might be difficult and costly to find through traditional means. It also enables sellers to reach a larger number of buyers, often more cost-effectively than traditional person-to-person trading forums such as newspapers or 'garage' sales.

*Items sold.* A full range of goods and services can be sold on Red-Dots, other than prohibited or restricted sale items. On 31 January 2000, Red-Dots had over 3,800 items listed for sale, having a daily average of 158 items listed during October 1999 and 3,123 items during January 2000. The site also currently gets about an average of 150,000 page views per day. Red-Dots currently has an average success rate (i.e. posted items sold) of approximately 31 per cent. of items posted for sale, with merchant offers having the highest success rate at 65 per cent. of items posted for sale.

The site categorises groups of items in order to facilitate searches by buyers. The number of categories and subcategories under which Red-Dots users list goods for auction has grown from 10 in October 1999, when Red-Dots was first introduced, to more than 231 as at 31 January

2000. The categories and subcategories of goods sold on Red-Dots are regularly expanded and adjusted to reflect the increased variety and types of items posted for sale and to allow searches to be conducted most easily. The categories currently listed are 'fashion & beauty', 'electronics & telecoms', 'computers & peripherals', 'collectables', 'travel, food & wine', 'home, automobile & fitness', 'books & entertainment', 'toys, gifts & games' and 'others'. These categories are further subdivided into subcategories. The most popular items sold are those that are currently fashionable or are unusual or unique and those which are well-presented with a photo (and therefore can be evaluated to some degree without a physical inspection).

*Access.* Users access the Red-Dots web site through its home page, at which point the reader can either choose to browse the site in English or Chinese. The home page gives a person browsing the site access to instructions on how to use the site, including how to register as a user, make bids or post goods for sale. In addition, the home page advertises the site's current promotions, highlighted auction items and recent announcements.

*Registration.* Any person can browse through the Red-Dots site and view the items listed for sale, but in order to bid for an item or to list an item for sale, buyers and sellers must first register with Red-Dots. As at 31 January 2000, Red-Dots had over 13,000 registered users.

Users are required to register either as an individual user (without a charge) or a merchant (for a charge of HK\$300). In each case a registration form is completed online or in hard copy which incorporates the Red-Dots User Agreement. On receipt of the form, registration is immediately acknowledged by email and thereafter a user can immediately bid for an item or list an item for sale. To register, users must be 18 years old, have an email address and, if they wish to participate in credit card only auctions, hold a valid credit card (and a Hong Kong ID card if a Hong Kong resident).

*Bidding on Red-Dots.* The home page contains a list of links to product categories and a search engine. Bidders can find items to buy either by browsing through the links to the product categories and subcategories or by searching the site's database for specific items through the search engine. In addition, a buyer can record an interest to buy a particular item at a particular price by posting a 'wish' at the 'wishing well'. The wish information is posted for 30 days free of charge and the buyer is notified by email if any user posts a matching item for auction. Since February 2000, users have had the option to receive a daily report by e-mail of new items by reference to selected specified features such as seller or category.

Each item listed for sale has a detailed description. In addition, the site has a rating system that gives each seller a 'red profile'. This gives details of each seller's past auctions, plus ratings and feedback on the seller given by others. This information is intended to help bidders to judge the previous performance of sellers. In addition, buyers are able to ask questions about an item posted for sale, by clicking a button which forwards the questions to the seller.

A starting price and the bid increments and the duration of auctions (from two to 14 days) are specified by the item's seller. A bidder can either watch the bidding and react accordingly or use the 'Supermax' feature. 'Supermax' allows the bidder to authorise Red-Dots to track the bidding and increase bids on the bidder's behalf up to a predetermined maximum bid. This allows bidders to avoid monitoring the status of bids. During the course of the auction Red-Dots send emails notifying bidders that they are being outbid and, if they are users of the arrangement with SmarTone, to the mobile phones of the users. At any point during an auction bidders can check the status of their bids by checking their Red-Dots account.

Red-Dots notifies the winning bidder of the result of the auction by email. This email also includes information on how the buyer can contact the seller. It is the buyer's responsibility to contact the seller within five calendar days to confirm the transaction and arrange for payment and delivery terms. Bids are not retractable except in exceptional circumstances specified in Red-Dots User Agreement (ratings downgrade of the seller or changes to the description of the item). The User Agreement also specifically states that no warranties as to the goods or services nor as to completion of a sale is made by Red-Dots, and contains an exclusion of liability.

*Selling goods on Red-Dots.* A seller registered with Red-Dots may post an item for sale in an auction online as follows. First, a description of the item is provided and colour photographs may be added. The 'Red-Dots Face to Face' customer service centre has digital cameras and scanners for use by sellers who can take such photographs without charge. The seller then chooses the type of auction the item is to be posted in. Red-Dots provides three different types of auctions:

- *Standard auctions* - These are the most common type of auction, which are generally used for sales of single items or multiple items in one lot. The 'Supermax' and reserve price features can be used in this type of auction.
- *Dutch auctions* - This type of auction is used for sale of multiple quantities of a single item. During a Dutch auction, bidders submit the quantities they desire and how much they want to pay for each one. Winners are decided first by bid value, then by desired quantity and finally by time of bid. The final per-item price is determined by the lowest of the winning bids. There are usually multiple winning bidders in a Dutch auction. In a Dutch auction, a reserve price cannot be set and the 'Supermax' feature cannot be used.
- *"Free Fall! Auction"* - Red-Dots holds a "Free Fall! Auction" every Tuesday night. In Free Fall! Auction, the price of an auctioned item (there are a number of the same item) falls every minute from the starting bid. The first bidder that bids for the item wins and this continues until all the items are gone. When the auction closes, Red-Dots debits the closing value from the bidder's credit card.

Finally, the seller selects the starting price for opening bids and the auction period and may specify that it is to be a credit card only auction. In addition, a seller may select a reserve price for an item (unless a Dutch auction), which is the minimum price at which the seller is willing to sell such item and is not disclosed to bidders. At any point during the auction sellers can check the status of their auctions by checking their Red-Dots account. Red-Dots notifies the seller of the result of the auction by email. This email also includes information on how the seller can contact the buyer. It is the buyer's responsibility to contact the seller within five calendar days to confirm the transaction and arrange for payment and delivery terms.

Under the Red-Dots User Agreement, sellers that receive a bid above the starting price or reserve price, are obliged to complete the transaction. Red-Dots has no power to force a seller or bidder to complete a transaction, but in the event of unjustifiable default in completing a transaction it would suspend such person from using the Red-Dots service.

### ***Business solutions***

Red-Dots also provides a service for merchants to sell products to the general public. Currently this service is only available to companies registered in Hong Kong. All items posted for sale by merchants are identified by a merchant icon. The intention of this is to generate greater trust among buyers, particularly if the merchant has a recognisable name. In addition, a function of the system allows buyers to view only merchant items being auctioned.

The registration fee for this service is HK\$300. In addition, merchants are charged HK\$50 per posting for standard auctions, HK\$50 per item for Dutch auctions and a 10 per cent. commission on the purchase price of successful sales. While Red-Dots has standard fees for its services, merchant fees are usually determined on the basis of a customised package of services supplied, including advertising.

Auctions of items posted by merchants work in exactly the same way as other sales. Red-Dots sends each of its merchants a printed statement of account each month showing details of all its Red-Dots transactions, including registration fees, posting fees, commissions and 'Red-Dots Face to Face' (described below) service charges. The merchant is required to pay the total balance of such charges within 21 days of the statement date by cashier's order, bank draft, company cheque or bank transfer.

Merchants are also offered advertising space on *red-dots.com* to promote the items they are auctioning. Types of advertising available include:

- Banner advertisements - these are horizontal or vertical strips on the Red-Dots site designed to be animated and eye-catching. Banner advertisements are by far the most common web-based advertising tool attracting traffic to a particular site. Red-Dots records every impression and user interaction derived through the advertisements and provides merchants with a detailed report to measure their effectiveness.
- Feature articles - Red-Dots carries its own editorial content produced in-house, but also includes feature articles written and supplied by its merchants. Topics include consumer hints, recent trends in a particular field and information about newly developed products and services. Editorial assistance is also offered to merchants.
- Button on home or category pages - these provide a prominent area for merchants to advertise their products or brand names.
- Special sponsorship - special sponsorship can take various forms, title sponsorship, in-kind sponsorship, for example providing electronic coupons or free gifts for auction, and membership programme sponsorship.

Banner advertisements are charged for according to whether they are run throughout the site or in particular auction categories and by reference to a specified number of impressions. The rates range from HK\$8,000 (run of a category) or HK\$10,000 (run of the site) for up to 100,000 impressions to HK\$11,000 (run of a category) or HK\$14,000 (run of the site) for up to 200,000 impressions. The production cost per banner advertisement is HK\$1,500. Feature articles cost HK\$10,000, with an optional copywriting charge of HK\$9,000.

### ***Fee structure for non-merchant users***

Initially, Red-Dots did impose charges for posting an item in an auction and successfully completing a transaction. Red-Dots has waived such charges since December 1999 in order to promote the registration of new users, increase the volume of transactions and to compete with other auction sites in Hong Kong. However, some charges are still imposed for certain 'value added' services. There is a fee of HK\$80 for an item to be given 'Category feature' prominence within a sale category and a fee of HK\$20 for an item to be posted in colour. These fees are deducted from the seller's credit card on the monthly billing date following posting of the item.

### ***Payment and delivery of items***

On notification of a successful sale the buyer and seller must contact each other and independently arrange for the shipment of and payment for the item. The buyer and seller can arrange to complete the transaction themselves, by mail or through 'Red-Dots Face to Face', its service centre, or through the Hongkong Post fulfilment service which is available to Red-Dots' users. At no point during the process does Red-Dots become owner of the item, take possession of the item being sold (except when service centres are used) or take any responsibility in respect of the buyer's payment.

Red-Dots has a customer service centre called 'Red-Dots Face to Face' at the World Trade Centre in Causeway Bay to help buyers and sellers to complete their transactions. The services it provides are free and include storage for sold items pending collection and holding the sale price for collection. The centre is also equipped with computers, scanners and digital cameras to allow sellers to take and post images of their item for sale on the site.

The parties to a successful transaction can also choose to complete the delivery of goods and payment through Hongkong Post, with which Red-Dots has a fulfilment service agreement. The seller and the buyer can agree to select any one of the 118 designated post offices for drop-off and collection and are charged postage rates. In addition to this basic service, the seller or the buyer can also agree a door-to-door pick-up and delivery service through Hongkong Post.

### ***Promoting confidence in Red-Dots***

Red-Dots has a number of features that are intended to promote confidence in the public to use the site, by reassuring users of the honesty of and providing information about the users of the site.

A key feature which helps to establish a trading reputation of each registered user is the feedback feature. This feature enables buyers and sellers involved in a transaction to comment on each other. A 'red profile' containing compliments, criticisms and other comments is formed on each registered Red-Dots user and can be accessed by any user. The 'red profile' for each seller includes ratings related to various parts of the auction process plus an average of these ratings. The Red-Dots rating system helps maintain a responsible and serious-minded trading community and it encourages sellers to learn more about, and improve, their performance.

Red-Dots users may review a person's 'red profile' to check on the person's reputation within the Red-Dots community before deciding to bid on an item listed by that person. This helps to reduce the concerns a user may have about dealing with someone who is anonymous.

Users who receive a sufficiently negative feedback rating are subject to investigation by Red-Dots which, if found to be justified, will lead to a warning being issued. A warning in respect of a serious matter or repeated warnings will result in such users having their registrations suspended and their being unable to bid on or list items for sale.

To protect users, to ensure a safe and reliable auction site and to preserve the integrity and reputation of the site's trading community, Red-Dots staff monitor the conduct of randomly selected auctions and investigate those where irregular behaviour, such as retraction of bids, has been reported. Red-Dots issues warnings to users who retract bids, cancel auctions, attempt to misuse the system or breach any of the terms and conditions set out in the User Agreement. Any users who have been warned three times risk suspension or termination of their account by Red-Dots.

In addition, if a buyer does not make contact within the required five calendar days after the auction closes, a seller can request Red-Dots to contact such party on their behalf. Red-Dots also has a reporting system, Community Watch, through which users can report abuses by email. Red-Dots staff investigate each case and take appropriate action. In respect of certain specified merchants, Red-Dots has a money-back guarantee policy if the description of the goods does not match the goods received.

All credit card transactions with Red-Dots are handled through the Standard Chartered Bank in Hong Kong and are protected by the Secure Sockets Layer encryption software. All information including credit card details are kept highly confidential and Red-Dots does not disclose personal details to a third party without approval of the user.

Red-Dots also has a number of web pages that are designed to be of interest to the online community. The information provided includes news on a specific category in which a bidder has an interest, articles on on-line auctions and tips on how to choose an item and build your own collection, links to reference books, relevant websites and glossaries on different items to help build a user's knowledge of a particular subject. Some of such content is provided by The Commercial Press (H.K.) Limited. Red-Dots also has various discussion boards for users to raise and share their views and comments on a range of topics, the content for which is provided by Easy Group Holdings Limited (a restaurant portal operator) and Commercial Press (H.K.) Limited (a publisher) without charge.

### **Marketing**

Red-Dots' current focus is to attract registered users and build a critical mass of buyers, as the Directors believe that the success of the service will be driven by the numbers of buyers accessing the service and completing transactions. Therefore, Red-Dots' brand image and the confidence the users have in the service is critical to its success.

On its launch in October 1999, Red-Dots undertook an advertising campaign designed to attract new users. This campaign included traditional advertising methods, strategic advertising and sponsorship placements on high traffic websites. The first item auctioned on *red-dots.com* was an apartment at the SHKP development Grand Horizon, which sold for HK\$2,270,000. Each month since then eye-catching items such as a Mercedes Benz C-class, have been auctioned to raise the public profile of the site. In addition, a series of acquisition and user stimulation campaigns have been conducted involving free gifts such as Polaroid cameras for newly-registered users that post items for sale.

Red-Dots continues to employ a variety of methods to promote its brand and attract potential buyers and sellers. Red-Dots uses strategic purchases of online advertising to place advertisements in areas in which it believes it can reach its target audience. It also engages in a number of marketing activities in traditional media such as advertising in print media. Roadshows are also held in shopping malls to increase public awareness of the site, which has involved holding three live auctions, one at TsimShaTsui Commercial Press store, one at Mongkok Grand Century Place and the third at Shatin New Town Plaza. These live auctions have been combined with events organised by film producers to promote new films and have included attendance by stars from the films and auction of items relating to the film or the stars. The site also runs monthly promotions such as the 'Golden Bid Auction' with prizes or special starting prices. Red-Dots' advertising expenditure budget for the period from launch to 30 June 2000 is approximately HK\$5.8 million of which approximately HK\$2.1 million had been spent as at 31 December 1999.

The number and quality of the merchant sellers on the site is also important to the site's brand in the market. Therefore, the Group has marketed the site's merchant services to a wide range of business community contacts to which its association with SHKP gives it access, through seminars and through Hong Kong government sponsored SME information services.

The site has also acted as an online charity auction site, the beneficiaries of which have included the Tung Wah group of hospitals in December 1999.

### ***Competition***

The Directors believe that Red-Dots' main competitors in Hong Kong are *go2bk.com*, *Yahoo.com.hk* and *Clubciti.com.hk*. All except Clubciti provide their service for free (excluding certain charges for promotional services). The Directors believe that Red-Dots has a stronger focus on trading and provides an "end-to-end" service, as it is the only such service to provide the Face-to-Face facility. In addition, as a subsidiary of SHKP, Red-Dots benefits from the established brand name and reputation of SHKP in Hong Kong and from the wide range of SHKP's business relationships.

### ***Operations and technology***

Red-Dots offers customer support during normal office hours. Most customer support inquiries are handled via email, with customer email inquiries typically being answered within 48 hours of submission.

Red-Dots has a scalable user interface and transaction processing system that is based on internally-developed software. The Red-Dots system handles automatically all aspects of the auction process. To date the system has not suffered any downtime.

The system maintains user registration information, billing accounts, current auctions and historical listings. All information is regularly archived to a data warehouse. Complete listings of all items for sale are generated on a real time basis. The system automatically updates a text-based search engine with the titles and descriptions of new items, as well as pricing and bidding updates for active items. Every time an item is listed on the service, a listing enhancement option is selected by a seller, or an auction closes with a bid in excess of the seller-specified minimum bid, the system makes an entry into the seller's billing account and notifies the buyer.

### ***Intellectual property***

Red-Dots is the registrant of the *red-dots.com*, *red-dots.com.bk*, *red-dots.com.cn*, *red-dots.com.tw*, *red-dots.net*, *red-dots.org* and *i-red.com* domain names. Such domain names were registered in July 1999, August 1999, December 1999, December 1999, September 1999, September 1999 and July 1999 respectively. Applications to register Red-Dots' service mark were made on 17 February 2000 and 25 February 2000, respectively. Other than its domain names and its service mark, Red-Dots currently does not have licensed to it, or by it, any intellectual property rights that are material to its operations.

### **SuperStreets Ltd.**

SuperStreets was formed in January 2000 as the holding company for a range of vertical portals that are focused on specific groups of products or services. The first streets formed were Property Street and Insurance Street, which will be shortly followed by Banking Street. The SuperStreets concept is scalable in terms of product categories and geographical coverage and therefore the Directors expect that further 'Streets' will be added in due course.

### ***Property Street***

Property Street launched its Internet portal, *propertystreet.net*, in February 2000. Property Street provides a database of information about residential properties offered for lease or sale in the secondary market in Hong Kong. Currently, Property Street has access to information on a non-exclusive basis on properties held for lease or sale by five of the major chains of real estate agents in Hong Kong. These are, Centaline, Fortune Realty, Hong Kong Property, Midland and Ricacorp. Letters of intent have been signed with Fortune Realty, Hong Kong Property and Ricacorp pursuant to which no charge is made for the provision of the data used by Property Street, although to the extent that revenues are generated from advertising, subscription fees or transaction levies, the letters of intent contemplate such revenues will be shared between the relevant parties.

Property Street can be accessed by all Internet users and allows users to conduct searches and make comparisons of all the properties contained in the Property Street database on the basis of characteristics such as price, area, location and direction. The Property Street portal also provides additional content, including commentaries by property surveyors and real estate agents and market news about the property market in Hong Kong.

### ***Insurance Street***

The Group has also almost completed the development of a similar portal containing data on insurance products. Insurance Street expects to launch *insurancestreet.net* in March this year.

Insurance Street will provide users with access to prices and policy information in relation to a range of different insurance policies from different insurers. As at 29 February 2000, the Group had signed letters of intent with 16 insurers in Hong Kong to provide information about their insurance products on a non-exclusive basis. These companies include American International Underwriters, Ltd., Zurich Insurance Co. (Asia) Ltd., Asia Insurance Co. Ltd. and HSBC Insurance (Asia-Pacific) Holdings Ltd.

Users initially will be able to compare premia and terms relating to a range of insurance products including buildings and contents, fire, domestic helper, personal accident, travel, motor vehicle and medical insurance, but not life insurance products. Once a policy has been chosen, users will be able to complete and submit application forms on-line or in hard copy (depending on the insurer). The insurers are not expected to charge for the provision of data used by Insurance Street, but to the extent that revenues are generated from advertising, subscription fees or transaction levies the letters of intent signed with such insurers contemplate such revenues will be shared between the relevant parties. Insurance Street will charge the relevant insurer a service fee for each transaction completed with such insurer through the service. In addition, the portal expects to contain focused content, including articles on new products, market news, a glossary of insurance terms and a chat room for users to share opinions.

### ***Banking Street***

The Group is also in the process of developing a further service called *bankingstreet.net*. This service was announced in February 2000 and is expected to be launched in the first half of this year.

Initially, this service is intended to be accessible through Property Street and to allow potential home buyers to view mortgage interest rates and associated terms that are offered by a number of Hong Kong banks. There will also be a mortgage calculator function which will allow users to calculate monthly interest payments on a particular loan at a particular interest rate. The Group has approached a number of banks regarding this service and as at 29 February 2000 had signed letters of intent with 18 banks, namely ABN AMRO, Asia Commercial Bank Ltd, Bank of America (Asia) Ltd., Bank of China, Bank of Communications, The Bank of East Asia, Limited, The Chase Manhattan Bank, Citibank N.A., CITIC Ka Wah Bank Ltd, Dah Sing Bank Limited, Dao Heng Bank, International Bank of Asia, Kwong On Bank, Ltd., Liu Chong Hing Bank Limited, Standard Chartered Bank, Shanghai Commercial Bank Ltd., Wing Hang Bank, Limited and Wing Lung Bank Ltd.

The Group plans to expand the Banking Street concept by the end of 2000 by developing it into a separate portal, that provides data not only on mortgages, but other banking services including securities dealing, personal loans, credit cards, car loans, provident fund services and deposit rates. The users of the service should be able to browse information about products or services in which they are interested. To the extent that products or services are purchased through the portal, Banking Street expects that it will be paid a commission or fee by the relevant bank.

### ***Customers and marketing***

The Property Street, Insurance Street and Banking Street concepts all interconnect with SHKP's core property business. The Directors believe that as a result of its SHKP's relationships with real estate agents, insurance companies and banks and SHKP's ability to access a wide cross section of the Hong Kong public through its management, rental and sales of both residential and commercial properties, the Streets will be able to access quality content and target its marketing of these services. In addition, as the Streets will be featured within the *superhome.net* service, a flow of web traffic is expected from this source.

However, the Directors expect that these services will have general appeal to the public and will therefore enter into more general marketing efforts to establish the brand in Hong Kong. In

addition, the Group expects that it may enter into alliances with other portals that will list links to the service. Marketing of the Streets is, and will continue to be, conducted through direct mail as well as through advertising in newspapers, television, radio, property magazines and computer and Internet related magazines. The marketing campaign launching Property Street involved all these media and the expenditure on such campaign amounted to approximately HK\$10 million.

### ***Revenue***

The Directors expect the principal sources of revenue from the Streets will be advertising revenue and/or service fees depending on the nature of the particular Street.

### ***Competition***

The Directors believe that there are currently no other websites that present and aggregate content in a similar manner to Property Street, Insurance Street or Banking Street. In addition, the Group considers that SHKP's brand name, relationships in the banking and insurance markets and influence in the property market will enable the Group to offer a wide range of content and information through such services.

### ***Intellectual property***

SuperStreets is the registrant of the domain names *superstreets.com* and *superstreets.net*, and the registrants of the domain names *propertystreet.net*, *insurancestreet.net* and *bankingstreet.net* have submitted applications to transfer the registration of such domain names to SuperStreets. Other than such domain names, SuperStreets currently does not have licensed to it, or by it, any intellectual property rights that are material to its operations.

## **IT INVESTMENTS**

As part of the Group's strategy to expand its IT infrastructure and Internet service businesses, the Group has and will continue to make direct and indirect investments in IT and Internet-related businesses, including further investment in venture capital funds which provide strategic benefit to the Group.

### ***Beijing Technology Development Fund (Cayman) LDC***

The Group is one of the lead investors in Beijing Technology Development Fund, having contributed US\$10 million of the total US\$60.4 million of capital raised by the fund as at 31 December 1999. The main objective of this fund is to make direct investments in high technology-related ventures. The fund was established in 1999 with a term of seven years with WI Harper Group, Beijing Enterprises Holdings Ltd. and Tsinghua University Enterprise Group as sponsors. The fund is managed by WI Harper Beijing Management Consulting Company Limited incorporated in Hong Kong.

In May 1999, the Group subscribed 100,000 ordinary shares in Beijing Technology Development Fund in its initial fund raising. On 17 January 2000, the fund issued bonus shares to certain shareholders on the basis of one share for every 56 shares and had outstanding at that date 610,527 issued shares. As at such date the Group's interest in the fund was 16.67 per cent.

***Asia Java Fund Pte. Ltd.***

The Group has committed to invest US\$3 million in Asia Java Fund of which approximately US\$1 million has been contributed to date. This fund was established in October 1999, with a term of seven years, under the co-sponsorship of Sun Microsystems, Inc. and The National Computer Board of Singapore. Sun Microsystems, Inc. developed a computer programming language called Java™, which has become one of the world's most popular computer languages as it allows applications to run on various operating systems. The main objective of Asia Java Fund is to invest in companies throughout Asia which use or support the Java™ technology. The fund is managed by AsiaTech Ventures (Pte.) Ltd., a venture capital firm incorporated in Singapore specialising in high technology investments with a specific focus on the Internet sector.

***Incubasia Ltd.***

The Group is one of the lead investors in Incubasia. In January 2000, Incubasia issued Series A Preferred Shares raising approximately US\$11 million of which the Group contributed US\$2 million. Incubasia specialises in incubating Internet related start-ups in Asia. It adopts a hands-on management approach to guide its incubatee companies by offering assistance ranging from interim management, marketing advice, office premises and technology support, to accounting and legal services.

***DynaFund II, L.P.***

The Group is one of the lead investors in DynaFund II, having committed US\$15 million of the total US\$150 million of capital raised. DynaFund II was formed in February 2000 for a term of 10 years. To date the Group has only made the first capital contribution of US\$1.5 million. DynaFund II is a venture capital limited partnership formed in the United States specialising in early stage high technology investments. DynaFund Ventures II, L.L.C., a Delaware limited liability company, is the General Partner managing this fund.

***CyberIncubator***

The Group partnered with the HKITC, a statutory body in Hong Kong, in 1999 to offer an incubation programme called CyberIncubator which aims to assist IT and Internet related start-up companies in Hong Kong. As at 31 January 2000, three start-up companies had been admitted to the programme.

Under this programme, start-up companies are provided with rent free office premises at Kodak House II, along with certain professional services and assistance from HKITC. In return, HKITC and the Group each receive an equity interest of either 7.5 per cent. or 10 per cent. in such companies.

The Group acquired its interest in Kodak House II from the SHKP Group as part of the Reorganisation. The Group has licensed to HKITC approximately 15,000 sq. ft. of its interest in Kodak House II for a term of three years and three months under a licence agreement dated 21 October 1999.

### Overview

The Company was formed on 25 January 2000 as an indirect wholly-owned subsidiary of SHKP and to be the holding company for certain of the SHKP Group's IT infrastructure and Internet service businesses. The Group engages in these businesses through the Company's wholly-owned subsidiaries. See "The Business — Corporate Structure".

The Group's major IT infrastructure business is conducted by iAdvantage which operates an Internet server co-location centre in Hong Kong and is in the process of developing further centres. In addition to leasing space in its facility to host customers' servers, iAdvantage provides 24-hour facilities management, Internet connectivity, systems management and Internet technology services. The Group's original business, Sun Technology, designs, installs and maintains network infrastructure and security surveillance systems in residential and commercial buildings, and is exploring upgrading its existing SMATV systems into broadband networks. iHON also designs, installs and maintains fibre optic and other broadband networks.

The Group has recently begun a number of Internet service businesses and plans to launch others in the future. Through SuperHome, the Group intends to operate and provide a range of tailored services and information to residential communities linking them with local amenities in order to create 'e-communities'. Through Super-office, the Group proposes to operate and provide a tailored range of office services and information to tenants of commercial buildings. The Group operates Red-Dots, an Internet auction service through which users, including businesses, can sell and purchase goods and services through on-line auctions. The Group operates the Property Street Internet service, which provides access to information about the Hong Kong property market. The Group plans to introduce other web sites similar to Property Street, including Insurance Street, which will provide information on insurance products of participating insurance companies, and Banking Street, which will provide information on loans and other banking products.

The Group has also made, and plans to continue to make, direct and indirect investments in IT and Internet-related businesses, primarily in Hong Kong and Mainland China.

### Active business pursuits for the year ended 30 June 1998

*Strategy.* The business strategy of the Group during this period was to focus on increasing the market share of the Group in the design and installation of SMATV systems and security surveillance systems and to increase the amount of maintenance work for such systems. In addition, the Group looked for ways to utilise its infrastructure networks and provide its customers with additional Internet-based services.

*Significant events.* Sun Technology's achievements during this period included entering into a contract to install security surveillance and other IT infrastructure systems for the Airport Freight Forwarding Centre at Hong Kong International Airport with a contract value of approximately HK\$11 million, as well as security surveillance systems at Villa Rhapsody, Mount Haven and Scenic View. During this period Sun Technology had connected a total of approximately 4,300 residential units to the SMATV system. In addition, the *shkhome.net* service was developed by the Group, the design of the service being undertaken by Micro 2000 Limited and was launched through a local publicity campaign at the SHKP Symphony Bay development.

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## STATEMENT OF ACTIVE BUSINESS PURSUITS

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*Financing.* The major sources of financing for the Group's business during this period were shareholders' loans extended by the SHKP Group, internal resources and revenue generated from operations.

### **Active business pursuits for the year ended 30 June 1999**

*Strategy.* The business strategy of the Group during this period continued to be to increase the market share of the Group in the design, installation and maintenance of the SMATV and security surveillance systems. In addition, the Group looked for new ways to utilise its infrastructure networks and leverage off SHKP's property expertise to provide new services.

*Significant events.* The Group's achievements during this period included Sun Technology successfully completing a trial to establish that its SMATV backbones can be broadband-enabled in conjunction with City Telecom and SuperHome developing *superhome.net* together with a technical consultant, UNI-Tech Technologies Limited. In addition, the Group's server co-location concept was developed and Silver Victory Limited, later renamed iAdvantage, was formed to undertake such project.

*Financing.* The major sources of financing for the Group's business during this period were shareholders' loans extended by the SHKP Group, internal resources and revenue generated from operations.

### **Active business pursuits for the six months ended 31 December 1999**

*Strategy.* The Group aimed to use its facility management and IT infrastructure expertise to break into the server co-location market for the first time through iAdvantage. The strategy of the Group was to roll-out its server co-location services prior to the competition in order to establish a significant market presence. In connection with the Group's Internet services businesses, the strategy was to upgrade *shkhome.net* to allow high speed access by the use of cable modem technology to permit two-way signals to be carried. In addition, to expand the Group's Internet services by establishing *red-dots.com* and seeking to establish such brand through publicity campaigns and promotional activities. The Group aimed to set up further Internet portals as current or potential platforms for conducting electronic commerce, with a view to the Group becoming the operator of one or more of the leading vertical portals in Hong Kong. The Group also sought to upgrade its network infrastructure business by offering the design, installation and maintenance of broadband networks through iHON.

*Significant events.* The Group's achievements during this period included (i) Sun Technology laying CAT-5 wiring in four office buildings allowing high speed broadband Internet access and obtaining a PNETS licence enabling it to operate as an ISP (although it currently has no intention to do so); (ii) having achieved a total of 49,000 households connected to the SMATV network; (iii) establishing iHON which commenced its first fibre optic cable instalment contract at the Royal Peninsula development, Hung Hom; (iv) commencing the rolling out and complete refit (including the cost of the network infrastructure) of the One-iAdvantage centre at Millennium City at a cost of approximately HK\$32 million as at 31 December 1999; (v) undertaking the soft launch of the One-iAdvantage centre in November 1999 and signing contracts with TVB.COM Limited, SmarTone, SHKP, HK Sky-e.com Limited, Information Age Limited and Cycom Technology Ltd. regarding leasing space at the One-iAdvantage facility; (vi) Super-office signing a consultancy service agreement with Microsoft; (vii) launching *red-dots.com* with the sale of a SHKP apartment at its Grand Horizon development and achieving

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## STATEMENT OF ACTIVE BUSINESS PURSUITS

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approximately 150,000 page views per day and an average of about 2,600 listings by the end of this period; (viii) Red-Dots signing contracts with Standard Chartered Bank in September 1999 for online payment system, Commercial Press (H.K.) Limited as content provider and Hongkong Post in October 1999 regarding its fulfillment service; (ix) Property Street signing letters of intent with three of the largest Hong Kong groups of real estate agents for the provision of property information for its portal, in addition to developing the Property Street portal; and (x) developing the Insurance Street and Banking Street business plans and concepts.

*Financing.* The major sources of financing for the Group's business during this period were shareholders' loans extended by the SHKP Group, internal resources and revenue generated from operations.

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

*The following discussion should be read in conjunction with the combined financial statements and related notes and the other financial data that appear elsewhere in this prospectus.*

*The Group's business models for its current and future businesses are still at an emerging stage, and turnover and income potential from many of the Group's businesses is unproven. The Group's lack of operating history for material segments of its business means that an analysis of the combined historic financial statements in relation to the Group is not meaningful. As a result, the Group's past results of operations do not reflect its future prospects and period-to-period comparisons of its operating results should not be relied on as an indication of future performance.*

#### Overview of turnover, expenses and other income

*iAdvantage.* iAdvantage derives turnover from (i) initial set-up charges and rental fees for space leased in its server co-location centres (the rental fee includes the cost of connectivity to the Internet) and (ii) charges for a variety value-added services, such as bandwidth management, security management, server operations support, web design and web hosting, systems integration and consulting services. iAdvantage also derives turnover from its packages including hardware, software and facility services provided with other technology companies. While units of the five floors it owns at Millennium City are leased out rather than held for its own use, iAdvantage will also receive rental income.

iAdvantage's cost of sales consists of the cost of maintaining and operating the server co-location facilities, which includes (i) salaries and related costs for personnel directly involved in maintaining such facilities and providing services, (ii) amortisation and depreciation of equipment (which relate to the service provided) and (iii) connectivity costs charged by bandwidth providers. Selling expenses consist primarily of advertising and commissions paid to solutions providers for referrals. Administrative expenses consist primarily of expenses relating to salaries and related costs of personnel that are not directly related to the services provided, as well as depreciation in respect of premises.

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## STATEMENT OF ACTIVE BUSINESS PURSUITS

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iAdvantage's business requires significant capital expenditures including the construction or retrofit of server co-location centres, the installation of the network infrastructure, such as fibre optic and cable networks for connections among servers and to the Internet backbone, power supplies, air conditioning, fire and security systems and servers and related equipment. All such expenditures are capitalised.

*Sun Technology.* Sun Technology derives turnover from (i) design and installation of SMATV and security surveillance systems, (ii) fees for maintaining such systems and (iii) monthly service fees for the network systems it owns.

Cost of sales consists primarily of the cost of the SMATV and security surveillance systems installed and wages for personnel directly involved in the installation and maintenance of such systems. Sun Technology has administrative expenses consisting of salaries and depreciation of technical equipment, which in each case have been allocated as such in respect of the operation of network systems owned by it.

*iHON.* iHON has to date only incurred marketing expenses. The Directors anticipate that its revenues, costs and expenses should be of a similar nature to those of Sun Technology.

*Red-Dots.* Red-Dots derives turnover from (i) merchant user fees including advertising, posting fees and commissions (ii) promotional fees and (iii) advertising generated through its service.

Red-Dot's cost of sales consists of the cost of maintaining and operating an Internet auction service, which includes salaries and related costs for personnel directly involved in developing and supporting its auction services, and connectivity costs charged by bandwidth providers. Its selling and administrative expenses consist of marketing costs, primarily advertising in the media and related staff costs.

*SuperHome.* SuperHome's services are in the early stages of development and to date no turnover has been recorded. The Directors expect that its principal sources of revenue will be advertising, fees for access to some services, such as on-line education, and commissions on transactions made through the portal.

Expenditure to date has been on research and development in connection with the testing of the system. The Directors anticipate that SuperHome's costs and expenses will consist of employee costs, rental for premises, hardware purchase costs, marketing expenses and cost of maintaining and updating its portals.

*Super-office.* Super-office is in the early stage of development and to date no turnover has been recorded. The Directors anticipate that its revenues will be derived from a number of sources, including software and hardware rental, as well as advertising and e-commerce commissions. The Directors anticipate that Super-office's costs and expenses will consist of licensing, bandwidth and server co-location costs as well as employee and marketing costs.

*The Streets.* The Streets' services are in the early stages of development and to date no turnover has been recorded. The Directors expect the principal sources of revenue will be advertising and commissions and service fees for sales of certain products, including insurance policies.

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## STATEMENT OF ACTIVE BUSINESS PURSUITS

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The Directors anticipate that the costs and expenses of this business will consist primarily of development and marketing expenses and employee costs.

*Other income.* The Group currently derives other income from rental of five floors at Millennium City and approximately 149,000 sq. ft. at Kodak House II, which are let to unconnected parties. See Appendix 2 “Property valuation”.

### **Combined financial results**

The Group’s current corporate structure resulted from the Reorganisation undertaken by SHKP in February 2000 to consolidate its IT infrastructure and Internet services businesses into the Group. Prior to the Reorganisation, the Group companies did not produce combined financial results. The combined financial results included in this prospectus present combined financial results of the Group companies for the fiscal years ended 30 June 1998 and 1999 and the six months ended 31 December 1999 as if the current Group structure had been in existence throughout such periods. Because most of the Group companies described in this prospectus commenced operations only recently, if at all, the Group’s combined financial results for the years ended 30 June 1998 and 1999 consist entirely of the financial results of Sun Technology and of the property holding companies included in the Group pursuant to the Reorganisation, in particular Splendid Sharp Limited which holds certain units of Kodak House II.

For the six months ended 31 December 1999, the Group’s combined financial results also include the financial results of Red-Dots (which commenced operations in October 1999) and iAdvantage (which commenced operations in November 1999) in the initial stages of their respective businesses and development costs relating to SuperHome (launched in February 2000) and iHON (launched in the last quarter of 1999). The results of operations of the other Group companies included in the combined financial statements for these periods are immaterial. As a result, the Group’s combined results for these periods do not reflect what the Group’s results will be in the future as its existing businesses develop and new businesses are introduced. Consequently, such historic combined operating results should not be used as a basis to predict future performance.

## STATEMENT OF ACTIVE BUSINESS PURSUITS

### Trading Record

The table below sets out a summary of the audited combined results of the Company and its subsidiaries for each of the two years ended 30 June 1999 (“fiscal 1998” and “fiscal 1999”) and the six months ended 31 December 1999, based on the information included in the Accountants’ Report as set out in Appendix 1 to this prospectus.

	<b>Year ended 30 June 1998</b>	<b>Year ended 30 June 1999</b>	<b>Six months ended 31 December 1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK'000</i>
Turnover			
- Satellite/Security systems installation	29,960	24,025	16,668
- Satellite/Security systems maintenance	21,771	23,553	14,337
- Co-location centre and Internet services	<u>—</u>	<u>—</u>	<u>548</u>
Total	51,731	47,578	31,553
Cost of sales	<u>43,617</u>	<u>34,707</u>	<u>26,126</u>
Gross profit	8,114	12,871	5,427
Other income	<u>31,674</u>	<u>21,101</u>	<u>6,471</u>
	39,788	33,972	11,898
Research and development expenses	—	—	5,023
Selling expenses	963	918	6,552
Administrative expenses	11,148	11,126	8,177
Finance charges	<u>28,541</u>	<u>21,696</u>	<u>6,976</u>
(Loss) profit before taxation	(864)	232	(14,830)
Taxation	<u>357</u>	<u>952</u>	<u>1,271</u>
Loss after taxation	<u>(1,221)</u>	<u>(720)</u>	<u>(16,101)</u>
Dividend	<u>2,900</u>	<u>—</u>	<u>—</u>

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## STATEMENT OF ACTIVE BUSINESS PURSUITS

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### Results of operations

#### *Six months ended 31 December 1999*

*There are no comparative combined audited financial statements available for the six months ended 31 December 1998. However, in the following discussion figures for fiscal 1999 are included for comparative purposes. Adjustments should be made to account for the different lengths of these periods. The results of operations for the six months ended 31 December 1999 are not necessarily indicative of the results of operations for the year ending 30 June 2000.*

*Turnover.* On a combined basis, the Group recorded turnover of HK\$32.9 million before adjustment for intra-group sales of HK\$1.4 million in the six months ended 31 December 1999. Sun Technology accounted for most of the turnover contributing HK\$32.4 million (compared with HK\$47.6 million in fiscal 1999) as a result of an increase in installation and maintenance activities, with iAdvantage contributing HK\$0.1 million and Red-Dots contributing HK\$0.5 million.

*Cost of sales.* Cost of sales in the six months ended 31 December 1999 amounted to HK\$27.2 million (compared with HK\$34.7 million in fiscal 1999) before an adjustment of HK\$1.1 million for intra-group cost of sales. Sun Technology accounted for HK\$22.9 million of the cost of sales (compared with HK\$34.7 million in fiscal 1999) reflecting increased turnover, with iAdvantage and Red-Dots accounting for HK\$3.2 million and HK\$1.1 million, respectively.

*Gross profit.* As a result, the Group's gross profit was HK\$5.4 million (compared with HK\$12.9 million in fiscal 1999).

*Other income and expenses.* Other income in the six months ended 31 December 1999 was HK\$6.5 million (compared with HK\$21.1 million in fiscal 1999) and related primarily to Splendid Sharp Limited, which generated rental and management income from Kodak House II of HK\$6.4 million (compared with HK\$21.4 million in fiscal 1999). Rental income from Kodak House II decreased as a result of a decline in rental rates and the vacation of certain units prior to the opening of the CyberIncubator.

*Operating expenses.* SuperHome incurred research and development expenses of HK\$5.0 million in the six months ended 31 December 1999 for consultancy fees paid in respect of the testing and integration of the *superhome.net* service at East Point City. Selling expenses in this period were HK\$6.6 million (compared to HK\$0.9 million in fiscal 1999) of which HK\$2.6 million and HK\$2.9 million were attributable to iAdvantage and Red-Dots, respectively for marketing activities relating to the launch of these new subsidiaries. Administrative expenses in this period were HK\$8.2 million (compared to HK\$11.1 million in fiscal 1999) of which HK\$2.6 million and HK\$1.8 million were attributable to Sun Technology and iAdvantage, respectively for employee costs and rental and other administrative costs and HK\$3.0 million in respect of depreciation on the units in Kodak House II owned by Splendid Sharp (previously classified as inventory, but treated as an operating asset due to their conversion into the CyberIncubator). The Group incurred finance charges of HK\$7.0 million in this period (compared with HK\$21.7 million in fiscal 1999) in respect of interest payable by Splendid Sharp to a member of the SHKP Group on funding relation to the acquisition of the units in Kodak House II. The decrease in such charge related to lower interest rates.

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## STATEMENT OF ACTIVE BUSINESS PURSUITS

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*Profit/loss before taxation.* The Group incurred a loss from ordinary activities before taxation of HK\$14.8 million in the six months ended 31 December 1999 (compared with a profit of HK\$0.2 million in fiscal 1999). Sun Technology recorded a profit of HK\$6.4 million (compared with a profit of HK\$7.0 million in fiscal 1999) as a result of an increase in the volume of installation and maintenance work undertaken by it in this period. However, this was offset by losses of HK\$7.5 million, HK\$4.1 million and HK\$5.1 million by iAdvantage, Red-Dots and SuperHome, respectively, each of which commenced operations in the last quarter of 1999, as well as an adjustment to reflect the depreciation on Kodak House II of HK\$3.0 million.

*Taxation.* Taxation was HK\$1.3 million in the six months ended 31 December 1999 (compared with HK\$1.0 million in fiscal 1999), primarily due to the increase in taxable profits generated by Sun Technology.

*Profit/loss after taxation.* As a result of the foregoing, the Group's net loss from operations in the six months ended 31 December 1999 was HK\$16.1 million (compared with HK\$0.7 million in fiscal 1999).

### **Years ended 30 June 1999 and 1998**

Turnover and cost of sales for fiscal 1999 and fiscal 1998 relate entirely to the operations of Sun Technology.

*Turnover.* On a combined basis, the Group recorded turnover of HK\$47.6 million in fiscal 1999, a decrease of 8.0 per cent. from turnover of HK\$51.7 million in fiscal 1998. The decrease in turnover resulted from a decline in the amount of installation work undertaken by Sun Technology in fiscal 1999 due to a general downturn in construction activities in Hong Kong.

*Cost of sales.* Cost of sales in fiscal 1999 was HK\$34.7 million, a 20.4 per cent. decrease from cost of sales of HK\$43.6 million in fiscal 1998. Sun Technology recorded higher cost of sales in fiscal 1998 because of a write-down for obsolete inventory of HK\$3.7 million in that year, it also undertook measures to control costs in fiscal 1999.

*Gross profit.* As a result, the Group's gross profit increased 59.3 per cent. from HK\$8.1 million in fiscal 1998 to HK\$12.9 million in fiscal 1999.

*Other income and expenses.* The Group recorded other income of HK\$21.1 million in fiscal 1999, a decrease of 33.2 per cent. from other income of HK\$31.6 million in fiscal 1998. This decrease is primarily attributable to a decrease in rental and management income recorded by Splendid Sharp Limited from the lease of space at the Kodak House II from HK\$31.9 million in fiscal 1998 to HK\$21.4 million in fiscal 1999. Rental income from Kodak House II decreased as a result of a decline in rental rates and vacation of certain units prior to the opening of the CyberIncubator.

*Operating expenses.* Selling expenses in fiscal 1998 and 1999 are made up entirely of selling expenses of Sun Technology. Administrative expenses for such periods consist almost entirely of administrative expenses of Sun Technology and depreciation on Kodak House II of HK\$6.1 million in each fiscal year. In fiscal 1999, selling expenses decreased 4.7 per cent. to HK\$0.9 million and administrative expenses remained stable at HK\$11.1 million. Selling and administrative expenses attributable to Sun Technology declined slightly in fiscal 1999 in line with the decline in its turnover reflecting the Group's tight control over expenditure. The Group

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## STATEMENT OF ACTIVE BUSINESS PURSUITS

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incurred finance charges of HK\$21.7 million in fiscal 1999 compared to HK\$28.5 million in fiscal 1998. Such finance charges relate to interest payments by Splendid Sharp Limited for the debt incurred in connection with the acquisition of the units in Kodak House II. The decrease in such charges resulted from a decrease in interest rates.

*Profit/loss before taxation.* The Group incurred a profit from ordinary activities before taxation of HK\$0.2 million in fiscal 1999 compared to a loss from ordinary activities before taxation of HK\$0.9 million in fiscal 1998.

*Taxation.* Taxation was HK\$0.9 million in fiscal 1999 compared to HK\$0.4 million in fiscal 1998, mainly because of Sun Technology's use of tax losses brought forward from fiscal 1997.

*Profit/loss after taxation.* As a result of the foregoing, the Group's net loss from operations in fiscal 1999 was HK\$0.7 million compared to a net loss from operations of HK\$1.2 million in fiscal 1998.

As at 31 December 1999, indebtedness of the Group consisted solely of the indebtedness of an amount due to the SHKP Group. As part of the Reorganisation, this indebtedness has been capitalised as shares in the Company and the Convertible Note and the Group has no other indebtedness. *For a discussion of the Group's liquidity and financial resources, see "Financial Information — Liquidity, Financial Resources and Capital Expenditures".*

### BUSINESS OBJECTIVES

#### Overall business objectives

The Group's overall business objective is to be a leading provider of premium-quality IT infrastructure and Internet services in Asia. The Group has identified three key business objectives in order to achieve this goal:

- *Building on core assets and capabilities:* To develop the Group's existing assets and capabilities, as well as to implement new IT infrastructure, Internet and e-commerce initiatives in order to establish its existing businesses and brands as the providers of choice.
- *Applying its expertise in the areas of greatest opportunity:* To apply its knowledge and expertise to new initiatives which will provide the Group with the greatest prospects for growth.
- *Playing a significant role in Mainland China's 'New Economy':* To target Mainland China as the key market for the expansion of its IT infrastructure and Internet services businesses.

#### Market potential

The Directors believe that the predicted growth in the popularity of the Internet offers substantial potential for the Group's existing IT infrastructure and Internet services and that therefore the growing number of Internet users and Internet based applications will benefit the Group's businesses. Significant growth in the number of Internet users in Greater China is forecast for the years to 2004. See "Industry Overview — The Internet market in Greater China".

IDC forecast in its October 1999 publication that in Mainland China and Hong Kong, the number of Internet users will increase from 2.4 million and 0.7 million, respectively at the end of 1998 to 33.1 million and 2.6 million, respectively by the end of 2004, reflecting a compound annual growth rate of 54.9 per cent. and 24.4 per cent., respectively, while in the more developed US Internet market, the number of Internet users will increase from 70.1 million at the end of 1998 to 181.1 million at the end of 2003, reflecting a compound annual growth rate of 20.9 per cent. IDC research projects that Internet users outside the United States will surpass US users by the year 2000.

The projected growth in the number of Internet users, the amount of time users spend on the Internet, the increase in the number of websites and the rate of Internet and PC penetration is being driven by the increasing importance of the Internet as a platform for content resources and consumer services and as an advertising medium. As the medium becomes a more established part of people's lives it is expected that the opportunities to derive revenues from commercial transactions over the Internet and from advertising will grow.

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## STATEMENT OF BUSINESS OBJECTIVES AND STRATEGIES

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With the increasing popularity of the Internet and the increasing sophistication of online transaction technology, the Directors believe that there is substantial potential for growth in e-commerce activities globally, particularly in Asia. Based in part on their forecasted growth in the Internet industry, IDC projects that e-commerce activity will develop significantly in Asia.

According to IDC:

- World e-commerce business is projected to increase by a compound annual growth rate of 93 per cent. over the five years ending 31 December 2003; and
- Asian e-commerce business is projected to increase by a compound annual growth rate of 135 per cent. over the five years ending 31 December 2003.

Provided that businesses and consumers around the world increasingly use the Internet as a method of purchasing goods and services, the Directors aim for the Group to capitalise on this trend by providing server co-location centres platforms for e-commerce development and by generating revenues through advertising and on a transaction basis for business conducted over the Group's Internet services.

### **Bases and assumptions**

The Directors have assessed the potential of such markets and formulated proposed strategies to achieve the Group's business objectives on the basis of past industry trends as well as future growth and expected demand. Its strategies have also been formulated on the assumption that none of the risks that the Group faces as described in "Risk Factors" occurs or to the extent it does its effect is mitigated and does not have a material adverse effect on the Group.

### **Strengths**

The Directors believe that the Group has combined strengths of capability and commitment arising from:

- its ultimate parent company, SHKP, which has substantial resources and an established international reputation for professional management;
- access to the residents and tenants of the SHKP Group's extensive residential, retail and commercial properties;
- a wide range of local, regional and international business relationships through SHKP; and
- an experienced and committed management team able to attract talented employees.

### STRATEGIES

Having considered the above market potential and evaluated the Group's existing market position and strengths, the Directors intend to implement the following business strategies in order to achieve the Group's overall objectives. The Directors' strategies to develop the Group's IT infrastructure and Internet services businesses will focus on four areas:

- *Leveraging facilities management expertise to build IT infrastructure:* Building on iAdvantage's expertise in facility management to become a leading provider of server co-location and network management services in Hong Kong and Mainland China. This involves expanding the number of server co-location centres in Hong Kong and Mainland China to a level that gives iAdvantage a significant market presence and greater efficiencies of scale. In addition, increasing customer satisfaction and loyalty through providing an immediate, cost effective, quality business solution and supplementing revenues by offering value-added services such as network management and hosted application services;
- *Leveraging SHKP's position to establish on-line communities and e-commerce in Hong Kong:* Leveraging the SHKP Group's position in the Hong Kong property market and its business relationships to build community portals with content and services tailored to the commercial and residential occupants of SHKP buildings. Such Internet platforms are expected to function as the "first portal of call" providing information for such residents, which will enable the Group to develop business to consumer e-commerce as well. In addition, firmly establishing the Group's Internet services brands and increasing the number of transactions over its Internet services companies by forming alliances with other portals and content providers, conducting innovative marketing campaigns and developing new and existing features for such services;
- *Leveraging SHKP's position to play a significant role in the e-commerce revolution in Mainland China:* Investing in strategic opportunities in Mainland China, including business to business e-commerce and vertical portals, by leveraging off the SHKP Group's collective management expertise and network of business and government relationships in order to facilitate and implement the global and local partnerships necessary for successful operations in Mainland China; and
- *Utilising the Group's resources to become the partner of choice in the 'New Economy':* Leveraging the Group's financial resources, reputation and managerial expertise to implement investments in the following areas:
  - *Reinforcing existing operating businesses in Hong Kong:* Investing strategically in and establishing partnerships with local and international content providers and other Internet related services in order to enhance the Group's existing technology, Internet and e-commerce businesses in Hong Kong; and
  - *Making investments in related businesses:* Investing in partners and companies with industrial focus or with a geographical focus in Hong Kong or Mainland China, which may be suitable to provide strategic benefit to the Group and facilitate the growth of its businesses.

### Implementation Schedule

The Group intends to adopt the following steps set out below in respect of its IT infrastructure and Internet service operations within the time periods set out below. However, it should be noted that the Directors believe that such industries are dynamic, fast changing and often difficult to predict. The intentions of the Directors set out below therefore only reflect the Directors' present intentions.

The Directors intend for the Group to use its best endeavours to anticipate future changes in the IT infrastructure and Internet service industries and to take steps to remain flexible and versatile in order that the Group may stay ahead of or react to such changes. For example, subject to relevant legal and regulatory obligations, the Company may consider listing the Shares or the shares of one or more of its subsidiaries or 'spin-off' assets for the purposes of obtaining a listing on another stock exchange, if an appropriate opportunity arises and the Directors consider such future listing and/or 'spin-off' are in the best interests of the Group.

Based upon the current state of such industries, the Directors expect the following:

#### ***Period from Latest Practicable Date to 30 June 2000***

##### *Sun Technology and iHON*

Sun Technology intends to continue to install SMATV networks for properties owned and/or developed by SHKP and other developers, with a target of another 2,800 households to be connected to the SMATV network by the end of such period. Sun Technology also plans to continue to explore business co-operation opportunities with one or more licensed local wireless FTNS operators to upgrade and use existing SMATV networks to serve as infrastructure for the provision of broadband services.

In the security surveillance business, Sun Technology plans to continue to submit quotations and bids for security surveillance projects which are put out to tender by the SHKP Group or other property developers/owners/managers. The Directors expect that Sun Technology will be able to complete the installation work for another three security surveillance projects in this period.

Having completed the work to upgrade the network infrastructure at East Point City to make such network two-way interactive, Sun Technology intends to continue to explore opportunities to broadband-enable the infrastructure at other SHKP developed/owned/managed properties to prepare for the launch of an Intranet version of *superhome.net* at those properties. If *superhome.net* is rolled out to estates developed by other developers, Sun Technology also intends to explore business collaboration opportunities with those developers concerning the upgrading of existing IT infrastructure or the laying of new cabling necessary for an Intranet version of *superhome.net*.

iHON will continue to seek contracts to design, maintain and install fibre optic and other broadband infrastructure networks in residential and commercial developments.

### *iAdvantage*

iAdvantage expects to complete the rental of phase two, comprising a gross floor area of approximately 10,000 sq. ft. at Millennium City by the end of June 2000. In addition, it will complete the retrofit of Jumbo iAdvantage in Tsuen Wan, Kowloon. This 150,000 sq. ft. server co-location centre is expected to be launched by the end of this period. The capital cost for refurbishment and retrofit of this project is estimated to be HK\$139 million (excluding the carrying land and building cost of HK\$149 million) which will be financed by the proceeds of the Share Offer. Jumbo-iAdvantage will require iAdvantage to increase its total staffing to over 100 employees. iAdvantage will also undertake a comprehensive marketing programme to attract new customers including offering discounted rates and special promotions and advertisements in newspapers to increase its brand presence. A marketing trip to the United States to visit potential partners and clients is also expected to be undertaken.

In addition, iAdvantage expects to expand its server co-location centre network into Mainland China in association with a local partner that has an ISP licence. Operations are planned to commence at Sun Dong An Plaza in Beijing, Central Plaza in Shanghai and in Guangzhou by the end of this period. Each of these facilities is expected to comprise approximately 20,000 sq. ft. The China initiative will require iAdvantage to increase its staffing in Mainland China and to undertake a comprehensive marketing programme to attract new customers including offering discounted rates and special promotions.

### *SuperHome*

*superhome.net* is expected to be officially launched at the East Point City development during this period and then elsewhere in Hong Kong with the aim to reach a total number of at least 30,000 apartments by the end of the period. In order to increase the penetration of the service, SuperHome intends to continue its marketing efforts and to expand and improve the content of its service by increasing the number of content providers contributing material to it.

### *Super-office*

During this period, Super-office expects to complete its pilot programme at World Trade Centre, APEC Plaza and Landmark North. On the basis of the success of the pilot Super-office will adapt and enhance the service with a view to its general release. In anticipation of the roll-out of the service, Super-office expects to continue to recruit additional software partners and staff.

### *Red-Dots*

In Hong Kong, Red-Dots will develop and market its business-to-business trading services, particularly among the business community, to which Red-Dots' association with SHKP gives it access, and will seek to identify suitable partners able to provide delivery, insurance, payment handling and other services to facilitate trade in goods and services by business users. Marketing activities will be undertaken in traditional media and through the Internet to develop the Red-Dots brand and Red-Dots will participate in the computer exhibition in Hong Kong in May 2000. Staff levels are expected to be increased generally to enable these initiatives and the continued development of existing services.

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## STATEMENT OF BUSINESS OBJECTIVES AND STRATEGIES

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### *SuperStreets*

During this period, SuperStreets intends to continue to enter into agreements with property agents, insurance companies and banks in Hong Kong in relation to the provision of information for the Streets. It expects to roll out Insurance Street and launch Banking Street. The introduction of these services will be accompanied by advertising campaigns in print and other mass media as well as promotions to raise public awareness of the services.

### ***Period from 1 July 2000 to 31 December 2000***

### *Sun Technology and iHON*

If discussions with one or more licensed local wireless FTNS operators in the first half of 2000 are successful, Sun Technology intends to commence work progressively to broadband-enable some of the SMATV network of buildings as identified by those operator(s). In addition, it expects to sign agreements with such operator(s) detailing the fees and terms upon which the upgraded SMATV network will be used as backbone infrastructure for the provision of local LMDS services. Sun Technology's target is to have another 2,000 households (the majority of which are expected to be from SHKP owned and/or managed developments) connected to SMATV networks by the end of this period.

Regarding the security surveillance business, Sun Technology intends to try to identify one or more business partners in the development of new systems which are related to its security surveillance business, such as car tracking systems. Completion of at least two security surveillance projects is expected in this period.

In the second half of 2000, Sun Technology also plans to develop strategies for expanding its existing cabling business and/or the provision of new IT-related services in Mainland China. Such strategies could, among others, involve the setting up of a new operation in Mainland China, the acquisition of an existing company already with appropriate operations in desired locations, or business co-operations with the SHKP Group.

iHON will continue to seek contracts to design, maintain and install fibre optic and other broadband infrastructure networks in residential and commercial developments.

### *iAdvantage*

iAdvantage expects to complete the construction of the purpose built 32 storey 350,000 sq. ft. Mega-iAdvantage server co-location centre in Chai Wan, Hong Kong by the end of this period. The capital cost for the construction and retrofit of this project is estimated to be approximately HK\$413.5 million (excluding the carrying land cost of HK\$145 million) which will be financed by the proceeds of the Share Offer. Mega iAdvantage will require the company to increase its total staffing to over 150 employees. iAdvantage will also undertake a comprehensive marketing programme to attract new customers including offering discounted rates and special promotions and advertisements in newspapers to increase its brand presence. iAdvantage will also continue to look for ways of extending its ASP and other value added services. In relation to its Mainland China projects, iAdvantage expects to open an additional server co-location centre in Shenzhen.

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## STATEMENT OF BUSINESS OBJECTIVES AND STRATEGIES

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### *SuperHome*

SuperHome intends to continue rollout of *superhome.net* to new and existing residential blocks in Hong Kong, with the aim of providing the service to a total number of at least 150,000 apartments by the end of the period. Whilst increasing the penetration of the service through marketing SuperHome also intends to continue to expand and improve the content of its service by increasing the number of content providers contributing material to it.

### *Super-office*

During this period, subject to the results of the trials in the first half of 2000, Super-office expects to launch officially the *super-office.net* service and commence marketing it to small and medium sized enterprises that are tenants of SHKP Group commercial buildings. In addition, this period will see the launch of Microsoft Office 2000™ in Asia which is expected to be added to the service. Other additional applications are also expected to be added to the service during this period.

### *Red-Dots*

During this period, Red-Dots plans to launch its business-to-business trading platform in Hong Kong. Through this service businesses will be able to buy and sell goods and services. Red-Dots also intends to expand and develop the categories of goods offered in its auctions including by seeking to establish alliances with dealers in and suppliers of Chinese art and antiques, a fragmented business area with many participants which Red-Dots believes is suited to internet auction methods. Red-Dots will seek to establish joint ventures with one or more PRC partners in order to establish Red-Dots' presence and offer its services in Mainland China. Marketing activities will be continued in order to further develop the brand and staff recruitment necessary for the completion of the above initiatives will be carried out.

### *SuperStreets*

During this period Banking Street will be developed from a subsection of Property Street, into a separate site which will involve expanding the range of banking products provided through the service. Marketing efforts will continue to try to establish the Streets existing and new sites as well as its brand name generally, in order to increase the volume of traffic reaching its sites. In addition, it is expected that an English language version of Property Street and Insurance Street will be launched.

### ***Period from 1 January 2001 to 30 June 2001***

### *Sun Technology and iHON*

Sun Technology intends to continue to market its SMATV and security surveillance businesses to developers and property owners and to expand the number of units and buildings which are connected to SMATV networks and which have security surveillance systems which are installed and/or maintained by Sun Technology.

Sun Technology also intends to continue to broadband-enable progressively existing SMATV networks. In addition, as the digital form of broadcasting is expected to become increasingly

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## STATEMENT OF BUSINESS OBJECTIVES AND STRATEGIES

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prevalent, Sun Technology also expects to conduct an increasing amount of modification work to enable the SMATV networks to be capable of receiving and transmitting both digital as well as analogue broadcasting. Staff levels will be increased to carry out these initiatives and to enable the continued development of existing businesses.

iHON will continue to seek contracts to design, maintain and install fibre optic and other broadband infrastructure networks in residential and commercial developments.

### *iAdvantage*

iAdvantage expects that during this period it may expand its existing operations in Beijing and Shanghai, with a target of adding 100,000 sq. ft. to the facilities in each city. In addition, it expects to launch a facility in Taiwan of up to 20,000 sq. ft. In addition, it aims to establish four points of presence for its existing Asian customers in cities in the United States, which may include Los Angeles, Boston, San Jose and New York. These facilities will require iAdvantage to increase staffing and undertake marketing campaigns in each city to attract new customers.

iAdvantage also hopes to enhance the services it provides to its customers by forming strategic alliances with other global co-location service providers as well as software and/or hardware solutions providers.

### *SuperHome*

During this period SuperHome intends to continue to rollout *superhome.net* to new and existing residential blocks in Hong Kong, with the aim of providing the service to a total number of at least 250,000 apartments in Hong Kong by the end of the period.

SuperHome also expects that if WAP technology has become widely used by this point, it will look to provide the *superhome.net* service to mobile telephones. In addition, it is intended that by the end of this period *superhome.net* will be able to be viewed in the English language.

Whilst increasing the penetration of the *superhome.net* service through marketing, SuperHome also intends to continue to expand and improve the content of its service by increasing the number of content providers contributing material to it.

### *Super-office*

Subject to the success of the initial trials, Super-office intends to commence marketing its *super-office.net* service to all broadband-enabled office buildings in Hong Kong during this period using a dedicated team direct sales agents. Super-office will also continue to work on the existing functionality of the service and seek additional application software providers. If required, staff numbers will be increased to meet the increased marketing and technical support required during this period.

### *Red-Dots*

In this period, Red-Dots proposes to establish its Internet auction service for the sale and purchase of Chinese art and antiques. In Hong Kong, Red-Dots will expand its business-to-business trading platform by marketing the product to new businesses and seek to develop and

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## STATEMENT OF BUSINESS OBJECTIVES AND STRATEGIES

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enhance its technology, products and services to keep them consistent with developments in the Internet services market. A representative office will be established in Mainland China to assess business opportunities for Red-Dots' services. Marketing activities will continue and staff numbers increased to correspond to the growth in the business.

### *SuperStreets*

By the end of this period, SuperStreets expects to have commenced the process of developing new streets to be added to its existing portfolio of vertical portals. This will include the rollout of an international section of Property Street containing property price data relating to selected cities and countries including Mainland China. In addition, it is expected that an English language version of Banking Street will be launched.

### ***Period from 1 July 2001 to 31 December 2001***

### *Sun Technology and iHON*

In this period, Sun Technology intends to continue to provide its existing SMATV and security surveillance services to the SHKP Group and other property developers/owners/managers. In addition, Sun Technology plans to diversify into the sale of satellite and security equipment by seeking to become a Hong Kong authorised dealer and distributor of one or more manufacturers of such equipment.

Sun Technology also plans to continue to explore opportunities to enable SMATV networks to be used as the hardware infrastructure for the application of new technologies. Sun Technology's cabling and IT-related operations established in Mainland China may also be expanded into new locations.

iHON will continue to seek contracts to design, maintain and install fibre optic and other broadband infrastructure networks in residential and commercial developments.

### *iAdvantage*

iAdvantage expects that during this period it may expand its existing operations in Guangzhou and Shenzhen, with a target of adding 100,000 sq. ft. to the facilities in each city. In addition, it aims to establish further international points of presence for its existing Asian customers in cities which may include Amsterdam, London and Frankfurt and Singapore and Tokyo, if strategic alliances can be established with other operators in such cities. These facilities will require iAdvantage to increase staffing and undertake marketing campaigns in each city to attract new customers. iAdvantage also intends to continue to develop and roll out new facilities, networking and application services.

### *SuperHome*

SuperHome intends to continue to roll out *superhome.net* to new and existing residential blocks in Hong Kong. Whilst increasing the penetration of the *superhome.net* service through marketing, SuperHome also intends to continue to expand and improve the content of its service by increasing the number of content providers contributing material to it.

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## STATEMENT OF BUSINESS OBJECTIVES AND STRATEGIES

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### *Super-office*

Subject to the success of the initial trials, Super-office expects to have developed its service by the addition of new applications in order to tailor its services to the needs of corporate clients, by the end of this period. Super-office may also consider opportunities for expansion of this concept into Mainland China. If it does so the appropriate partners will need to be found and the applications on the service adapted to that market.

### *Red-Dots*

In Mainland China, Red-Dots plans to establish an on-line auction service. Marketing activity will continue and staff numbers increased to correspond to the growth in the business.

### *SuperStreets*

SuperStreets expects that during this period the data presented in Property Street will be supplemented by additional information on property transactions and property from additional countries will be added to the international section of the site. SuperStreets will continue to roll out the new streets being added to its existing portfolio of vertical portals and to develop the existing streets by adding new content and services.

### ***Period from 1 January 2002 to 30 June 2002***

#### *Sun Technology and iHON*

In this period, Sun Technology will continue to focus on its Hong Kong and Mainland China operations. In particular, it is intended that Sun Technology's initiatives in Mainland China will be promoted with the aim of either expanding into new locations or capturing further market shares in locations where Sun Technology already has operations.

It is also expected that Sun Technology will continue to develop, improve and enhance its services and to find new applications for its network infrastructure, to continue marketing efforts and to recruit staff to complement the growth of its business in Hong Kong and Mainland China.

iHON will continue to seek contracts to design, maintain and install fibre optic and other broadband infrastructure networks in residential and commercial developments.

#### *iAdvantage*

iAdvantage expects that during this period it will expand the scope of services available. This will require iAdvantage to increase staffing and undertake marketing campaigns to attract new customers.

#### *SuperHome*

Whilst increasing the penetration of the *superhome.net* service through marketing, SuperHome also intends to continue to expand and improve the content of its service by increasing the number of content providers contributing material to it.

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## STATEMENT OF BUSINESS OBJECTIVES AND STRATEGIES

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### *Super-office*

If Super-office has successfully developed a relationship with a Mainland Chinese partner and the service has been suitably adapted for such market it expects to roll-out such service in Mainland China during such period. This will require recruitment of marketing and technical staff in Mainland China.

### *Red-Dots*

In Mainland China, Red-Dots plans to increase the market share of its on-line auction service by working closely with the one or more partners with which it has established close links. Red-dots intends to continue to develop and enhance its technology, products and services to maintain a high level of marketing and to recruit staff to complement the growth of the business.

### *SuperStreets*

SuperStreets intends that during this period the Streets concept will be enhanced and broadened to incorporate new services and that to the extent that new sites falling within the Streets concept have been developed, such sites will be launched.

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## **YEAR 2000 COMPLIANCE**

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The Group has identified two areas for year 2000 review, the Group's internal systems and operations, and external systems and services. As a relatively young business, the Group does not have internal legacy systems that are not year 2000 compatible. However, certain problems could arise during this year and future periods which have yet to become apparent. The Group has purchased its network support systems with specifications and warranties that all systems must be year 2000 compatible. The Group has contacted its external suppliers, vendors and providers to obtain information about their year 2000 readiness. Based on that information the Group is satisfied that these external systems (including embedded technology) are not likely to have a material adverse effect on its operations.

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## USE OF PROCEEDS

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### USE OF PROCEEDS

The proceeds from the Share Offer (based on an Issue Price of HK\$10.38), after deducting related expenses, are estimated to be approximately HK\$2,929 million (on the basis that the Over-allotment Option is not exercised). If the Over-allotment Option is exercised in full, the net proceeds (based on such Issue Price) will increase to approximately HK\$3,382 million. The Directors intend to apply such net proceeds as follows:

- approximately HK\$2,175 million will be used by iAdvantage of which (i) approximately HK\$120 million and HK\$30 million will be used to refurbish and equip the Jumbo-iAdvantage server co-location centre in the first half and second half of 2000, respectively, (ii) approximately HK\$420 million will be used to construct and equip the Mega-iAdvantage server co-location centre in the second half of 2000, (iii) approximately HK\$120 million and HK\$1,000 million will be used to refurbish and equip server co-location centres in Greater China, and to establish points of presence in international locations in 2000 and 2001, respectively and (iv) approximately HK\$485 million will be used as working capital and for capital investments to support its ongoing operations;
- approximately HK\$200 million will be used to fund the marketing and promotional activities and development costs of the Internet service subsidiaries of the Group and to support their ongoing operations;
- approximately HK\$121 million will be allocated for future direct and indirect investments in IT and Internet related businesses;
- the balance of approximately HK\$433 million will be used as working capital of the Group to support its ongoing operations and expansion; and
- in the event that the Over-allotment Option is exercised in full, the additional net proceeds of approximately HK\$453 million will be applied by the Company, as to approximately 20 per cent. for further funding of marketing and promotional activities and development costs of the Internet service subsidiaries of the Group, as to approximately 30 per cent. for future direct and indirect investments in IT and Internet related businesses and as to approximately 50 per cent. for general working capital of the Group to support its ongoing operations and expansion.

To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes, it is the present intention of the Directors that such proceeds should be placed on short-term deposit with banks or financial institutions in Hong Kong.

In the event that the Issue Price is less than HK\$10.38, the net proceeds allocated in respect of working capital shall be reduced accordingly.

**DIRECTORS****Executive Directors**

*KWOK Ping Luen, Raymond*, MA (Cantab), MBA, (Age: 46). Chairman & Chief Executive Officer of the Company (appointed on 29 January 2000). Mr Kwok has been with SHKP for 21 years and is a brother of Walter and Thomas Kwok. He holds a Master of Arts degree in Law from Cambridge University and a Master's degree in Business Administration from Harvard University. He is Chairman of SmarTone Telecommunications Holdings Ltd., Vice Chairman of The Kowloon Motor Bus Holdings Ltd., a director of Route 3 (CPS) Co. Ltd., Airport Freight Forwarding Centre Company Ltd., Information Technology Entrepreneurs Association Limited and Versitech Limited, a member of the Advisory Board of Beijing Technology Development Fund and Senior Advisor to DynaFund II. With respect to his civic activities, he is a non-executive director of the Securities and Futures Commission, a member of the Hong Kong Port and Maritime Board, Vice-Chairman of the Council of The Chinese University of Hong Kong and Chairman of the Management Committees of the Police Children's Education Trust and the Police Education and Welfare Trust. Mr Kwok is also a member of the Ninth Chinese People's Political Consultative Conference Beijing Committee.

*KWOK Ping Sbeung, Walter*, MSc (Lond), DLC, MICE, JP (Age: 49). Mr Kwok has been with SHKP for 26 years and is a brother of Raymond and Thomas Kwok. 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. He is a director of The Kowloon Motor Bus Holdings Ltd., USI Holdings Ltd., Wilson Parking (HK) Ltd. and Hung Cheong Import & Export Co., Ltd. He is a director for The Real Estate Developers Association of Hong Kong and Honorary Treasurer of the Federation of Hong Kong Hotel Owners. On the community front, he is a member of the National Committee of the Chinese People's Political Consultative Conference, Vice Chairman of the All China Federation of Industry and Commerce and Chairman of the Former Directors Committee of the Hong Kong Community Chest. He was appointed a Director of the Company on 29 January 2000.

*KWOK Ping Kwong, Thomas*, MSc (Bus Adm), BSc (Eng), AMICE, JP, (Age: 48). Mr Kwok has been with SHKP for 22 years and is a brother of Raymond and Walter Kwok. He holds a Master's degree in Business Administration from the London Graduate School of Business Studies and a Bachelor's degree in Civil Engineering from Imperial College, University of London. He is a director of USI Holdings Ltd. He is currently Executive Vice President of The Real Estate Developers Association of Hong Kong, a council member of the Hong Kong Construction Association and a board member of The Community Chest of Hong Kong. He was appointed a Director of the Company on 29 January 2000.

*HUI Ho Ming, Herbert*, (Age: 41). Managing Director of the Company (appointed on 29 January 2000). Mr Hui has a Bachelor of Laws degree from the School of Law, University of Hong Kong. Prior to joining the Group in January 2000, Mr Hui spent five years in merchant banking, followed by over eight years as a securities regulator where he held the position of Deputy Chief Executive and Head of the Listing Division of the Stock Exchange. Mr Hui also spent three years as the Managing Director of a publicly listed window company of the Guangdong Provincial Government. Mr Hui holds a number of public positions. He is a member of The Independent Commission Against Corruption's Citizens Advisory Committee on Community Relations and a Director of the Provisional Hong Kong Science Park Company Ltd. He is the Deputy Chairman of the Hong Kong Institute of Directors Ltd., as well as the Chairman of the Independent Non

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## DIRECTORS, MANAGEMENT AND STAFF

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Executive Directors Committee of Hong Kong Institute of Directors Ltd. Mr Hui is the Vice Chairman of the Investment Committee of The Hong Kong Chinese Enterprises Association, a Council Member of the Hong Kong Council for Academic Accreditation, a Committee Member of the Community Chest of Hong Kong and a member of the Fund Investment and Management Committee of The Hong Kong Council of the Church of Christ in China. Between 1996 and 1999, Mr Hui was a part time member of the Central Policy Unit of the Hong Kong Special Administrative Region. In addition, he is an independent non-executive director of a number of publicly listed companies.

*CHAN Kui Yuen, Thomas*, (Age: 53). Mr Chan graduated from the Chinese University of Hong Kong as a Bachelor of Commerce in 1971. He joined the SHKP Group in 1973 as Special Assistant to the previous Chairman of SHKP, Mr Kwok Tak-Seng. Later he was assigned to be in charge of the properties development of the Group. His responsibilities include new site acquisition, government land auctions, major joint ventures with other consortium, letter B acquisitions and land tendering and in recent years, agricultural land acquisition and land conversion. He was admitted to the Board of Directors of SHKP in 1987 as an Executive Director. He was appointed a Director of the Company on 29 January 2000. He is also the Executive Director of over 400 subsidiaries of the Group. In 1990, Mr Chan started SHKP's property development business in Beijing. Mr Chan has over 27 years of commercial experience in Hong Kong and China. Mr Chan is currently the Vice-Chairman and Managing Director of Sun Hung Kai Properties (China) Ltd. He is now also the Senior Advisor for the International Relationship Faculty for the Peking University, the Honourable Director for the Peking University Education Foundation Fund and a member of the Hong Kong Institute of Directors Ltd.

*WONG Yick Kam, Michael*, (Age: 47). Mr Wong obtained his Bachelor's and Master's degrees in Business Administration from The Chinese University of Hong Kong. Mr Wong has been with SHKP for 18 years and was appointed an Executive Director of SHKP in 1996. He was appointed a Director of the Company on 29 January 2000. Mr Wong has actively participated in the strategic diversification of the SHKP Group and has led the successful bidding for certain infrastructure and transportation projects in the past years. In addition, he has extensive experience in corporate planning, strategic investments, and mergers and acquisitions. Mr Wong's current responsibilities in SHKP include strategic planning, infrastructure project development, financial investments and relations with the investment community.

*LEUNG Kui King, Donald*, (Age: 44). 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. Mr Leung holds the position of Manager and Assistant to Chairman at SHKP. He was appointed a Director of the Company on 29 January 2000. He has been with SHKP since 1986. Prior to that, Mr Leung was with Wardley Ltd and Bank of America in Hong Kong and Los Angeles. Mr Leung is a director of Wilson Parking (Hong Kong) Ltd and Beijing Technology Development Fund. He previously served as a part-time member of Hong Kong's Central Policy Unit.

*SO Chung Keung, Alfred*, (Age: 51). Mr So received a Master of Science degree in Mathematics from the University of Toronto. Mr So joined SHKP in 1978 and at present, is an Executive Director of Sun Hung Kai Real Estate Agency Ltd., a subsidiary of SHKP. He was appointed a Director of the Company on 29 January 2000. 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.

*TUNG Chi Ho*, (Age: 40). Managing Director of iAdvantage. Mr Tung is a graduate of the architectural programme of the Hong Kong University and holds a Bachelor of Arts degree in Architectural Studies and is a Bachelor of Architecture. Mr Tung has worked in SHKP for 13 years, in the Project Management Department as Project Manager and Project Director for various large-scale residential, commercial and mixed developments. He was appointed an Executive Director of Sun Hung Kai Real Estate Agency Ltd. in 1999. In 1996, Mr Tung started Central Waterfront Property Project Management Co., Ltd., a joint venture company of SHKP and Henderson Land Development Co., Ltd., to manage and develop the MTRC Hong Kong Station site which is one of the largest infrastructure projects in Hong Kong. As the Project Director, he oversaw the completion of Data Centres for major tenants such as JP Morgan and ING Barings. He also conceived and set up the web based project management solution for the project which is now being adopted in all SHKP projects. He is also a member of the Sun Hung Kai Internet Committee. He was appointed a Director of the Company on 29 January 2000. Prior to joining Mr Tung worked as an architect and a CAD/System manager. During the period, he received extensive network computer system management training in Hewlett-Packard and other IT institutes. He is a Governor of Hong Lek Yuen International School and a Committee Member of Hong Kong Lutheran Social Service. He is a member of both the Hong Kong Institute of Architects and Royal Institute of British Architects and is also a Registered Architect in Hong Kong and an Authorised Person (List One) with the Building Department.

*WONG Chin Wah*, (Age: 50). Chief Executive Officer of Sun Technology and Managing Director of Red-Dots. Mr Wong received a Bachelor of Science (Estate Management) degree in 1976 from the University of Singapore. He is a member of both The Singapore Institute of Surveyors & Valuers and The Hong Kong Institute of Surveyors. Mr Wong has been professionally engaged in the property industry for over 23 years in Hong Kong, Singapore, China and Indonesia, principally in property investment, marketing, leasing and management. He has held senior management positions in The Development Bank of Singapore, Mass Transit Railway Corporation and the SHKP Group. His experience in infrastructure network technology commenced in early 1993 when he was appointed the Chief Executive Officer of Sun Technology. In July 1999, as Managing Director of Red-Dots, he led a team of IT professionals to develop SHKP Group's first e-commerce site in Hong Kong which was launched in October 1999. He was appointed a Director of the Company on 29 January 2000.

*TUNG Yiu Kwan, Stephen*, (Age: 44). Mr Tung graduated from Syracuse University in New York with a Master of Science degree. Mr Tung has worked for international and local corporations in both North America and Greater China such as Philip Morris Inc., McCann Erickson Canada and Leo Burnett Greater China. Prior to joining SHKP in April 1997, Mr Tung accumulated experience in management, marketing, advertising and production, and has worked with some of the world's leading brands such as Marlboro and Coca-Cola. He was appointed a Director of the Company on 29 January 2000.

### **Non-executive Director**

*CHEUNG Wing Yui*, (Age: 50). 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 practicing solicitor in Hong Kong since 1979 and is a partner of the law firm Woo, Kwan, Lee & Lo. He has been admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore. He was appointed a Director of the Company on 29 January 2000. Mr Cheung is a director of seven other publicly listed companies including Tianjin Development Holdings Limited, Tai Sang Land Development Limited, Tai Fook Securities Group Limited, Trans-Ocean (International) Limited, Ching Hing (Holdings) Limited, Hop Hing Holdings Limited and Sinolink Worldwide Holdings Limited. He is also company secretary to another four publicly listed companies. He is a committee member 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. He was an external examiner to the University of Hong Kong for its Postgraduation Certificate in Law in 1989. Mr Cheung is also active in community activities, he was a director of Po Leung Kuk in 1975, a member of the Campaign Committee of the Community Chest for the years 1998 and 1999 and a member of the World Fellowship of the Duke of Edinburgh's Award.

### **Independent Non-executive Directors**

*KAO Kuen, Charles*, (Age: 66). Professor Kao is currently the Chairman and Chief Executive Officer of Transtech Services Limited which specialises in technology transfer and outlook projects. He has over 30 years of experience in the telecommunications industry. Professor Kao was a pioneer in the field of optical fibre communications in the 1960s, while working at the ITT research facility in the United Kingdom, Standard Telecommunications Laboratories. More recently, Professor Kao was the Vice Chancellor (President) of The Chinese University of Hong Kong and is also a member of a number of advisory committees of the HKSAR Government. Professor Kao is Member of the National Academy of Engineering (USA), Fellow of the Royal Society (UK), Foreign Member of the Chinese Academy of Sciences, Fellow of the Academia Sinica, Taiwan, Foreign Member of the Royal Swedish Academy of Engineering Sciences IVA (Sweden), The Royal Academy of Engineering (UK) and Fellow of IEEE (USA) and IEE (UK). He is also President of the Hong Kong Academy of Engineering Sciences (HK). 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. He was appointed a Director of the Company on 29 January 2000.

*LI On Kwok, Victor*, (Age: 45). Professor Li received 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 is Chair Professor of Information Engineering at the University of Hong Kong ("HKU"), and Managing Director of Versitech Ltd., the HKU technology transfer company. 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"). He is an acknowledged expert in information technology. Locally, he serves on the Innovation and Technology Fund (Electronics) Vetting Committee, the Small Entrepreneur Assistance Programme Assessor Committee, the Research Grants Council Engineering Panel, the University Grants Committee HARNET Development Fund Task Force, the HKPC-University Board, and the HKITC Technology Advisory Panel. He is an IEEE Fellow, and IAE Fellow, and a HKIE Fellow. He was appointed a Director of the Company on 29 January 2000.

**COMPLIANCE OFFICER**

*HUI Ho Ming, Herbert*

**QUALIFIED ACCOUNTANT**

*TSIM Wing Kit, Alfred*, (Age: 36). Qualified Accountant of the Company. Mr Tsim received a Bachelor of Arts degree from the City University of Hong Kong, a Master of Business Administration degree from The University of Sydney and a Diploma in Management Accounting (Distinction) from The Chinese University of Hong Kong. He is a fellow of the Hong Kong Society of Accountants and The Association of Chartered Certified Accountants, United Kingdom. He is also a full member of the Australian Society of CPAs and the Certified Management Accountants Society of British Columbia, Canada. Mr Tsim previously worked with two “Big Five” international accounting firms for over five years and has more than 11 years experience in accounting and finance. Prior to joining the Group in February 2000, he was an assistant general manager with Cable & Wireless HKT Mobile Services.

**COMPANY SECRETARY AND DIRECTOR OF COMPLIANCE**

*CHAN Wing Yuen, Hubert*, (Age: 42). Company Secretary of the Company. Mr Chan received a Higher Diploma from the Hong Kong Polytechnic. Mr Chan joined the Company in February 2000, prior to which, he spent ten years with the Hong Kong Stock Exchange where he held the position of Director of Mainland Affairs Department of the Listing Division. He also spent two and a half years as a Director and Deputy General Manager of a publicly listed window company of the Guangdong Provincial Government. He is an associate of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries. He is also a member of The Hong Kong Securities Institute and the Hong Kong Institute of Directors Ltd. He is a member of the Corporate & Employee Contribution Programme Organisation Committee of the Community Chest of Hong Kong. In addition, he is an independent non-executive director of a publicly listed company.

**CHIEF TECHNOLOGY OFFICER**

*HO Chi-lam, Alfred*, (Age: 41). Chief Technology Officer of the Company. Mr Ho joined the Company in March 2000. He received a Higher Diploma (Distinction) in 1978 in Electronic Engineering from the Hong Kong Polytechnic University, a Bachelor of Science (Hons, first class) in 1980, a Master of Science in 1988, both in Electrical and Electronic Engineering from the University of Hong Kong, and a Diploma in Business Management (Distinction) in 1985 from the Chinese University of Hong Kong. He is a fellow of the Hong Kong Institution of Engineers (HKIE), a founding member of the Information Engineering Discipline Panel, and a member of the Institution of Electrical Engineers. He was Information Technology Division Chairman, Group 3 (Information) Chairman, and Vice President, of the HKIE. He was a member of the Information Infrastructure Advisory Committee, the Appeal Board Panel, Lift & Escalator (Safety) Ordinance (Cap. 327) and is a member of Engineers Registration Board, Engineers Registration Ordinance (Cap. 409). He joined Cable & Wireless HKT in 1980, and spent more than 19 years working in various functional areas, including telecommunication engineering, technology research, information systems development, customer services operation, integrated marketing, product development, strategic planning, and corporate and business development.

**SENIOR MANAGEMENT**

Excluding the CEO, Managing Director, Executive Directors, Qualified Accountant, Company Secretary and Chief Technology Officer, the senior management of the Company includes:

*CHANG, Frederick Hubert*, (Age: 31). Director of Investments of the Company. Mr Chang holds a joint MBA/MA degree in International Relations from the Wharton Graduate School of Business and the University of Pennsylvania's School of Liberal Arts. Mr Chang obtained his Bachelor of Arts degree from the University of Michigan. Prior to joining SHKP in February 2000, Mr Chang was an Associate Vice President in the Technology and Communications Group of GE Equity. Mr Chang's other professional experience includes working for ING Baring Private Equity, McKinsey & Company and ABC News Beijing.

*CHENG Chung Ho, Jeremy*, (Age: 43). General Counsel of the Group. Mr Cheng holds a Bachelor of Science Degree in Physics, a Common Professional Examination Certificate and a Postgraduate Certificate in common law, a Bachelor Degree in PRC law and a Master Degree in Education. He has been admitted as a solicitor of the Hong Kong SAR, and England and Wales of the United Kingdom of Great Britain. Mr Cheng has more than five years of post admission experience in corporate finance and commercial legal work and has been advising in-house in the SHKP Group since June 1997. Mr Cheng also has over ten years of experience in the field of education and had been a Lecturer at the Colleges of Education and The Chinese University of Hong Kong.

*KWOK Tai Wai, David*, (Age: 40). Director of Investment of the Company. Mr Kwok joined SHKP in July 1999 as the Assistant to Vice Chairman. He worked for Cable & Wireless HKT for 19 years in various capacities including Engineering, Total Quality Management, Management Information Systems, Product Development, Market Management and the Internet. He has acquired diverse qualifications ranging from Architecture to Computer-aided design, Computing and Business Management. For the previous four years, Mr Kwok as Technology Manager, has helped establish Hongkong Telecom IMS's Netnavigator and its broadband infrastructure deployment. Mr Kwok was seconded to Silicon Valley in 1997 for more than six months to Cable & Wireless' Innovations office as a technologist and the Hongkong Telecom Group's "Window to the Advanced". On his return, he became Strategy and Planning Manager with the role of determining technological trends and e-commerce models shaping the future Internet economy.

*TAM Wing Yiu, Alex*, (Age: 37). Chief Executive of iAdvantage. Mr Tam is responsible for the business development and operation of the facility management and managed network services. Mr Tam has over 14 years experience in telecommunication and Internet related industries. Before joining the Company in October 1999, he worked as the head of Internet technology at Hutchison Telecommunications and Hongkong Telecom IMS in ISP and e-Commerce business respectively. He also worked in Silicon Valley for six months in 1995 for the business development division of Cable & Wireless Innovations on Internet and IT technologies. Before that, he had 10 years experience in telecommunication network development and support at Hongkong Telecom.

*CHEUNG Wai Tak, Vitus*, (Age: 37). Deputy Managing Director of iAdvantage. Mr Cheung graduated with first class honours from the Department of Electrical Engineering, University of Hong Kong in 1985. He is also a member of the Institution of Electrical Engineers (UK), a member of the Institution of Chartered Building Services Engineers (UK) and a member of the Hong Kong

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## DIRECTORS, MANAGEMENT AND STAFF

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Institution of Engineers. Mr Cheung had four years M&E services consultancy experience on commercial projects with J. Roger Preston Ltd. and Meinhardt (HK) Ltd., including design and project management for East Exchange Tower (Causeway Bay) and West Exchange Tower (Sheung Wan), the IBM computer centre at Exchange Square, Devon House and the Housing Authority Headquarters Building. He was also a power supply distribution operation engineer with the Hong Kong Electric Co. Ltd. for two years; a building services engineer with the Mass Transit Railway Corporation, Property Division for four years; has had two years M&E consultancy experience in Melbourne, Australia on hospitals and educational facilities; and was a project manager with Central Waterfront Property Project Management Ltd. for three years, building data centres facilities for JP Morgan and other major tenants of the International Finance Centre project in Hong Kong. Mr Cheung joined iAdvantage in November 1999 and focuses on business development and facilities management development.

*Thomas McDonald OVERTON*, (Age: 36). Senior Vice President - Corporate Relations of iAdvantage. Mr Overton was educated in the US and holds an MBA degree from the Amos Tuck School of Business at Dartmouth College and a B.S. degree in Finance from the University of Tennessee at Knoxville. Mr Overton has been with SHKP since May 1999, working in the Chairman's Office as IT and Internet Advisor before joining iAdvantage. Prior to his employment at SHKP, he was an equity fund manager for MBf Unit Trust Managers, overseeing both global and regional portfolios. He began his career in Hong Kong working for Citicorp in the Treasury Division from 1993 to 1995. Prior to coming to Hong Kong, Mr Overton worked in the Bond Division for Daiwa Securities America and PaineWebber. Additionally, he currently serves on the Board of Advisors for a China oriented internet startup, *menkou.com*.

*KWOK Sai Kwong, Simon*, (Age: 39). Vice President - Facility Management of iAdvantage. Mr Kwok has the degree of bachelor of engineering in Electrical and Electronic and is registered as a Chartered Engineer (UK). He is responsible for facility management development and support of all network/data centers. He is also a corporate member of the Institution of Electrical Engineers (UK), a member of the Institute of Electrical and Electronics Engineers (USA) and a registered electrical worker with grade C0. Before joining iAdvantage in February 2000, he was a project manager with Dah Chong Hong Engineering Ltd. for project management and contract administration for various large scale development and optical fibre cabling network installation projects in PRC and Hong Kong including IBM Beijing headquarters, Chinese-Japanese Youth Center and Chinese Sciences & Technology Exchange Center, Black Point Power Station and the Citic Square project in Shanghai. He has over 12 years of experience in design, specification, site supervision and project management of electrical and mechanical services installation. His project experience covers power station, industrial plant, office and hotel building, telecom centers and optical fiber cabling networks.

*LI Ming Pan, Ben*, (Age: 30). Vice President - Technology of iAdvantage. Mr Li holds an undergraduate degree in Information Technology, a master degree in Scientific Computing and a master degree in Financial Engineering. He is responsible for technology development and project management. Mr Li joined iAdvantage in November 1999. Over the previous six years, Mr Li has been in charge of building up two major ISPs and three data centers in Hong Kong and Mainland China. His technology focus is on system availability and security.

*TAM Wai Han Loretta*, (Age: 37). Vice President - Finance and Administrative of iAdvantage Ltd. Ms Tam is responsible for the finances and office administration of iAdvantage. She received

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## DIRECTORS, MANAGEMENT AND STAFF

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a BSc in Accountancy and a BBA in Management Information Systems from University of Texas (Austin). She has over 10 years of industrial experience in the financial and IT sectors. She joined SHKP in 1992 as Finance Manager of a satellite telecommunications subsidiary. Ms Tam is currently a full member of HKSA and AICPA.

*LAM Man Pak, Patrick*, (Age: 43). Director of Sun Technology. Mr Lam obtained his Bachelor of Arts degree from The Chinese University of Hong Kong. He joined SHKP in 1989 and was appointed as General Manager and a director of Sun Technology in 1993 and 1995, respectively to develop the network infrastructure and expand its operation to security surveillance and smart card businesses. Mr Lam is also a director of Red-Dots.

*LO Kit Yee, Grace*, (Age: 28). Director, Strategy and Product Development of Red-Dots. Ms Lo holds an undergraduate degree in Chemical Engineering from Northwestern University and is currently pursuing a MBA degree from the Hong Kong University of Science and Technology. She also holds a Masters degree in Human-centered Communications Design from Institute of Design at I.I.T. in the United States where she learnt to design and develop innovative interactive products based on user and market needs. Ms Lo joined Red-Dots in July 1999. Ms Lo has been designing, developing and managing interactive multimedia products since 1996. As a Creative Development Manager in Hongkong Telecom from 1996 to 1999, Ms Lo was responsible for leading all areas of product development, from user-interface design, creative design to regular service provisioning and enhancements of interactive TV and Web related projects.

*WONG Tuen Wah, Hilda*, (Age: 26). Director, Business Development and Marketing of Red-Dots. Ms Wong holds an undergraduate degree in Quantitative Economics from Tufts University in the United States. Ms Wong joined Red-Dots in July 1999. Ms Wong has been working with leading edge e-commerce products in Hong Kong since 1996. As a Marketing Manager in Hongkong Telecom IMS, Ms Wong was responsible for a range of marketing planning activities for broadband Internet and Interactive TV, from strategic planning, market research and analysis, to project management and end-to-end implementation. Prior to that, Ms Wong worked in the Business Development team and was responsible for the business planning, development and implementation of various major e-commerce projects at Hongkong Telecom IMS.

*WAN Chung Ming, William*, (Age: 27), Director, Application and System Development of Red-Dots. Mr Wan holds an undergraduate degree in Information and Systems Management from the Hong Kong University of Science & Technology. Mr Wan joined Red-Dots in August 1999. Mr Wan has been working in the Internet and Multimedia Industry since 1995. As a Product & Service Development Consultant in Hongkong Telecom IMS, he was responsible for leading all areas of project implementation and operation management. Being one of the contributors in the launch of Netvigator, the largest ISPs in Hong Kong and the first commercial Interactive TV service in the world, Mr Wan has acquired knowledge and experience in building successful high-technology products, developing web sites and Internet applications.

### AUDIT COMMITTEE

The Company established an audit committee on 29 January 2000 with written terms of reference based on the guidelines set out in “A Guide for the Formation of an Audit Committee” of the Hong Kong Society of Accountants. The primary duties of the audit committee are to review the Company’s annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the board of Directors. The audit committee will also be responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group.

## DIRECTORS, MANAGEMENT AND STAFF

The following sets out the members of the Group's audit committee:

Name	Position in the audit committee	Position in the board of Directors
KAO Kuen, Charles	Chairman	Independent non-executive director
LI On Kwok, Victor	Member	Independent non-executive director
CHEUNG Wing Yui	Member	Non-executive director

### STAFF

Apart from the Directors and senior management of the Group as mentioned above, as at the Latest Practicable Date, the Group employed a total of 124 full-time employees, all of whom were based in Hong Kong. A breakdown of employees by their functions is as follows:

Management	4
Business development	11
IT and technical	52
Finance and administration	11
Accounts	6
Sales and marketing	24
Others	<u>16</u>
Total	<u><u>124</u></u>

The Group offers a comprehensive remuneration package and benefits to its employees, including performance bonus, medical scheme and a defined contribution provident fund. In order to attract, retain and motivate quality employees, the Group will review the remuneration package from time to time. It also provides a comprehensive in-house training programme and sponsorship scheme for its employees. The range of courses include management, technical skills and customer service and are organised regularly for each staff member.

The total remuneration of the Group's employees for the financial years ended 30 June 1998 and 30 June 1999 and the six months ended 31 December 1999 were as follows:

	Year ended 30 June 1998 <i>HK\$'000</i>	Year ended 30 June 1999 <i>HK\$'000</i>	Six months ended 31 December 1999 <i>HK\$'000</i>
Salaries	8,320	8,217	7,921
Bonus	<u>506</u>	<u>427</u>	<u>627</u>
Total	<u><u>8,826</u></u>	<u><u>8,644</u></u>	<u><u>8,548</u></u>

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## DIRECTORS, MANAGEMENT AND STAFF

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### The five highest paid individuals

No emoluments were paid by the Group to any of the Directors for each of the two financial years ended 30 June 1999 and the six months ended 31 December 1999. The emoluments of the five highest paid individuals are set out as follows:

	<b>Year ended</b> <b>30 June</b> <b>1998</b> <i>HK\$'000</i>	<b>Year ended</b> <b>30 June</b> <b>1999</b> <i>HK\$'000</i>	<b>Six months ended</b> <b>31 December</b> <b>1999</b> <i>HK\$'000</i>
Total remuneration (basic salaries, allowances and other benefits)	2,038	2,027	1,608
Amount paid to pension fund in connection with the retirement	123	127	—
Total discretionary bonuses received, or due and receivable	<u>150</u>	<u>120</u>	<u>457</u>
Total	<u><u>2,311</u></u>	<u><u>2,274</u></u>	<u><u>2,065</u></u>

There were no amounts paid to or receivable by the employees for each of the two financial years ended 30 June 1999 and the six months ended 31 December 1999 as an inducement to join or upon joining the Group or upon termination of employment.

### Directors' remuneration

No emoluments were paid to any of the Directors for each of the two financial years ended 30 June 1999 and the six months ended 31 December 1999.

There were no amounts paid to or receivable by the Directors for each of the two financial years ended 30 June 1999 and the six months ended 31 December 1999 as an inducement to join or upon joining the Group or upon termination of employment.

### Share Option Schemes

The Company has conditionally adopted the Company Share Option Scheme for the benefit of the employees and executive directors of the Group. iAdvantage and Red-Dots have also conditionally adopted the iAdvantage Share Option Scheme and the Red-Dots Share Option Scheme, respectively for the benefit of their respective employees and executive directors. Details of the Share Option Schemes are set out in the section headed "Statutory and General Information — Share Option Schemes". The Directors believe that the Share Option Schemes will assist in the recruitment and retention of high calibre executives and employees.

### **Significance of relationship with SHKP**

The fact that the Company and its subsidiaries are subsidiaries of and controlled by SHKP is of considerable significance to the business of the Group. The relationship gives members of the Group the opportunity to bid for IT infrastructure and Internet service work in SHKP developments and properties, access to a property owner and landlord with large areas of available properties and, perhaps most importantly, to the Hong Kong and Mainland China business community with which SHKP has well established relationships. However, while both SHKP and the Company will have to comply with the GEM Listing Rules as to connected transactions when dealing with each other and these rules restrict the ability of SHKP to sell its interests in the Company for two years subject to certain exceptions (see “Underwriting”), there are no arrangements in place or proposed which would require SHKP to maintain the relationship, both business and share ownership, in its current form. In particular, SHKP may engage in operations which compete with those carried on by the Group.

Certain members of the Company’s senior management may serve on the board of companies of both of the Group and the SHKP Group. The Directors believe that such relationship gives the Group access to experience, skills and relationships that it might not otherwise have.

### **Potential competition with SHKP**

As at the date of this prospectus neither SHKP nor any member of the SHKP Group engages in any business activities that compete with those of the Group.

### **Convertible Note**

Sunco was issued the Convertible Note in part consideration for the acquisition by the Company of a loan due from Huge Profits to Sunco. Following the Share Offer and assuming the Over-allotment Option is not exercised, Sunco will hold 85 per cent. of the issued share capital of the Company. The Convertible Note will represent approximately 3.4 per cent. of the issued share capital of the Company on a fully diluted basis (excluding any Shares that may be issued upon the exercise of the Over-allotment Option or of options conditionally granted under the Company Share Option Scheme), assuming conversion at a conversion price based on an Issue Price of HK\$10.38. The principal terms of the Convertible Note are set out in Appendix 3 to this prospectus.

However, it should be noted that pursuant to Rule 11.23(1) of the GEM Listing Rules, the public must hold at least 15 per cent. of the Shares of the Company at all times. Therefore, Sunco will only be able to exercise its conversion rights under the Convertible Note if it takes steps to ensure that the public holding of Shares will not fall below the 15 per cent. limit.

### **Connected transactions between the Group and the SHKP Group**

Particulars of various connected transactions entered and to be entered into between members of the Group and members of the SHKP Group are set out in the section headed “Waivers from Compliance with the GEM Listing Rules and Companies Ordinance” in this prospectus.

### **Exempted connected transaction between the Group and the SHKP Group**

By an agreement dated 26 February 2000 entered into between the Company and SHKP (the “Services Agreement”), SHKP has agreed to supply, inter alia, legal, secretarial, computer and other related services and the use of office equipment to the Group at reimbursement costs which shall not exceed HK\$2,000,000 per year for a period of three years commencing from 1 March 2000.

Under Rule 20.23(9) of the GEM Listing Rules, the sharing of administrative services between a listed issuer and a connected person on a cost basis will normally be exempted from all the reporting, announcement and shareholders’ approval requirements contained in Chapter 20 of the GEM Listing Rules. As the transactions contemplated under the Services Agreement constitute the sharing of administrative services between the Company and its connected person, SHKP, they are exempted connected transactions under Rule 20.23 (9) of the GEM Listing Rules.

Pursuant to the Stock Borrowing Agreement, Sunco shall upon request by Jardine Fleming lend up to 45,000,000 Shares, representing 15 per cent. of the Offer Shares initially made available under the Share Offer, to Jardine Fleming which Shares shall be returned to Sunco and deposited with the escrow agent not later than two business days following the last day of the exercise of the Over-allotment Option or the date on which the Over-allotment Option is exercised in full, whichever is the earlier. The Stock Borrowing Agreement was entered into for the sole purpose of covering over-allocations in the Placing and all gains derived from (i) the stock borrowing arrangements under the Stock Borrowing Agreement and/or (ii) secondary market purchases made by Jardine Fleming to settle over-allocation of the Shares under the Placing less any direct expenses shall be for the benefit of the Company absolutely.

Under Rule 20.52(2) of the GEM Listing Rules, any financial assistance provided by a connected person for the benefit of a listed issuer on normal commercial terms (or better) where no security over the assets of the listed issuer is granted to the connected person in respect of the financial assistance is an exempt connected transaction. As the transactions contemplated under the Stock Borrowing Agreement involve financial benefit being received by the Company from Sunco, which is its substantial shareholder, in that all stabilisation gains indirectly resulting from the stock borrowing arrangements pursuant to the Stock Borrowing Agreement to settle over-allocation of Shares under the Placing and/or secondary market purchases made by Jardine Fleming for direct settlement of over-allocation of Shares under the Placing less any stabilisation costs, liabilities and direct expenses will be for the benefit of the Company, the transactions pursuant to the Stock Borrowing Agreement are exempted connected transactions under Rule 20.52(2) of the GEM Listing Rules.

## SUBSTANTIAL, MANAGEMENT AND SIGNIFICANT SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following the completion of the Share Offer (but without taking into consideration the Shares which may be taken up pursuant to the Public Offer and the Placing), the following persons, other than a Director or a chief executive of the Company, will be directly or indirectly interested in 10 per cent. or more of the Shares then in issue (assuming the Over-allotment Option is not exercised):

<b>Name</b>	<b>Number of Shares</b>	<b>Approximate percentage of holding</b> <i>(per cent.)</i> <i>(Note 3)</i>
Sunco	1,700,000,000	85
SHKP <i>(Note 1)</i>	1,700,000,000	85
HSBC Holdings plc <i>(Note 2)</i>	1,700,000,000	85
HSBC Finance (Netherlands) <i>(Note 2)</i>	1,700,000,000	85
HSBC Holdings B.V. <i>(Note 2)</i>	1,700,000,000	85
HSBC Investment Bank Holdings B.V. <i>(Note 2)</i>	1,700,000,000	85
HSBC International Trustee Limited <i>(Note 2)</i>	1,700,000,000	85

*Notes:*

1. As Sunco is a wholly-owned subsidiary of SHKP, SHKP will have deemed interest in the 1,700,000,000 Shares held by Sunco under the SDI Ordinance.
2. Such interests in the Shares are duplicated with those of SHKP as disclosed herein as they are taken to be interested in these Shares by virtue of their interest in SHKP Shares. As at the Latest Practicable Date for the purpose of the SDI Ordinance, HSBC Holdings plc was interested in 1,115,632,780 SHKP Shares of which 1,114,414,980 SHKP Shares were the same SHKP Shares in which HSBC Finance (Netherlands) was taken as interested. HSBC Holdings B.V. was interested in the same SHKP Shares in which HSBC Finance (Netherlands) was interested. Of the 1,114,414,980 SHKP Shares in which HSBC Holdings B.V. was interested, HSBC Investment Bank Holdings B.V. was taken as interested in 1,091,642,257 SHKP Shares. HSBC International Trustee Limited was interested in 1,065,463,639 SHKP Shares which formed part of the SHKP Shares in which HSBC Investment Bank Holdings B.V. was interested. Messrs. Kwok Ping Luen, Raymond, Kwok Ping Sheung, Walter and Kwok Ping Kwong, Thomas were deemed by virtue of the SDI Ordinance to be interested in the same 1,048,765,347 SHKP Shares in which HSBC International Trustee Limited was interested.
3. If the Over-allotment Option is exercised in full, the percentage of holding will be reduced to 83.13 per cent.

Save as disclosed herein, but taking no account of any Shares which may be taken up under the Share Offer, the Directors are not aware of any person who will immediately following completion of the Share Offer be directly or indirectly interested in 10 per cent. or more of the Shares then in issue or equity interest in any member of the Group representing 10 per cent. or more of the equity interest in such company.

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## **SUBSTANTIAL, MANAGEMENT AND SIGNIFICANT SHAREHOLDERS**

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### **MANAGEMENT SHAREHOLDERS**

So far as the Directors are aware, immediately following the completion of the Share Offer (assuming the Over-allotment Option is not exercised and taking no account of the Shares which may be taken up under the Public Offer and the Placing), there are no other persons other than Sunco and SHKP as disclosed above who will be directly or indirectly interested in five per cent. or more of the Shares then in issue and who are able, as a practical matter, to direct or influence the management of the Company.

### **Undertakings**

Each of the Management Shareholders has jointly and severally given certain undertakings to the Company and Jardine Fleming. Details of the undertakings are set out in “Underwriting — Undertakings”.

### **Escrow arrangements**

Each of the Management Shareholders has undertaken to the Company and the Stock Exchange to comply with the requirements of Rules 13.16 and 13.20 of the GEM Listing Rules. Those rules require that from the Listing Date up to and including the date falling two years thereafter:

- (a) Sunco places in escrow, with an escrow agent acceptable to the Stock Exchange, its relevant securities (as such term is defined in Rule 13.15(4) of the GEM Listing Rules) (the “Securities”) on terms acceptable to the Stock Exchange;
- (b) the Management Shareholders do not, save as provided in Rule 13.17 of the GEM Listing Rules or as referred to under the heading “Waiver on share disposal restriction” in the section headed “Waivers from Compliance with the GEM Listing Rules and Companies Ordinance”, dispose of (or enter into any agreement to dispose of) or permit the registered holder to dispose of (or to enter into any agreement to dispose of) any of its direct or indirect interest in the Securities;
- (c) in the event that the Management Shareholders pledge or charge any direct or indirect interest in the Securities under Rule 13.17(2) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.17(5) of the GEM Listing Rules, they must inform the Company immediately thereafter, disclosing certain prescribed details; and
- (d) having pledged or charged any of their interest in the Securities under sub-paragraph (c) above, the Management Shareholders must inform the Company immediately in the event that they become aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Securities affected.

### **SIGNIFICANT SHAREHOLDERS**

So far as the Directors are aware, immediately following the completion of the Share Offer (assuming the Over-allotment Option is not exercised and taking no account of the Shares which may be taken up under the Public Offer and the Placing), apart from the substantial shareholders and the Management Shareholders disclosed above, there are no other persons who will be directly or indirectly interested in five per cent. or more of the Shares then in issue.

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## SHARE CAPITAL

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The authorised and issued share capital of the Company are as follows:

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares	<u>1,000,000,000</u>
<i>Issued Shares:</i>		
1,700,000,000	Shares in issue at the date of this prospectus	170,000,000
<i>Shares to be issued:</i>		
270,000,000	Shares to be issued under the Placing	27,000,000
<u>30,000,000</u>	Shares to be issued under the Public Offer	<u>3,000,000</u>
<i>Total:</i>		
<u>2,000,000,000</u>	Shares	<u>200,000,000</u>

Pursuant to Rule 11.23(1) of the GEM Listing Rules, at the time of listing and at all times thereafter, the Company must maintain the “minimum prescribed percentage” of 15 per cent. of the issued share capital of the Company in the hands of the public.

### **Assumptions**

The table above assumes the Share Offer becomes unconditional. It takes no account of any of the new Shares which may be issued upon the exercise of the Over-allotment Option or of any options which may be granted under the Company Share Option Scheme (see Appendix 5) or upon the conversion of the Convertible Note (see Appendix 3) or under the general mandate given to the Directors for the issue and allotment of Shares (see Appendix 5) or which may be bought back by the Company pursuant to the general mandate given to the Directors for the repurchase of Shares (see Appendix 5).

### **Ranking**

The Offer Shares will rank equally with all of the Shares now in issue, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus.

### **Share Option Schemes**

The Group has conditionally adopted and/or approved the Share Option Schemes. A summary of the main terms of such schemes is set out in the section headed “Statutory and General Information — Share Option Schemes”.

Under each of the Share Option Schemes, full time employees and executive Directors of members of the Group, iAdvantage or Red-Dots (as the case may be) may be given options which entitle them to subscribe for the shares representing up to a maximum of 10 per cent. of the issued share capital of the Company, iAdvantage or Red-Dots (as the case may be) from time to time (not including shares which may be issued under the Share Option Schemes from time to time).

**INDEBTEDNESS****Borrowings**

As at 31 December 1999, being the latest practicable date for the indebtedness statement prior to the publication date of this prospectus, the Group had an amount due to the SHKP Group of approximately HK\$716.9 million. In addition, on 3 March 2000, the Group acquired certain properties from a subsidiary of SHKP for a total consideration of HK\$605 million. On 29 February 2000, all amounts due to subsidiaries of SHKP were aggregated and the resulting balance of approximately HK\$1,460 million was assigned to Sunco. Pursuant to the Reorganisation, such indebtedness was partly capitalised in an amount of HK\$730 million and the remaining balance of HK\$730 million was converted into the Convertible Note.

**Contingent liabilities**

As at 31 December 1999, the Group did not have any significant contingent liabilities.

**Disclaimer**

Save as aforesaid and apart from intra-group liabilities, the Group did not as at 31 December 1999, have any mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities, liabilities under acceptances (other than normal trade bills), acceptance credits or other similar indebtedness or any hire purchase commitments, finance lease commitments or any guarantees or other material contingent liabilities.

Save as aforesaid, the Directors have confirmed that there have been no material changes in the indebtedness or contingent liabilities of the Group since 31 December 1999.

**Foreign exchange liabilities**

As at the date hereof, the Company did not have any significant liabilities denominated in a currency other than Hong Kong dollars.

**LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL EXPENDITURES****Net current assets**

As at 31 December 1999, the Group had net current assets of approximately HK\$10.2 million. Current assets comprised bank balances and cash of approximately HK\$2.8 million, inventories of approximately HK\$3.4 million, debtors, deposits and prepayments of approximately HK\$20.3 million, amounts due from customers for contract work of approximately HK\$9.2 million. Current liabilities comprised creditors and accrued charges of approximately HK\$16.3 million, tenants' deposits of approximately HK\$6.7 million, amounts due to customers for contract work of approximately HK\$0.1 million and taxation payable of approximately HK\$2.4 million.

**Borrowings and banking facilities**

As at 31 December 1999 the Group did not have any available banking facilities and its only outstanding indebtedness was the amount due to SHKP Group of approximately HK\$716.9 million.

**Capital commitments**

The Group is in the early stages of developing its IT infrastructure and Internet service businesses and is therefore in the process of incurring significant development costs. The Group incurred a net loss from ordinary activities before taxation on a combined basis of HK\$14.8 million in the six months ended 31 December 1999. The Directors expect net losses to increase as its business expands and new businesses are launched. The capital expenditure commitments of the Group as at 31 December 1999 authorised by the relevant boards of directors, but not contracted for, and contracted for, but not provided for in the financial statements amounted to approximately HK\$495 million and approximately HK\$27 million, respectively. These commitments are in respect of the acquisition of fixed assets, primarily for construction of server co-location centres and further investment of HK\$15 million into the Asia Java Fund. The Group's commitments are expected to be funded in part by part of the net proceeds of the Share Offer. See "Use of Proceeds".

**Financial resources**

Prior to the completion of the Share Offer, the Group's operations and investments will be financed principally by its holding companies and fellow subsidiaries. It is expected that the net proceeds raised by the Share Offer will be sufficient to meet the future operating and capital expenditure cashflow requirements until the Group's operations become mature and are capable of generating positive cashflows. It is also expected that the Group may raise additional bank borrowings should the need arise.

**PROPERTIES**

The details of properties owned or leased by the Group are set out in Appendix 2 to this prospectus.

**Property valuation**

DTZ Debenham Tie Leung Limited, an independent property valuer, has valued the property interests of the Group as at 31 January 2000. Details of the valuation and the text of letter, summary of values and the valuation certificates from DTZ Debenham Tie Leung Limited are set out in Appendix 2 to this prospectus.

**DIVIDENDS AND WORKING CAPITAL****Dividends**

The Directors currently do not expect to recommend payment of any dividends for the foreseeable future. Should dividends be paid in the future, the Company will probably pay such dividends in April and December respectively of each year. The declaration of, payment and amount of dividends will be subject to the discretion of the Directors and will be dependent upon the Company's future operations and earnings, financial condition, cash requirements and availability and other factors as may be deemed relevant at such time by the Directors.

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## FINANCIAL INFORMATION

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### Working capital

As at 31 December 1999, the Group's current assets amounted to approximately HK\$35.7 million and current liabilities were approximately HK\$25.5 million, representing a net working capital of HK\$10.2 million. Taking into account the estimated net proceeds of the Share Offer, the Directors believe that the Group has sufficient working capital for its present requirements.

### DISTRIBUTABLE RESERVES

The Company was incorporated on 25 January 2000. As such, there was no reserve available for distribution to the shareholders of the Company as at 31 December 1999.

### ADJUSTED NET TANGIBLE ASSETS

The following statement of adjusted net tangible assets of the Group is based on the combined net liabilities of the Group as at 31 December 1999 as shown in the accountants' report, the text of which is set out in Appendix 1 to this prospectus, and adjusted as described below:

	<i>HK\$'000</i>
Audited combined net liabilities of the Group as at 31 December 1999	(20,228)
Capitalisation of an amount due to Sunco as additional investment in the Company	730,000
Surplus arising on revaluation of the Group's property interests as at 31 January 2000 ( <i>Note 1</i> )	23,518
Estimated net proceeds of the Share Offer ( <i>Note 2</i> )	<u>2,929,000</u>
Adjusted net tangible assets	<u><u>3,662,290</u></u>
Adjusted net tangible asset value per Share ( <i>Note 3</i> ) (based on 2,000,000,000 Shares in issue and to be issued as mentioned herein)	<u><u>HK\$1.83</u></u>

#### *Notes:*

1. The surplus will be incorporated into the Group's financial statements for the year ending 30 June 2000. As a result of this surplus, depreciation and amortisation charges for the year ending 30 June 2000 will be increased by approximately HK\$51,000.
2. The estimated net proceeds of the Share Offer is based on an assumed Issue Price of HK\$10.38 and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
3. The adjusted net tangible asset value per Share is arrived at after the adjustments referred to in this section but it takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or of any options which may be granted under the Company Share Option Scheme or upon the conversion of the Convertible Note or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares described in the paragraph headed "Resolutions passed by the sole shareholder of the Company on 29 February 2000" in Appendix 5 to this prospectus.

**GEM LISTING RULES 17.15 TO 17.21**

The Directors have confirmed that, as at the Latest Practicable Date, the Group was not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

**NO MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 1999 (being the date to which the latest audited combined financial statements of the Group were prepared).

*For a discussion of the Group's financial condition and results of operation, see "Statement of Active Business Pursuits — Management's Discussion and Analysis of Financial Condition and Results of Operations."*

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## UNDERWRITING

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### UNDERWRITERS

#### Placing Underwriters

Jarding Fleming Securities Limited  
Credit Lyonnais Securities (Asia) Limited  
HSBC Investment Bank Asia Limited  
UBS AG  
ABN AMRO Rothschild  
Bear Stearns Asia Limited  
BNP Prime Peregrine Securities Limited  
BOCI Asia Limited  
Cazenove Asia Limited  
Credit Suisse First Boston (Hong Kong) Limited  
China International Capital Corporation (Hong Kong) Limited  
Dao Heng Securities Limited  
Honour Securities Company Limited  
Indosuez W.I. Carr Securities Limited  
Kim Eng Securities (Hong Kong) Limited  
Salomon Brothers International Limited

#### Public Offer Underwriters

Jardine Fleming Securities Limited  
BOCI Asia Limited  
Credit Lyonnais Securities (Asia) Limited  
HSBC Investment Bank Asia Limited  
UBS AG  
Dao Heng Securities Limited  
Goodwill Financial Services (Holdings) Limited  
Honour Securities Company Limited  
ICEA Capital Limited  
Kingsway SW Securities Limited  
Tai Fook Securities Company Limited

Honour Securities Company Limited, being one of the Placing Underwriters and one of the Public Offer Underwriters, is a wholly-owned subsidiary of SHKP.

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Underwriting Agreement

The Company is offering (a) the Public Offer Shares for subscription on and subject to the terms and conditions of this prospectus and the application forms relating thereto, and (b) the Placing Shares for subscription by way of the Placing. Subject to the GEM Listing Committee granting listing of and permission to deal in the Shares (subject only to allotment) and to certain other conditions set out in the Underwriting Agreement being satisfied not later than 5 April 2000, (a) the Public Offer Underwriters have severally agreed to apply or procure applications, on the

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## UNDERWRITING

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terms and conditions of this prospectus and the application forms relating thereto, for the Public Offer Shares now being offered and which are not taken up under the Public Offer; and (b) the Placing Underwriters have severally agreed to apply or procure applications or places for the Placing Shares which have not been subscribed for or placed pursuant to the Placing.

### **Grounds for termination**

The obligations of the Underwriters to subscribe or purchase or procure subscribers or purchasers for the Offer Shares are subject to termination and Jardine Fleming (on behalf of the Underwriters) has the absolute right upon giving notice to the Company to terminate the Underwriting Agreement if certain events, including but not limited to the following, shall occur at any time prior to 6:00 p.m. on the business day immediately preceding the Listing Date:

- (a) any breach, considered by Jardine Fleming to be material in the overall context of the Share Offer, of any of the warranties or any other provision of the Underwriting Agreement;
- (b) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted an omission considered by Jardine Fleming to be material in the overall context of the Share Offer;
- (c) any statement contained in the prospectus considered to be material by Jardine Fleming is discovered to be or becomes untrue, incorrect or misleading in any respect considered in the reasonable opinion of Jardine Fleming to be material;
- (d) any event, act or omission which gives or is likely to give rise to any material liability of the Company, SHKP or Sunco pursuant to the indemnities contained in the Underwriting Agreement;
- (e) any adverse change in the business or the financial or trading position of the Group which is considered in the reasonable opinion of Jardine Fleming to be material;
- (f) any event or series of events, matters or circumstances concerning or relating to, or any change in:—
  - (i) Hong Kong, the Cayman Islands, the US, the PRC or any other relevant jurisdiction local, national or financial, political, economic, military, industrial, fiscal, regulatory or stock market conditions or sentiments; or
  - (ii) any new law or change in existing laws or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the US, the PRC or any other relevant jurisdiction; or
  - (iii) any event of force majeure affecting Hong Kong, the US, the PRC or any other relevant jurisdiction including, without limiting the generally thereof, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
  - (iv) the conditions or sentiments of the Hong Kong or the US equity securities or other financial markets; or

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## UNDERWRITING

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- (v) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange or the New York Stock Exchange due to exceptional financial circumstances or otherwise; or
- (vi) a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the PRC or any other jurisdiction relevant to the Group or affecting an investment in the Shares or the transfer or dividend payment in respect thereof;

which, in the sole opinion of Jardine Fleming:

- (a) is or will be, or is likely to be, materially adverse to the business, financial or other condition or prospects of the Group taken as a whole; or
- (b) makes it inadvisable or inexpedient to proceed with the Public Offer and/or the Placing.

### **Undertakings**

Each of the Management Shareholders jointly and severally undertakes with the Company and Jardine Fleming that it will not and will procure that none of its associates or companies controlled by it will (unless with the prior written consent of Jardine Fleming and unless in compliance with the GEM Listing Rules) dispose of (or enter into any agreement to dispose of) any of the Shares or the Convertible Note or any interests therein, or any shares held directly or indirectly by it or its associates in any company which is the beneficial owner of any of such Shares, Convertible Note or interests, in each case, as at the Listing Date together with Shares allotted pursuant to any capitalisation issue effected after the Listing Date or pursuant to any exercise of options, subscription or conversion rights held immediately prior to the Listing Date but excluding Shares allotted by way of scrip dividend (the “Relevant Securities”) nor permit the registered holder to dispose of (or to enter into any agreement to dispose of) any of its direct or indirect interest in the Relevant Securities within two years (or any such shorter period stipulated from time to time in Rule 13.16 of the GEM Listing Rules as shall apply to the Management Shareholders) from the Listing Date, except:

- (a) as permitted under the GEM Listing Rules, or
- (b) pursuant to the Stock Borrowing Agreement, or
- (c) pursuant to a disposal which forms part of a placing and top-up transaction conducted in compliance with Rule 20.23(3)(d) of the GEM Listing Rules where:
  - (a) the disposal and the issue of new Shares by the Company pursuant to the placing and top-up transaction are conducted in compliance with the GEM Listing Rules and/or the conditions in relevant waivers (if any) granted by the Stock Exchange;
  - (b) the entire proceeds arising from the issue of new Shares by the Company pursuant to the transaction are used by the Group for the expansion of its existing businesses as contemplated in the section headed “Statement of Business Objectives and Strategies — Implementation Schedule” of this prospectus;

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## UNDERWRITING

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- (c) Jardine Fleming has been notified in advance of the disposal; and
- (d) the Management Shareholders will together continue to beneficially own, directly or indirectly, more than 50 per cent. of the outstanding issued share capital of the Company following completion of the placing and top-up transaction,

Sunco further undertakes with the Company and Jardine Fleming that it shall, and SHKP further undertakes with the Company and Jardine Fleming that it shall procure Sunco to, place its Relevant Securities in the Company for a period of two years (or any such shorter period stipulated from time to time in Rule 13.16 of the GEM Listing Rules as shall apply to the Management Shareholders) from the Listing Date in escrow on terms acceptable to the Stock Exchange with an escrow agent acceptable to the Stock Exchange.

Furthermore, each of the Management Shareholders undertakes to the Company and Jardine Fleming to comply with the following requirements:

- (a) in the event that it pledges or charges any direct or indirect interest in any of the Relevant Securities under Rule 13.17(2) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.17(5) of the GEM Listing Rules, at any time during the period of two years (or any such shorter period stipulated from time to time in Rule 13.20 of the GEM Listing Rules as shall apply to the Management Shareholders) from the Listing Date, it will inform the Company immediately thereafter, disclosing the details as required by the GEM Listing Rules; and
- (b) to inform the Company immediately in the event that it becomes aware that the pledgee or chargee has disposed of or intends to dispose of any such interest in the Relevant Securities and of the number of the Relevant Securities affected.

Each of the above undertakings by Management Shareholders also applies in respect of any Shares subscribed in relevant placing and top-up transactions described above or returned pursuant to the Stock Borrowing Agreement.

The Company undertakes with Jardine Fleming that it will not, and each of the Management Shareholders jointly and severally undertakes with Jardine Fleming to procure that the Company will not, without the prior written consent of Jardine Fleming and unless in compliance with the GEM Listing Rules, issue or agree to issue or grant or agree to grant any options or warrants or other rights in or carrying the right to subscribe for Shares or other securities (including securities convertible into or exchangeable for Shares) of the Company or any interest therein or announce an intention to do so within six months from the Listing Date, except pursuant to an issue of Shares in the following circumstances and complying with the following restrictions:

- (i) an issue of Shares upon the exercise of the Over-allotment Option and of options which may be granted under the Company Share Option Scheme;
- (ii) an issue of Shares upon the conversion of the Convertible Note;
- (iii) an issue of Shares to satisfy, in whole or in part, the consideration payable in connection with an acquisition by the Group of any business or of the securities of another company; or

- (iv) an issue of Shares forming part of a placing and top-up transaction conducted in compliance with Rule 20.23(3)(d) of the GEM Listing Rules, and the entire proceeds of which are used by the Group for the expansion of its existing businesses as contemplated in the section headed “Statement of Business Objectives and Strategies — Implementation Schedule” of this prospectus;

where (a) the issue is conducted in compliance with the GEM Listing Rules and/or the conditions in relevant waivers (if any) granted by the Stock Exchange, (b) Jardine Fleming has been notified in advance of the issue, and (c) the Management Shareholders will together continue to beneficially own, directly or indirectly, more than 50 per cent. of the outstanding issued share capital of the Company following completion of the issue.

### **Commission and expenses**

The Underwriters will receive a total commission of 3 per cent. of the Issue Price of all the Offer Shares (out of which each Underwriter will pay its own sub-underwriting commissions and selling concessions). In addition, Jardine Fleming will receive a financial advisory fee for providing advisory services and for acting as the sponsor to the Share Offer, to be paid by the Company. Such financial advisory fee and commission, together with the Stock Exchange listing fees, legal and other professional fees, printing and other expenses relating to the Share Offer, and stamp duty relating to the transfer of properties pursuant to the Reorganisation, which are estimated to amount in aggregate to approximately HK\$185 million (assuming the Over-allotment Option is not exercised and an Issue Price of HK\$10.38), are payable by the Company.

### **Underwriters' interest in the Company**

Save for its obligations under the Underwriting Agreement, none of the Underwriters has any shareholding interests in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

### **Sponsor's agreement**

Under a sponsor's agreement dated 3 March 2000 and made between Jardine Fleming and the Company (the “Sponsor Agreement”), the Company appoints Jardine Fleming and Jardine Fleming agrees to act as a sponsor to the Company for the purpose of the GEM Listing Rules for a fee from the date the Shares are listed on GEM to 30 June 2000 and for two years thereafter until 30 June 2002 or until the Sponsor Agreement is terminated upon the terms and conditions set out therein.

### **Sponsor's interest in the Company**

Save for its obligations under the Underwriting Agreement and interests in securities that may be subscribed for or purchased pursuant to the Share Offer, neither Jardine Fleming nor its associates have or may, as a result of the Share Offer, have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities).

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## UNDERWRITING

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No director or employee of Jardine Fleming who is involved in providing advice to the Company has or may, as a result of the Share Offer, have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Share Offer).

Neither Jardine Fleming nor its associates has accrued any material benefit as a result of the successful outcome of the Share Offer, including by way of example, the repayment of material outstanding indebtedness or success fees save and except for the receipt of underwriting and placing commission by Jardine Fleming, being one of the Underwriters to the Share Offer, and the financial advisory fee to be received by Jardine Fleming.

No director or employee of Jardine Fleming has a directorship in the Company or any other company in the Group.

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## STRUCTURE OF THE SHARE OFFER

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### PRICE PAYABLE ON APPLICATION

The Issue Price will not be more than HK\$10.38 per Offer Share and is expected to be not less than HK\$8.38 per Offer Share. Applicants under the Public Offer and applicants for Reserved Shares and User Preferential Shares should pay, on application, the maximum price of HK\$10.38 per Share plus one per cent. brokerage and 0.011 per cent. Stock Exchange transaction levy amounting to a total of HK\$5,242.47 per board lot of 500 Offer Shares.

If the Issue Price, as finally determined in the manner described below, is lower than the maximum price, appropriate refund payments will be made. Further details are set out in the section headed “How to Apply for Public Offer Shares, Reserved Shares and User Preferential Shares” in this prospectus.

### DETERMINING THE ISSUE PRICE

The Issue Price is expected to be fixed on or around 9 March 2000 by agreement between Jardine Fleming (on behalf of the Underwriters) and the Company with reference to market demand for the Shares. **Prospective investors should be aware that the Issue Price to be determined on the IPO Pricing Date may be, but is not expected to be, lower than the indicative Issue Price range stated in this prospectus.**

If, based on the level of interest expressed by prospective investors Jardine Fleming (on behalf of the Underwriters and with the consent of the Company) thinks it appropriate, the indicative Issue Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer, the Preferential Offer and the User Preferential Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the latest day for lodging applications under the Public Offer, the Preferential Offer and the User Preferential Offer, cause to be published on the GEM website and in the South China Morning Post and the Hong Kong Economic Times notice of the reduction of the Issue Price range. **Applicants should have regard to the possibility that any announcement of a reduction in the indicative Issue Price range may not be made until the morning of 9 March 2000, the last day for lodging applications under the Public Offer, the Preferential Offer and the User Preferential Offer.** Such notice will also include confirmation or revision, as appropriate, of the working capital position of the Company, the offer statistics as currently set out in the section headed “Summary of this prospectus” and any other financial information which may change as a result of any such reduction. **Applicants under the Public Offer, the Preferential Offer and the User Preferential Offer should note that in no circumstances can applications be withdrawn once submitted, even if the Issue Price range is so reduced.**

If Jardine Fleming (on behalf of the Underwriters) and the Company are unable to reach agreement on the Issue Price, the Share Offer will not become unconditional and will lapse.

An announcement of the Issue Price, together with the results of applications under the Public Offer, of interests in the Placing, basis of allocation of the Public Offer Shares and the number of Shares (if any) reallocated from the Placing to satisfy excess demand in the Public Offer, is expected to be published on 14 March 2000.

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## STRUCTURE OF THE SHARE OFFER

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### CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares will be conditional on:

- (a) the GEM Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein; and
- (b) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any conditions by Jardine Fleming on behalf of the Underwriters) and not being terminated in accordance with its terms or otherwise,

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 5 April 2000, being the date which is 30 days after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be caused to be published by the Company on the GEM website and in the South China Morning Post and the Hong Kong Economic Times on the next day following such lapse.

In the above eventuality, all application monies will be returned to the applicants, without interest and on the terms set out under the section headed “Refund of your money” in the application forms. In the meantime, application monies will be held in a separate bank account or separate bank accounts with the receiving banker or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

### THE SHARE OFFER

The Share Offer comprises the Public Offer and the Placing. A total of 300,000,000 Shares will initially be made available under the Share Offer. 30,000,000 Shares, representing 10 per cent. of the total number of Shares initially available under the Share Offer, will initially be offered for subscription under the Public Offer, and the remaining 270,000,000 Shares will initially be offered for subscription under the Placing.

Investors may apply for Shares under the Public Offer or indicate an interest for Shares under the Placing, but may not do both (except for Qualifying Shareholders and Qualifying Users who, in addition to applying for Reserved Shares and/or User Preferential Shares, may also apply for Public Offer Shares). The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors, Qualifying Shareholders and Qualifying Users. The Placing will involve selective marketing of Shares to institutional and professional investors and other investors expected to have a sizeable demand for the Shares pursuant to an international placement, placements with certain employees of SHKP on a preferential basis, as well as placements with Qualifying Shareholders and Qualifying Users on an assured basis. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

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## STRUCTURE OF THE SHARE OFFER

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Assuming the Over-allotment Option is not exercised, the Offer Shares will represent 15 per cent. of the Company's enlarged issued share capital immediately after completion of the Share Offer.

If the Over-allotment Option is exercised in full, the Shares comprised in the Share Offer will represent 16.87 per cent. of the enlarged issued share capital of the Company immediately after completion of the Share Offer and the exercise of the Over-allotment Option.

The Public Offer is fully underwritten by the Public Offer Underwriters and the Placing is fully underwritten by the Placing Underwriters, in each case on a several basis, each being subject to the conditions set out in the section headed "Underwriting — Underwriting arrangements and expenses" in this prospectus. If, for any reason, the Issue Price is not agreed between the Company and Jardine Fleming, on behalf of the Underwriters, the Share Offer will not proceed.

### THE PUBLIC OFFER

The Public Offer is a fully underwritten public offer (subject to agreement as to pricing and the other conditions described in the section headed "Conditions of the Share Offer") for subscription in Hong Kong of, initially, 30,000,000 Shares at the Issue Price (representing 10 per cent. of the total number of Shares initially available under the Share Offer). Subject to the reallocation of Offer Shares between the Placing and the Public Offer, the Public Offer Shares will represent 1.5 per cent. of the Company's enlarged issued share capital immediately after completion of the Share Offer, assuming that the Over-allotment Option is not exercised.

The Public Offer is sponsored by Jardine Fleming and underwritten by the Public Offer Underwriters. Applicants under the Public Offer are required to pay, on application, the maximum price of HK\$10.38 per Share in addition to one per cent. brokerage and 0.011 per cent. Stock Exchange transaction levy payable. If the Issue Price, as finally determined in the manner described above, is less than the maximum price of HK\$10.38, appropriate refund (including the brokerage and the Stock Exchange transaction levy attributable to the surplus application monies) will be made, without interest. Further details are set out below in the section headed "How to apply for the Public Offer Shares, Reserved Shares and User Preferential Shares" in this prospectus.

Allocation of Public Offer Shares will be based solely on the level of valid applications received. When there is over-subscription in the Public Offer, the basis of allocation may vary depending on the number of Public Offer Shares validly applied for by each applicant, but will otherwise be made on a strictly pro-rata basis. In addition, the allocation of Public Offer Shares in such circumstances may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of Public Offer Shares and that applicants who are not successful in the ballot may not receive any Public Offer Shares.

### THE PLACING

The Company is initially offering 270,000,000 Shares for subscription by way of Placing. Subject to the reallocation of Offer Shares between the Placing and the Public Offer, the Placing Shares will represent 13.5 per cent. of the Company's enlarged issued share capital immediately after completion of the Share Offer, assuming that the Over-allotment Option is not exercised.

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## STRUCTURE OF THE SHARE OFFER

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### PLACEMENT TO PROFESSIONAL, INSTITUTIONAL AND OTHER INVESTORS

The Placing Shares (other than Shares to be placed with Qualifying Shareholders and Qualifying Users on an assured basis and with employees of SHKP as described below) will be conditionally placed on behalf of the Company pursuant to an international placement by the Placing Underwriters or through selling agents appointed by them at the Issue Price which will be determined in Hong Kong dollars as described above in this section under “Determining the Issue Price”. Shares will be placed with certain professional and institutional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong, Europe and other jurisdictions outside the United States (other than the PRC) in offshore transactions in reliance on Regulation S and in the United States with qualified institutional buyers in reliance on Rule 144A.

### PREFERENCE TO EMPLOYEES OF SHKP

Based on an Issue Price of HK\$10.38, approximately 1.54 million Placing Shares (representing approximately 0.51 per cent. of the Offer Shares and approximately 0.077 per cent. of the enlarged issued share capital of the Company upon completion of the Share Offer, assuming the Over-allotment Option is not exercised) will be offered at the Issue Price by the Company on a preferential basis as to allocation only to certain employees of SHKP who are not connected persons (as defined in the GEM Listing Rules) of the Company.

### PREFERENCE TO SHAREHOLDERS OF SHKP

In order to enable shareholders of SHKP to participate in the Share Offer on a preferential basis as to allocation only, Qualifying Shareholders are being invited to apply for an aggregate of 9,000,000 Reserved Shares (representing 3 per cent. of the Offer Shares and 0.45 per cent. of the enlarged issued share capital of the Company upon completion of the Share Offer, assuming the Over-allotment Option is not exercised) in the Placing on an assured basis. Qualifying Shareholders are entitled to subscribe one Reserved Share for every whole multiple of 140 SHKP Shares held by them on the Record Date. Any Qualifying Shareholder holding less than 140 SHKP Shares will not be entitled to apply for the Reserved Shares. **The Assured Entitlements may represent Shares not in a multiple of a full board lot of 500 Shares, and dealings in odd lot Shares may be at below their prevailing market price.**

A **BLUE** application form is being despatched to each Qualifying Shareholder with an Assured Entitlement together with a copy of this prospectus. Qualifying Shareholders are permitted to apply for a number of Reserved Shares which is greater than, less than, or equal to, their Assured Entitlements under the Preferential Offer. A valid application in respect of a number of Reserved Shares less than or equal to a Qualifying Shareholder’s Assured Entitlement will be accepted in full, subject as mentioned in the **BLUE** application forms. Where a Qualifying Shareholder applies for a number of Reserved Shares greater than his or her Assured Entitlement, his or her Assured Entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will only be met to the extent that there are sufficient available Reserved Shares resulting from other Qualifying Shareholders declining to take up some or all of their Assured Entitlements. Jardine Fleming, on behalf of the Placing Underwriters, will allocate any Assured Entitlements not taken up by Qualifying Shareholders first to satisfy the excess applications for Reserved Shares from Qualifying Shareholders on a fair and reasonable basis, and thereafter, at the discretion of Jardine Fleming, to the international placement.

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## STRUCTURE OF THE SHARE OFFER

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In addition to any application for Reserved Shares, Qualifying Shareholders will be entitled to apply for Public Offer Shares on **WHITE** or **YELLOW** application forms under the terms and subject to the conditions of the Public Offer and (if they are also Qualifying Users) for User Preferential Shares on **RED** application forms under the terms and subject to the conditions of the User Preferential Offer. Qualifying Shareholders will receive no preference as to entitlement or allocation in respect of applications for Public Offer Shares made on **WHITE** or **YELLOW** application forms under the Public Offer.

**Assured Entitlement of Qualifying Shareholders are not transferable and there will be no trading in nil paid entitlements on the Stock Exchange. Jardine Fleming has the authority to reallocate all or any Reserved Shares not taken up by Qualifying Shareholders to the international placement to be placed with professional and institutional and other investors, in such proportion as it deems appropriate.**

The procedure for application under the Preferential Offer is set out in the section headed “How to apply for the Public Offer Share, Reserved Shares and User Preferential Shares” in this prospectus and in the **BLUE** application forms.

**The documents to be issued in connection with the Share Offer will not be registered under any applicable securities legislation of any jurisdictions other than Hong Kong. Accordingly, no Reserved Shares are being offered to Overseas Shareholders or US Shareholders under the Preferential Offer and no BLUE application forms will be sent to such persons. Applications will not be accepted from Overseas Shareholders or US Shareholders or persons who are acting for the account or benefit of Overseas Shareholders or US Shareholders. In addition, no Reserved Shares are being offered to Excluded Shareholders, and applications will not be accepted from Excluded Shareholders or persons who are acting for the account or benefit of Excluded Shareholders.**

### PREFERENCE TO QUALIFYING USERS

18,000 Qualifying Users are being invited to apply for an aggregate of 9,000,000 User Preferential Shares (representing 3 per cent. of the Offer Shares and approximately 0.45 per cent. of the enlarged share capital of the Company upon completion of the Share Offer, assuming the Over-allotment Option is not exercised) in the Placing at the Issue Price, which will be allocated to the Qualifying Users on an assured basis. Each Qualifying User is entitled to subscribe for 500 User Preferential Shares on an assured basis provided he or she is (i) over the age of 18, (ii) ordinarily resident in Hong Kong, (iii) not a US person or within the United States (as such terms are defined in Regulation S) and (iv) not a connected person (as such term is defined in Chapter 20 of the GEM Listing Rules) of the Company.

An e-mail notification is being sent to the Qualifying Users on the morning of the date of this prospectus advising that they are eligible, provided they satisfy the above criteria, to apply for the User Preferential Shares. User Preferential Shares can only be applied for on a **RED** application form, and copies of the **RED** application form and the prospectus are available for collection by Qualifying Users at the locations set out under “Where to collect white, yellow and red application forms and despatch of blue application forms” in the section headed “How to apply for the Public Offer Shares, Reserved Shares and User Preferential Shares” in this prospectus. Qualifying Users are required to produce their Hong Kong Identity Card (the card number of which must match the Hong Kong Identity Card number previously provided to

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## STRUCTURE OF THE SHARE OFFER

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*red-dots.com* or *property street.net* (as applicable) and a hard copy of the e-mail notification at the time of collection. Qualifying Users are permitted to apply for a number of User Preferential Shares which is greater than or equal to their Guaranteed Entitlements under the User Preferential Offer. A valid application in respect of 500 User Preferential Shares will be accepted in full, subject as mentioned in the **RED** application forms. Where a Qualifying User applies for a number of User Preferential Shares greater than his or her Guaranteed Entitlement, his or her Guaranteed Entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will only be met to the extent that there are sufficient available User Preferential Shares resulting from other Qualifying Users declining to take up their Guaranteed Entitlements. When Guaranteed Entitlements not taken up by Qualifying Users are allocated to satisfy excess applications from other Qualifying Users, the basis of allocation may vary depending on the number of User Preferential Shares comprised in each excess application, and may involve balloting, but will otherwise be made strictly on a pro rata basis. After satisfying the excess applications from other Qualifying Users, Jardine Fleming has the authority to allocate the remaining untaken User Preferential Shares (if any) to satisfy demand in the international placement, in such proportion as it deems appropriate.

In addition to any application for User Preferential Shares using **RED** application forms, Qualifying Users will be entitled to apply for Public Offer Shares on **WHITE** or **YELLOW** application forms under the terms and subject to the conditions of the Public Offer and (if they are also Qualifying Shareholders) for Reserved Shares on **BLUE** application forms under the terms and subject to the conditions of the Preferential Offer. Qualifying Users will not receive any preference as to allocation in respect of applications for Public Offer Shares made on **WHITE** or **YELLOW** application forms under the Public Offer.

**The Guaranteed Entitlement of Qualifying Users are not transferable and there will be no trading in nil paid entitlements on the Stock Exchange.**

The procedure for application for User Preferential Shares is set out in the section headed “How to Apply for the Public Offer Shares, Reserved Shares and User Preferential Shares” in this prospectus and in the **RED** application forms.

**The documents to be issued in connection with the Share Offer will not be registered under any applicable securities legislation of any jurisdiction other than Hong Kong. Accordingly, User Preferential Shares are only being offered in Hong Kong to individuals who are ordinarily resident in Hong Kong. Applications will not be accepted from applicants who are US persons or who are within the United States (as such terms are defined in Regulation S) or persons who are acting for their account or benefit. In addition, applications for User Preferential Shares will not be accepted from connected persons (as such term is defined in Chapter 20 of the GEM Listing Rules) of the Company or persons who are acting for the account or benefit of such connected persons.**

### **OFFER MECHANISM — REALLOCATION OF THE OFFER SHARES BETWEEN THE PUBLIC OFFER AND THE PLACING**

The allocation of the Offer Shares between the Public Offer and the Placing is subject to adjustment. If the number of Shares validly applied for in the Public Offer exceeds the number of Shares initially available for subscription under the Public Offer, Jardine Fleming has the authority to reallocate such number of Shares (up to a maximum of 60,000,000 Shares) as it deems

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## STRUCTURE OF THE SHARE OFFER

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appropriate (on the basis of the level of subscription in the Placing and the Public Offer and with an aim to balance the level of demand in these two tranches of the Share Offer) from the Placing to the Public Offer to satisfy in whole or in part the excess demand in the Public Offer. The number of Shares available under the Placing will be correspondingly reduced as a result of such reallocation. If the maximum number of 60,000,000 Shares are allocated from the Placing to the Public Offer, the Public Offer will represent 30 per cent. of the Share Offer (assuming the Over-allotment Option is not exercised). The Assured Entitlements of Qualifying Shareholders, the Guaranteed Entitlements of Qualifying Users and the size of the preference to SHKP employees as described above will not be affected by such reallocation. The number of Shares (if any) reallocated from the Placing to the Public Offer will be stated in the results announcement which is expected to be published on 14 March 2000.

If the Public Offer is not fully subscribed, Jardine Fleming has the authority to reallocate all or any unsubscribed Public Offer Shares originally included in the Public Offer to the Placing to be placed pursuant to the international placement, in such proportions as it deems appropriate.

### **OVER-ALLOTMENT OPTION**

In connection with the Share Offer, the Company has granted to the Placing Underwriters the Over-allotment Option which is exercisable by Jardine Fleming on behalf of the Placing Underwriters at any time at or before 5:00 p.m. on 3 April 2000. Pursuant to the Over-allotment Option, the Company may be required to issue and allot at the Issue Price up to an aggregate of 45,000,000 additional Shares, representing 15 per cent. of the Shares initially available under the Share Offer, solely to cover over-allocations in the Placing, if any. In order to facilitate settlement of over-allocations in connection with the Placing, the Stock Borrowing Agreement has also been entered into among Jardine Fleming, Sunco and the Company. Pursuant to this arrangement, Sunco has agreed that, if so requested by Jardine Fleming, Sunco will lend to Jardine Fleming up to 45,000,000 Shares on the following terms:

- (i) the borrowed Shares will only be used to settle over-allocations under the Placing, and
- (ii) the same number of Shares must be returned to Sunco and redeposited with the escrow agent, no later than two business days following the earlier of (a) the date on which the Over-allotment Option is exercised in full and (b) the last day for the exercise of the Over-allotment Option.

Application has been made to the Stock Exchange for a waiver from strict compliance with Rule 13.16 of the GEM Listing Rules which restricts the disposal of Shares by Sunco following two years from the date of listing of the Shares on GEM, in order to allow Sunco to enter into this stock borrowing arrangement. Details of such waiver are set out in the section headed "Waiver from compliance with the GEM Listing Rules and Companies Ordinance". Jardine Fleming may also cover such over-allocations by, among other means, purchasing Shares in the secondary market, exercise of the Over-allotment Option, or by a combination of purchases in the secondary market and exercise of the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, the Offer Shares will represent 16.87 per cent. of the enlarged issued share capital of the Company immediately after completion of the Share Offer and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made on the GEM website, and in the South China Morning Post in English and the Hong Kong Economic Times in Chinese.

### STABILISATION

In connection with the Share Offer, Jardine Fleming, on behalf of the Underwriters, may over-allocate and/or effect transactions which stabilise or maintain the market price of the Shares at levels other than those which might otherwise prevail. The number of Shares that may be over-allocated will be no greater than the number of Shares that may be issued under the Over-allotment Option. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. Such stabilisation, if commenced, may be discontinued at any time.

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for or purchase the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial issue price of the securities. The stabilisation price will not be higher than the Issue Price.

Should stabilising transactions be effected in connection with the distribution of the Shares, they will be done at the direction, and in the absolute discretion, of Jardine Fleming. In Hong Kong, such stabilisation activities are restricted to cases where underwriters genuinely purchase shares in the secondary market effected solely for the purpose of covering over-allocations in the offering. The price paid in the secondary market for Shares to cover over-allocations will not be higher than the Issue Price. The relevant provisions of the Securities Ordinance (Cap 333 of the Laws of Hong Kong) prohibit market manipulation in the form of pegging or stabilising the price of securities in certain circumstances.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES, RESERVED SHARES AND USER PREFERENTIAL SHARES

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### WHICH APPLICATION FORM TO USE

Use a **WHITE** application form if you want the Public Offer Shares issued in your own name.

Use a **YELLOW** application form if you want the Public Offer Shares issued in the name of HKSCC Nominees Limited and deposited directly into CCASS for credit to your investor participant stock account or your designated CCASS participant's stock account.

Use a **BLUE** application form despatched to you by the Company if you are a Qualifying Shareholder applying for Reserved Shares. Using the **BLUE** application form, you may apply for Reserved Shares of a number less than or equal to the number specified on your individual **BLUE** application form or, alternatively, apply for Reserved Shares in excess of your Assured Entitlement.

Use a **RED** application form if you are a Qualifying User and want to apply for the User Preferential Shares. Using the **RED** application form, you may apply for User Preferential Shares of a number equal to your Guaranteed Entitlement, or alternatively of a number greater than your Guaranteed Entitlement.

*Note:* The Offer Shares are not available to the Directors or chief executive of the Company or existing beneficial owners of Shares, or any of their respective associates (as "associate" is defined in the GEM Listing Rules).

### WHERE TO COLLECT WHITE AND YELLOW AND RED APPLICATION FORMS AND DESPATCH OF BLUE APPLICATION FORMS

You can collect a **WHITE** application form and a prospectus from:

Any member of  
**The Stock Exchange of Hong Kong Limited**

#### **Jardine Fleming Securities Limited**

45th Floor, Jardine House  
1 Connaught Place  
Central  
Hong Kong

#### **BOCI Asia Limited**

35th Floor,  
Bank of China Tower  
1 Garden Road Central  
Hong Kong

#### **Credit Lyonnais Securities (Asia) Limited**

38th Floor, Tower 2  
Lippo Centre  
89 Queensway  
Hong Kong

#### **HSBC Investment Bank Asia Limited**

Level 15  
1 Queen's Road Central  
Hong Kong

#### **UBS AG**

25th Floor, One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

#### **Dao Heng Securities Limited**

12th Floor, The Center  
99 Queen's Road Central  
Hong Kong

#### **Goodwill Financial Services (Holdings) Limited**

20th Floor, Henley Building  
5 Queen's Road Central  
Hong Kong

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES, RESERVED SHARES AND USER PREFERENTIAL SHARES

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### **Honour Securities Company Limited**

45th Floor, Sun Hung Kai Centre  
30 Harbour Road  
Wanchai  
Hong Kong

### **Kingsway SW Securities Limited**

5th Floor, Hutchison House  
10 Harcourt Road  
Central  
Hong Kong

### **ICEA Capital Limited**

43rd Floor, NatWest Tower  
Times Square  
Causeway Bay  
Hong Kong

### **Tai Fook Securities Company Limited**

25th Floor, New World Tower I  
16-18 Queen's Road Central  
Hong Kong

or any of the following branches of **The Standard Chartered Bank**:

<b>Hong Kong Island:</b>	<b>DVR Branch</b>	<b>Standard Chartered Bank Building, 4-4a Des Voeux Road, Central</b>
	<b>The Landmark Branch</b>	<b>The Landmark, 15 Queen's Road, Central</b>
	<b>CIG Building Branch</b>	<b>Shop B, G/F, CIG Building, 141 Des Voeux Road, Central</b>
	<b>Hennessy Road Branch</b>	<b>399 Hennessy Road, Wanchai</b>
	<b>Taikoo Place Branch</b>	<b>G/F, 969 King's Road, Quarry Bay</b>
	<b>Causeway Bay Branch</b>	<b>1 Sugar Street, Causeway Bay</b>
	<b>Aberdeen Branch</b>	<b>Site 5, Shop 4A, Nam Ning Street, Aberdeen Centre, Aberdeen</b>
<b>Kowloon:</b>	<b>Mongkok Bank Centre Branch</b>	<b>Bank Centre, 630-636 Nathan Road, Mongkok</b>
	<b>Cheung Sha Wan Branch</b>	<b>828 Cheung Sha Wan Road, Cheung Sha Wan</b>
	<b>Yaumati Branch</b>	<b>G/F, 546-550 Nathan Road, Yaumati</b>
	<b>San Po Kong Branch</b>	<b>10-20 Ning Yuen Street, San Po Kong</b>
	<b>Kwun Tong Branch</b>	<b>88-90 Fu Yan Street, Kwun Tong</b>
	<b>Tsimshatsui Branch</b>	<b>10 Granville Road, Tsimshatsui</b>
	<b>New Mandarin Plaza Branch</b>	<b>Shop No. 12-19, New Mandarin Plaza, 14 Science Museum Road, Tsimshatsui East</b>
	<b>Oterprise Square Branch</b>	<b>Shop No. 3, G/F and Shop No.1, 1/F, Oterprise Square, 26 Nathan Road, Tsimshatsui</b>
<b>New Territories:</b>	<b>Tsuen Wan Branch</b>	<b>Basement 1/F., Emperor Plaza, 263 Sha Tsui Road, Tsuen Wan</b>
	<b>Shatin Centre Branch</b>	<b>Shop 32C, Level 3, Shatin Centre, 2-16 Wang Pok Street, Shatin</b>
	<b>City One Shatin Branch</b>	<b>Shop 30-33, G/F, Ngan Shing Commercial Centre, City One, Shatin</b>
	<b>Tuen Mun Town Plaza Branch</b>	<b>Shop No. G047-G051, G/F, Tuen Mun Town Plaza, Phase 1, Tuen Mun</b>
	<b>Tai Po Branch</b>	<b>23 and 25 Kwong Fuk Road, Tai Po Market, Tai Po</b>

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES, RESERVED SHARES AND USER PREFERENTIAL SHARES

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You can collect a **YELLOW** application form and a prospectus from:

- (a) the Service Counter of Hongkong Clearing at 2nd Floor Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
- (b) the Investor Service Centre of Hongkong Clearing at Room 1901, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, Hong Kong.

A **BLUE** application form is being despatched to you by the Company if you are a Qualifying Shareholder with an Assured Entitlement.

If you receive notification by e-mail from the Company that you are a Qualifying User, you can collect a **RED** application form and a prospectus from designated collection booths at:

**G/F, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong**

**G/F, The Sun Arcade, No.28 Canton Road, Tsimshatsui, Kowloon**

**Entrance Arena, Level 1, New Town Plaza Phase I, 18-19 Shatin Centre Street, Shatin, New Territories**

The designated collection booths shall be open at the following times:

**Monday, 6 March 2000 — 9:00 a.m. to 7:00 p.m.**  
**Tuesday, 7 March 2000 — 9:00 a.m. to 7:00 p.m.**  
**Wednesday, 8 March 2000 — 9:00 a.m. to 7:00 p.m.**  
**Thursday, 9 March 2000 — 9:00 a.m. to 12:00 noon**

### HOW TO COMPLETE THE APPLICATION FORM

There are detailed instructions on each application form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the application form.

If your application is made through a duly authorised attorney, the Company and Jardine Fleming, as agent for the Company, may accept it at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney.

In order for the **YELLOW** application forms to be valid:

- (a) If the application is made through a designated CCASS participant (other than an investor participant):
  - (i) the designated CCASS participant or its authorised signatories must sign in the appropriate box; and
  - (ii) the designated CCASS participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES, RESERVED SHARES AND USER PREFERENTIAL SHARES

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- (b) If the application is made by an individual investor participant:
  - (i) the application form must contain the investor participant's name and Hong Kong identity card number; and
  - (ii) the investor participant should insert its participant I.D. and sign in the appropriate box in the application form.
- (c) If the application is made by a joint individual investor participant:
  - (i) the application form must contain all joint investor participants' names and the Hong Kong identity card number of at least one of the joint investor participants; and
  - (ii) the participant I.D. should be inserted and the authorised signatory(ies) of the investor participant's stock account should sign in the appropriate box in the application form.
- (d) If the application is made by a corporate investor participant:
  - (i) the application form must contain the investor participant's company name and Hong Kong business registration number; and
  - (ii) the participant I.D. and company chop (bearing the applicant's company name) endorsed by its authorised signatures should be inserted in the appropriate box in the application form.
- (e) Signature(s), number of signatories and form of chop, where appropriate, should match with the records kept by Hongkong Clearing. Incorrect or incomplete details of the CCASS participant or the omission or inadequacy of authorised signatory(ies) (if applicable), CCASS participant I.D. or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different owners are requested to designate on each application form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each such joint beneficial owner.

In order for the **RED** application forms to be valid, the Hong Kong Identity Card number on the **RED** application forms must match the details previously provided by the applicants to *red-dots.com* or *propertystreet.net* (as applicable).

Each **WHITE**, **YELLOW**, **BLUE** or **RED** application form must be accompanied by either one separate cheque drawn on the applicant's Hong Kong dollar bank account in Hong Kong and bearing the account name (either pre-printed by the bank or certified by an authorised signatory of such bank on the reverse of the cheque) which must correspond with the name of the applicant (or, in the case of joint applicants, the name of the first applicant) on the relevant application form, or one separate banker's cashier order on the reverse of which the bank has

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES, RESERVED SHARES AND USER PREFERENTIAL SHARES

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certified by an authorised signatory the name of the applicant, which must correspond with the name of the applicant (or, in the case of joint applicants, the name of the first applicant) on the relevant application form. All such cheques or banker's cashier orders must be made payable as set out in the application form and crossed "Account Payee Only".

### HOW MANY APPLICATIONS MAY YOU MAKE

**There is only one situation where you may make more than one application for the Public Offer Shares:**

If you are a **nominee**, you may lodge more than one application in your own name on behalf of different beneficial owners. In the box on the application form marked "For nominees" you must include:

- an account number; or
- some other identification code

for **each** beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

**Otherwise, multiple applications for Public Offer Shares are not allowed.**

**All** of your applications for Public Offer Shares will be rejected as multiple applications if you, or you and your joint applicants together:

- make more than one application on a **WHITE** or **YELLOW** application form; or
- apply on one **WHITE** or **YELLOW** application form for more than 100 per cent. of the Public Offer Shares initially being offered under the Public Offer; or

**All** of your applications for Public Offer Shares will also be rejected as multiple applications if more than one application for Public Offer Shares is made for **your benefit**. If an application is made by an unlisted company and

- the only business of that company is dealing in securities; and
- you exercise statutory control over that company

then the application will be treated as being for your benefit.

***Unlisted company** means a company with no equity securities listed on the Stock Exchange.*

***Statutory control** means you:*

- *control the composition of the board of directors of the company; or*
- *control more than half of the voting power of the company; or*

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES, RESERVED SHARES AND USER PREFERENTIAL SHARES

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- *hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).*

Each Qualifying User may only lodge one **RED** application form for the User Preferential Shares, which must be for the benefit of that Qualifying User. Applications made on a **RED** application form for more than 100 per cent. of the User Preferential Shares initially available will be rejected. Joint applications made on **RED** application forms will also not be accepted. The Hong Kong Identity Card number of the applicant stated on the **RED** application form must match the Hong Kong Identity Card provided to *red-dots.com* or *propertystreet.net* (as applicable).

If you are a Qualifying Shareholder making an application for Reserved Shares under the Preferential Offer using the **BLUE** application form, you may also apply for Public Offer Shares using the **WHITE** or **YELLOW** application form in the manner and at the times described in respect of any application for Public Offer Shares under the **WHITE** or **YELLOW** application forms and (if you are also a Qualifying User) apply for User Preferential Shares using the **RED** application form in the manner and at the times described in respect of any application for User Preferential Shares under the **RED** application form. However, in respect of any application for Public Offer Shares using the **WHITE** or **YELLOW** application form, you will not enjoy the preferential treatment accorded to you under the Preferential Offer as described in the section headed “Structure of the Share Offer — Preference to shareholders of SHKP” in this prospectus.

If you are a Qualifying User making an application for User Preferential Shares under the User Preferential Offer using the **RED** application form, you may also apply for Public Offer Shares using the **WHITE** or **YELLOW** application form in the manner and at the times described in respect of any application for Public Offer Shares under the **WHITE** or **YELLOW** application forms and (if you are also a Qualifying Shareholder) apply for Reserved Shares using the **BLUE** application form in the manner and at the times described in respect of any application for Reserved Shares under the **BLUE** application form. However, in respect of any application for Public Offer Shares using the **WHITE** or **YELLOW** application form, you will not enjoy the preferential treatment accorded to you under the User Preferential Offer as described in the section headed “Structure of the Share Offer — Preference to Qualifying Users” in this prospectus.

### HOW MUCH ARE THE PUBLIC OFFER SHARES, THE RESERVED SHARES AND THE USER PREFERENTIAL SHARES

You must pay the price of HK\$10.38 per Share together with brokerage of one per cent. and the Stock Exchange transaction levy of 0.011 per cent in full when you apply for the Offer Shares. This means that for every 500 Shares you will pay HK\$5,242.47. The application forms have tables showing the exact amount payable for certain multiples of Public Offer Shares, Reserved Shares and User Preferential Shares.

If your application is successful, brokerage is paid to members of the Stock Exchange and the transaction levy is paid to the Stock Exchange.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES, RESERVED SHARES AND USER PREFERENTIAL SHARES

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### TIME FOR APPLYING FOR THE PUBLIC OFFER SHARES, RESERVED SHARES AND USER PREFERENTIAL SHARES

Completed **WHITE** or **YELLOW** or **BLUE** or **RED** application forms, with payment attached, must be lodged by **12:00 noon on Thursday, 9 March 2000**, or, if the application lists are not open on that day, then by 12:00 noon on the next business day when the lists are open.

Your completed application form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of The Standard Chartered Bank listed on page 148 of this prospectus at the following times:

**Monday, 6 March 2000 — 9:00 a.m. to 4:00 p.m.**  
**Tuesday, 7 March 2000 — 9:00 a.m. to 4:00 p.m.**  
**Wednesday, 8 March 2000 — 9:00 a.m. to 4:00 p.m.**  
**Thursday, 9 March 2000 — 9:00 a.m. to 12:00 noon**

The application lists will be open **from 11:45 a.m. to 12:00 noon on 9 March 2000**.

No proceedings will be taken on applications for the Public Offer Shares, Reserved Shares and Preferential Offer Shares and no allotment of any such Public Offer Share, Reserved Shares and Preferential Offer Shares will be made until the closing of the application lists. No allotment of any of the Public Offer Shares, Reserved Shares or User Preferential Shares will be made later than 5 April 2000.

### EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning signal

in force at any time between 9:00 a.m. and 12:00 noon on 9 March 2000. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warning signals in force at any time between 9:00 a.m. and 12:00 noon.

*Business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.*

### CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

Full details of the circumstances in which you will not be allotted the Offer Shares are set out in the notes attached to the application forms, and you should read them carefully. You should note in particular the following two situations in which the Offer Shares will not be allotted to you:

- **If your application is revoked:**

By completing an application form you agree that you cannot revoke your application before the end of the fifth day after the time of opening of the application list (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), being 16 March 2000. This agreement will take effect as a collateral

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES, RESERVED SHARES AND USER PREFERENTIAL SHARES

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contract with the Company, and will become binding when you lodge your application form. This collateral contract will be in consideration of the Company agreeing that it will not offer any Offer Shares to any person before 16 March 2000 except by means of one of the procedures referred to in this prospectus. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

You may only revoke your application earlier than the end of the fifth day after the time of opening of the application list (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) being 16 March 2000 if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If your application has been accepted, it cannot be revoked.

- **If the allotment of the Offer Shares is void:**

Your allotment of the Offer Shares will be void if the GEM Listing Committee of the Stock Exchange does not grant permission to list the Offer Shares either:

- within three weeks from the closing of the applications lists; or
- within a longer period of up to six weeks if the GEM Listing Committee of the Stock Exchange notifies the Company of that longer period within three weeks of the closing of the application lists.

You should also note that you may apply for Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both (except for Qualifying Shareholders and Qualifying Users who, in addition to applying for Reserved Shares and/or User Preferential Shares, are also applying for Public Offer Shares).

### COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on 17 March 2000.

The Shares will be traded in board lots of 500 each.

### SHARES WILL BE ELIGIBLE FOR CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares on GEM and the Company complies with the stock admission requirements of Hongkong Clearing, the Shares will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM or such other date determined by Hongkong Clearing. Settlement of transactions between members of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES, RESERVED SHARES AND USER PREFERENTIAL SHARES

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All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

If you apply for the Public Offer Shares using a **YELLOW** application form and your application is wholly or partially successful, your share certificates will be issued in the name of HKSCC Nominees Limited and deposited into CCASS for credit to your investor participant stock account or the stock account of your designated CCASS participant (as instructed by you) by the close of business on 15 March 2000, or any other date as shall be determined by Hongkong Clearing or HKSCC Nominees Limited.

If you are applying through a designated CCASS participant (other than an investor participant):

- for the Public Offer Shares credited to the stock account of your designated CCASS participant (other than an investor participant), you can check the number of the Public Offer Shares allotted to you with that CCASS participant.

If you are applying as an investor participant:

- the Company expects to publish the results of investor participants' applications together with the results of the Public Offer in the newspapers and GEM website on 14 March 2000. You should check against the announcement published by the Company and report any discrepancies to Hongkong Clearing before 12:00 noon on 15 March 2000 or such other date as shall be determined by Hongkong Clearing or HKSCC Nominees Limited. On 16 March 2000 (the next day following the credit of the Public Offer Shares to your stock account), you can check your new account balance via the CCASS Phone System (under the procedures contained in Hongkong Clearing's "An Operating Guide for Investor Participants" in effect from time to time). Hongkong Clearing will also mail to you an Activity Statement showing the number of the Public Offer Shares credited to your stock account.

### DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND CHEQUES

If an application is rejected, not accepted or accepted in part only, or if the Issue Price is set below the initial price per Share paid on application, or if the conditions of the Share Offer described under "Structure of the Share Offer — Conditions of the Share Offer" are not fulfilled in accordance with their terms or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage and Stock Exchange transaction levy, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES, RESERVED SHARES AND USER PREFERENTIAL SHARES

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No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application but, subject as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the application form:

- (a) for applicants applying on **WHITE** and/or **BLUE** and/or **RED** application forms (i) share certificate(s) for all the Offer Shares applied for, if the application is wholly successful; or (ii) share certificate(s) for the number of the Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** application forms whose share certificates will be deposited into CCASS as described above); and/or
- (b) for applicants applying on **WHITE, YELLOW, BLUE** and **RED** application forms a refund cheque or refund cheques crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Issue Price and the initial price per Share paid on application in the event that the Issue Price is less than the initial price per Share paid on application, in each case including brokerage at the rate of one per cent. and a Stock Exchange transaction levy of 0.011 per cent. but without interest.

Subject as mentioned below, refund cheques for surplus application monies (if any) as described above and share certificates for wholly successful and partially successful applicants under **WHITE, BLUE** and **RED** application forms are expected to be posted on or before 15 March 2000. The right is reserved to retain any share certificates and any surplus application monies pending clearance of cheque(s).

If you have applied for 100,000 Shares or more and have indicated your intention in your application form to collect refund cheque(s) and share certificates (where applicable) from the Company’s Hong Kong branch share registrar, Central Registration Hong Kong Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, and have provided all information required by your application form, you may collect (where applicable) your refund cheque(s) and (where applicable) share certificates from 9:00 a.m. to 1:00 p.m. on 15 March 2000. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your company’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Central Registration Hong Kong Limited. If you do not collect your refund cheque(s) and share certificate(s), they will be despatched shortly after the date of despatch stated above, to you by ordinary post to the address as specified in your application form at your own risk. The Company intends to make special efforts to avoid delays in refunding money.

*The following is the text of a report, prepared for the purposes of incorporation in this prospectus, from the auditors and reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants.*

**Deloitte Touche  
Tohmatsu**



**Certified Public Accountants**  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

**德勤•關黃陳方會計師行**  
香港中環干諾道中111號  
永安中心26樓

6 March 2000

The Directors  
Sunevision Holdings Limited  
Jardine Fleming Securities Limited

Dear Sirs,

We set out below our report on the financial information regarding Sunevision Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the two years ended 30 June 1999 and the six months ended 31 December 1999 (the “Relevant Periods”), for inclusion in the prospectus of the Company dated 6 March 2000 (the “Prospectus”).

The Company was incorporated and registered as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands on 25 January 2000 as a wholly-owned subsidiary of Sunco Resources Limited which is itself a wholly-owned subsidiary of Sun Hung Kai Properties Limited (“SHKP”), the ultimate holding company. Through a group reorganisation (the “Reorganisation”) as more fully explained in the paragraph headed “Corporate reorganisation” in Appendix 5 to the Prospectus, the Company acquired the information technology (“IT”) infrastructure and internet service businesses from its fellow subsidiaries by becoming the holding company of those subsidiaries, particulars of which are set out in Section 5 below.

No audited financial statements have been prepared for the Company and those subsidiaries which were either incorporated subsequent to 31 December 1999 or were incorporated in a country where there are no statutory audit requirements. In addition, no audited financial statements have been prepared for Sunevision e-Commerce Limited, BankingStreet.net (H.K.) Limited, iHON Limited, iHON (Royal Peninsula) Limited, Insurancestreet.net (H.K.) Limited and Super-office.net (H.K.) Limited as these companies did not have any transactions from their respective dates of incorporation to 31 December 1999. We have, however, reviewed all relevant transactions of these companies since their respective dates of incorporation. We have acted as auditors of all the other entities now comprising the Group during the Relevant Periods.

For the purpose of this report, we have examined the audited financial statements or unaudited management accounts of all the companies now comprising the Group for the Relevant Periods from their respective dates of incorporation to 31 December 1999, in accordance with the

Auditing Guideline "Prospectus and the Reporting Accountant" issued by the Hong Kong Society of Accountants. We have not audited any financial statements of the companies now comprising the Group in respect of any period subsequent to 31 December 1999.

The summaries of the combined results of the Group for the Relevant Periods and of the combined net liabilities of the Group as at 31 December 1999 (the "Summaries") have been prepared from the audited financial statements or, where appropriate, management accounts of the companies now comprising the Group after making such adjustments as we consider appropriate and on the basis set out in Section 1 below.

In our opinion, on the basis of presentation set out in Section 1 below, the summaries together with the notes thereon give, for the purpose of this report, a true and fair view of the combined results of the Group for each of the two years ended 30 June 1999 and the six months ended 31 December 1999 and of the combined net liabilities of the Group as at 31 December 1999.

## **1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION**

The summary of the combined results for the Relevant Periods has been prepared as if the current group structure had been in existence throughout the periods under review. The summary of the combined net liabilities of the Group as at 31 December 1999 has been prepared to present the assets and liabilities of the companies comprising the Group as at that date, as if the current group structure had been in existence as at 31 December 1999.

All significant intra-group transactions and balances have been eliminated on combination.

## **2. PRINCIPAL ACCOUNTING POLICIES**

The principal accounting policies which have been adopted in preparing the financial information set out in this report, and which conform with accounting principles generally accepted in Hong Kong, are as follows:

### **Revenue recognition**

Revenue from customer use of co-location centre facilities is recognised ratably over the terms of the agreement.

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

When the outcome of installation contracts relating to satellite master antenna television system ("SMATV") and security system business can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract. When the outcome of such installation contracts cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recovered.

Income from maintenance contracts relating to SMATV and security system business is recognised on a time basis over the terms of the contracts.

Revenue from web-based auction trading service is primarily derived from registration of users, posting of items, commission and advertising. Registration fees are recognised over the estimated life of the registration period. Revenue related to commission is recognised at the time when an auction sale is successfully concluded. An auction is considered successfully concluded when there is at least one bid above the seller's specified minimum price or reserve price, whichever is higher, at the end of the auction term. Provisions for doubtful accounts are provided at the time of revenue recognition based upon the Group's historical experience. Revenue from advertising and posting fee is recognised ratably in the period in which the advertisement and posting is displayed. When the Group enters into customised package with customers, under which a range of services are provided in return for a package fee, revenue is recognised using the above methods when the nature of services and the timing of completion can be separately identified. Otherwise, the package fee is recognised on a time basis over the term of the package agreement.

Other service revenue is recognised when the services are rendered.

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

Dividend income is accounted for when the relevant right to receive payment is established.

### **Capitalisation of borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **Installation contracts**

When the outcome of an installation contract can be estimated reliably, contracts costs are recognised as expenses by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as contract revenue. When the outcome of an installation contract cannot be estimated reliably, contract costs are recognised as expenses in the period in which they are incurred. Provision is made for foreseeable losses as soon as they are anticipated by management.

**Research and development costs**

Expenditure on research and development is charged to the income statement in the year in which it is incurred except where a major project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs are deferred and written off over the life of the project from the date of commencement of commercial operation.

**Advertising expenses**

The Group expenses the costs of producing advertisements at the time production occurs, and expenses the cost of communicating advertising in the period in which the advertising space or airtime is used. Internet advertising expenses are recognised based on the terms of the individual agreements, but generally either on the greater of the ratio of the number of impressions delivered in relation to the total number of contracted impressions, or on a straight-line basis over the term of the contract.

**Operating leases**

Where the amount of rentals payable or receivable in respect of assets held or provided under operating leases are fixed, the rentals are accounted for in the income statement on a straight-line basis over the periods of the respective leases. Variable rentals payable or receivable are recognised in the period incurred or earned respectively.

**Taxation**

The charge for taxation is based on the results for the period as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised in the financial statements as deferred taxation to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

**Retirement benefit schemes**

The amount of the contribution payable in respect of the Group's defined contribution retirement schemes is charged to the income statement.

**Foreign currencies**

Transactions in foreign currencies are translated at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the approximate rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On combination, financial statements of overseas subsidiaries which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet dates. All exchange differences arising on translation are dealt with in reserves.

**Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decision. Parties are also considered to be related if they are subject to common control or common significant influence.

**Property under development**

Properties under development are stated at cost less provision for diminution in value. Cost of property in the course of development comprises land cost and development costs during the development period.

No depreciation is provided on property under development.

**Property, plant and equipment and depreciation**

Property, plant and equipment other than property under development are stated at cost less accumulated depreciation at the balance sheet date.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of the fixed asset.

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

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

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

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

Buildings	2%-5%
Co-location centre facilities	10%
Satellite system equipment	10%
Computers, network and related equipment	20%-30%
Furniture and fixtures	20%-50%
Motor vehicles	30%

### **Investment in securities**

Investment in securities is recognised on a trade date basis and is initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (“held-to-maturity”) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. Any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term 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, 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 unrealised gains and losses included in net profit or loss for the period.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## 3. RESULTS

The following is a summary of the combined results of the Group for the Relevant Periods prepared on the basis set out in Section 1 above:

		Year ended 30 June		Six months ended 31 December
	Notes	1998	1999	1999
		HK\$'000	HK\$'000	HK\$'000
Turnover	(a)	51,731	47,578	31,553
Cost of sales		<u>43,617</u>	<u>34,707</u>	<u>26,126</u>
Gross profit		8,114	12,871	5,427
Other income	(b)	<u>31,674</u>	<u>21,101</u>	<u>6,471</u>
		39,788	33,972	11,898
Research and development expenses		—	—	5,023
Selling expenses		963	918	6,552
Administrative expenses		11,148	11,126	8,177
Finance charges		<u>28,541</u>	<u>21,696</u>	<u>6,976</u>
(Loss) profit from ordinary activities before taxation	(c)	(864)	232	(14,830)
Taxation	(e)	<u>357</u>	<u>952</u>	<u>1,271</u>
Loss for the year/period		<u>(1,221)</u>	<u>(720)</u>	<u>(16,101)</u>
Dividend	(f)	<u>2,900</u>	<u>—</u>	<u>—</u>
Loss per share (cents)	(g)	<u>0.07</u>	<u>0.04</u>	<u>0.95</u>

Notes:

## (a) Turnover

Turnover represents the aggregate of installation and maintenance fees of satellite/security systems, income from customer use of a co-location centre and internet facilities, and advertising revenue, after elimination of intra-group transactions.

Turnover comprises revenue from the following activities:

	Year ended 30 June		Six months ended 31 December
	1998	1999	1999
	HK\$'000	HK\$'000	HK\$'000
Installation and maintenance fees of satellite/security systems			
— related parties	48,203	44,703	29,380
— third parties	3,528	2,875	1,625
Income from customer use of a co-location centre	—	—	478
Internet facilities and advertising revenue	—	—	70
Total	<u>51,731</u>	<u>47,578</u>	<u>31,553</u>

(b) **Other income**

Other income comprises:

	Year ended 30 June		Six months ended 31 December
	1998	1999	1999
	HK\$'000	HK\$'000	HK\$'000
Property rental income, net of negligible outgoings	28,580	16,332	5,149
Property management fee	2,863	2,447	1,172
Sundries	<u>231</u>	<u>2,322</u>	<u>150</u>
	<u>31,674</u>	<u>21,101</u>	<u>6,471</u>

The above rental and management fee income was derived from properties known as “Kodak House II” which are pending for conversion to be used by the Group in its IT incubation business. Any such income is not considered to be related to the Group's core businesses and is temporary in nature.

## (c) (Loss) profit from ordinary activities before taxation

	Year ended 30 June		Six months ended 31 December
	1998	1999	1999
	HK\$'000	HK\$'000	HK\$'000
(Loss) profit from ordinary activities before taxation has been arrived at after charging:			
Interest on advances from holding company and fellows subsidiaries	28,541	21,696	6,976
Directors' remuneration (note 3(d) below)			
— fees	—	—	—
— other emoluments	—	—	—
Retirement benefits scheme contributions	317	378	215
Other staff costs	8,509	8,266	8,333
	<u>8,826</u>	<u>8,644</u>	<u>8,548</u>
Auditors' remuneration	85	83	30
Depreciation and amortisation	8,648	8,708	5,054
Write-off of fixed assets	389	—	106
Write-down of inventories	3,738	—	—
Operating lease rentals in respect of			
— land and buildings	500	615	781
— broadband cables	—	—	1,411
	<u>—</u>	<u>—</u>	<u>1,411</u>

## (d) Directors and employees

No emoluments were paid by the Group to any of the directors for the Relevant Periods.

The emoluments of the five highest paid individuals are as follows:

	Year ended 30 June		Six months ended 31 December
	1998	1999	1999
	HK\$'000	HK\$'000	HK\$'000
Employees			
— Basic salaries and allowances	2,038	2,027	1,608
— Bonus	150	120	457
— Retirement benefit scheme contributions	123	127	—
	<u>2,311</u>	<u>2,274</u>	<u>2,065</u>

The emoluments of each of the above employees were below HK\$1,000,000 during each of the Relevant Periods.

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(e) **Taxation**

	<b>Year ended 30 June</b>		<b>Six months ended 31 December</b>
	<b>1998</b>	<b>1999</b>	<b>1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge (credit) comprises:			
Hong Kong Profits Tax calculated at the applicable rates of taxation on the estimated assessable profits	532	1,106	1,271
Overprovision in prior year	<u>(175)</u>	<u>(154)</u>	<u>—</u>
	<u>357</u>	<u>952</u>	<u>1,271</u>

Details of unprovided deferred taxation are set out in note 4(g) below.

(f) **Dividend**

No dividend has been paid or declared by the Company since its incorporation. However, the following dividend was paid by Splendid Sharp Limited to its then shareholders during the Relevant Periods prior to the Reorganisation:

	<b>Year ended 30 June</b>		<b>Six months ended 31 December</b>
	<b>1998</b>	<b>1999</b>	<b>1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Splendid Sharp Limited	<u>2,900</u>	<u>—</u>	<u>—</u>

The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

(g) **Loss per share**

The calculation of the loss per share for the Relevant Periods is based on the combined loss for each of the Relevant Periods and on the 1,700,000,000 shares in issue during those periods on the assumption that the Reorganisation had been effective on 1 July 1997.

(h) **Transfers to and from reserves**

There is no movement in reserves required to be disclosed in respect of the Relevant Periods.

(i) **Related parties transactions**

SHKP, which together with its subsidiaries other than members of the Group are collectively referred to as the "SHKP Group", are considered as related parties to the Group. Details of material transactions between the Group and the SHKP Group during the Relevant Periods are as follows:

	<i>Notes</i>	<b>Year ended 30 June 1998</b>	<b>1999</b>	<b>Six months ended 31 December 1999</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Satellite television and security systems:				
— installation and operation income	(i)	29,960	24,025	16,668
— maintenance and repair income	(ii)	18,243	20,678	12,712
Interest expenses	(iii)	28,541	21,696	6,976
Property rental, management fee and related charges	(iv)	3,289	4,504	2,723
Project management and construction costs	(v)	21	—	9,125
Service charges	(vi)	649	529	301
		<u>        </u>	<u>        </u>	<u>        </u>

- (i) Being charges in connection with the installation, operation and provision of satellite television and security systems to, and the laying of information technology infrastructure in, buildings owned and/or managed by the SHKP Group.
- (ii) Being maintenance and repair charges for satellite television and security systems in buildings owned and/or managed by the SHKP Group.
- (iii) Being interest paid on advances at 15%, 12% and 7.5% per annum for each of the two years ended 30 June 1999 and the six months ended 31 December 1999 respectively. All interest expenses were accrued to 31 December 1999 and thereafter the amounts are interest free.
- (iv) Being rentals, building management fee and related service charges paid in respect of office and co-location centre premises.
- (v) Being project management and construction costs paid in respect of the Group's properties under development and co-location centre facilities.
- (vi) Being charges by the SHKP Group for various services including accounting, marketing and insurance.

The Group charged the above related parties at market prices or, where no market price was available, at cost plus a percentage profit mark-up. In the opinion of the directors of the Company, the Group pays for services rendered by the related parties to the Group with reference to market prices.

The directors of the Company have confirmed that the above-mentioned transactions were conducted in the ordinary course of business and on normal commercial terms and that these transactions will continue following the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Details of the balances with the SHKP Group as at 31 December 1999 are set out in Section 4(d) and 4(f) below.

(j) **Retirement benefits scheme**

A member of the Group participates 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 ended 30 June 1998, 30 June 1999 and six months ended 31 December 1999 of HK\$11,000, Nil and Nil, respectively were used to reduce the existing level of contributions. Save as aforesaid, the Group did not contribute to any retirement benefits schemes for its employees during the Relevant Periods.

## 4. NET LIABILITIES

The following is a summary of the combined net liabilities of the Group as at 31 December 1999 prepared on the basis set out in Section 1 above:

	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	(a)		600,774
Investment securities	(b)		<u>85,686</u>
			<u>686,460</u>
CURRENT ASSETS			
Inventories	(c)	3,385	
Debtors, deposits and prepayments	(d)	20,327	
Amount due from customers for contract work	(d)&(e)	9,219	
Cash and bank balances		<u>2,767</u>	
		<u>35,698</u>	
CURRENT LIABILITIES			
Creditors and accrued charges	(d)	16,276	
Tenants' deposits		6,678	
Amount due to customers for contract work	(d)&(e)	120	
Taxation		<u>2,377</u>	
		<u>25,451</u>	
NET CURRENT ASSETS			<u>10,247</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			696,707
Deduct:			
AMOUNT DUE TO THE SHKP GROUP	(f)		<u>716,935</u>
NET LIABILITIES			<u><u>(20,228)</u></u>

Notes:

## (a) Property, plant and equipment

	Land and buildings <i>HK\$'000</i>	Properties under development <i>HK\$'000</i>	Co-location centre facilities <i>HK\$'000</i>	Satellite system equipment <i>HK\$'000</i>	Computers, networks and related equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST								
At 1 July 1999	203,307	368,012	—	22,800	613	2,031	200	596,963
Additions	—	2,916	21,891	—	11,373	1,150	157	37,487
Write-off	—	—	—	(277)	—	—	—	(277)
At 31 December 1999	<u>203,307</u>	<u>370,928</u>	<u>21,891</u>	<u>22,523</u>	<u>11,986</u>	<u>3,181</u>	<u>357</u>	<u>634,173</u>
DEPRECIATION AND AMORTISATION								
At 1 July 1999	12,196	—	—	13,712	457	2,016	135	28,516
Provided for the period	3,049	—	277	1,222	407	57	42	5,054
Eliminated on write-off	—	—	—	(171)	—	—	—	(171)
At 31 December 1999	<u>15,245</u>	<u>—</u>	<u>277</u>	<u>14,763</u>	<u>864</u>	<u>2,073</u>	<u>177</u>	<u>33,399</u>
NET BOOK VALUE								
At 31 December 1999	<u>188,062</u>	<u>370,928</u>	<u>21,614</u>	<u>7,760</u>	<u>11,122</u>	<u>1,108</u>	<u>180</u>	<u>600,774</u>

The above land and buildings comprise 48 units in a building known as Kodak House II and are intended for the use in the Group's IT incubation business whereby the Group may provide office space rent-free to IT and internet related start-up companies in return for a certain percentage of equity interest in these companies. At 31 December 1999, certain units had been put into such use. Other units, pending conversion for this purpose, are either vacant or leased to third parties. It is expected that on expiry of the relevant leases and with reference to market conditions, the properties may be converted for use in the Group's IT incubation business.

The net book value of land and buildings and properties under development shown above comprises:

	<i>HK\$'000</i>
Properties in Hong Kong held under:	
— long-term lease, including renewal period	406,927
— medium-term lease	<u>152,063</u>
	<u>558,990</u>

(b) **Investment securities**

HK\$'000

Unlisted shares, at cost	<u>85,686</u>
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Beijing Technology Development Fund (Cayman) LDC ("Beijing Fund") was incorporated in the Cayman Islands principally to invest in high technology related ventures. In May 1999, the Group subscribed 100,000 ordinary shares for US\$10,000,000 in Beijing Fund in its initial round of share subscription. On 17 January 2000, Beijing Fund approved to issue bonus shares to the initial shareholders on the basis of one share for every 56 shares and had outstanding at that date 610,527 issued shares (including the bonus shares). As at such date the Group's interest in Beijing Fund was 16.67 per cent.

Asia Java Fund Pte Limited ("Java Fund") was incorporated in Singapore principally to invest in companies throughout Asia that use or support the Java computer programming language. In October 1999, the Group subscribed for three units in Java Fund for US\$1,000,000 each. Each unit comprises 100 ordinary shares of US\$1 each issued at par and 900 redeemable preference shares of US\$1 each issued at US\$1,111 per share. As at 31 December 1999, a total of US\$350,000 per unit of Java Fund was called and paid up. The remaining balance of the uncalled capital amounting to US\$650,000 per unit is to be paid up in three installments, the quantum and timing of each of which is to be determined at the sole discretion of the investment manager for Java Fund. As at 31 December 1999, the Group's shareholding in Java Fund represented 6.67 per cent. and 6.67 per cent. of Java Fund's issued ordinary share capital and preference share capital respectively.

In the opinion of the directors, the above investment securities have suffered no impairment loss that is other than temporary.

(c) **Inventories**

HK\$'000

Consumables	<u>3,385</u>
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The cost of inventories recognised as an expense was HK\$22,860,000, HK\$16,985,000 and HK\$11,535,000 for each of the two years ended 30 June 1999 and the six months ended 31 December 1999, respectively. Included in inventories are consumables of HK\$875,000 which are carried at net realisable value.

(d) **Trading balances with related parties**

Trading balances with fellow subsidiaries and/or building estates managed by fellow subsidiaries at 31 December 1999 are included under the following headings:

	<b>Dr (Cr)</b>
	<i>HK\$'000</i>
Debtors, deposits and prepayments	18,255
Amount due from customers for contract work	9,219
Creditors and accrued charges	(2,811)
Amount due to customers for contract work	<u>(120)</u>

The trading balances are unsecured, interest-free and are repayable in accordance with Group's normal trading terms.

## (e) Amounts due from (to) customers for contract work

	<i>HK\$'000</i>
Contracts in progress at the balance sheet date:	
Contract costs incurred	7,546
Recognised profits less recognised losses	<u>3,899</u>
	11,445
Progress billings	<u>(2,346)</u>
	<u>9,099</u>
Represented by:	
Due from customers included in current assets	9,219
Due to customers included in current liabilities	<u>(120)</u>
	<u>9,099</u>

In addition, at 31 December 1999, advances received from customers for contract work amounted to HK\$667,000.

## (f) Amount due to the SHKP Group

At 31 December 1999, the balance due to the SHKP Group was unsecured and interest-free. SHKP Group has given an undertaking to the Group that prior to the successful listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the SHKP Group will not demand repayment of the balance until the Group is in a financial position to do so. On 3 March 2000, the Group acquired certain properties from the SHKP Group for a total consideration of HK\$605 million. On 29 February 2000, all amounts due to the SHKP Group were aggregated and the resulting balance of approximately HK\$1,460 million was assigned to the Company's immediate holding company which immediately thereafter capitalised an amount of HK\$730 million as investment in the Company and the balance of HK\$730 million was converted into an unsecured 3% redeemable convertible note due 2003. Details of the convertible note are set out in Appendix 3 to the Prospectus.

## (g) Deferred taxation

At the balance sheet date, the major components of unprovided deferred taxation asset (liability) are as follows:

	<b>At 30 June</b>		<b>At 31 December</b>
	<b>1998</b>	<b>1999</b>	<b>1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax effect of timing differences because of:			
Excess of tax allowances over depreciation	(1,022)	(693)	(3,107)
Taxation losses	<u>769</u>	<u>527</u>	<u>5,966</u>
	<u>(253)</u>	<u>(166)</u>	<u>2,859</u>

The amount of unprovided deferred taxation credit (charge) for the year/period is as follows:

	<b>Year ended 30 June</b>		<b>Six months ended 31 December</b>
	<b>1998</b>	<b>1999</b>	<b>1999</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax effect of timing differences because of:			
Excess of tax allowances over depreciation	256	329	(2,414)
Tax losses arising/(utilised)	(561)	(242)	5,439
Effect of change in tax rate	(2)	—	—
	<u>(307)</u>	<u>87</u>	<u>3,025</u>

The above net deferred taxation asset is not recognised in the financial statements as its ultimate realisation in the foreseeable future is uncertain. No provision for the net deferred taxation liability is recognised in the financial statements as the amount involved is insignificant.

(h) **Operating lease commitments**

At 31 December 1999, the Group was committed to make the following rental payments under non-cancellable operating leases which expire:

	<b>Land and buildings</b>	<b>Broadband cables</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	—	4,411
In the second to fifth year inclusive	<u>4,271</u>	<u>—</u>
	<u>4,271</u>	<u>4,411</u>

(i) **Capital commitments**

	<i>HK\$'000</i>
Capital expenditure authorised but not contracted for in respect of:	
— construction costs for properties under development	<u>494,478</u>
Capital expenditures contracted for but not provided in the financial statements in respect of	
— acquisition of fixed assets	12,120
— investment in Java Fund	<u>15,142</u>
	<u>27,262</u>

(j) **Net tangible assets of the Company**

The Company became the holding company of the Group on 29 February 2000 pursuant to the Reorganisation. Had the Reorganisation and the capitalisation of an amount of HK\$730 million due to the SHKP Group as mentioned in note 4(f) above been completed on 31 December 1999, the net tangible assets of the Company at 31 December 1999 would have been HK\$710 million, representing investment in subsidiaries.

## 5. PARTICULARS OF SUBSIDIARIES

Subsequent to Reorganisation, the particulars of the Company's subsidiaries as at the date of this report are as follows:

<b>Name of company</b>	<b>Date of incorporation</b>	<b>Issued fully paid share capital</b>	<b>Attributable equity interest held by the Group</b>	<b>Principal activities</b>
<i>Investment holding:</i>				
Diamond Rock Development Corp.	1 December 1999	US\$1	100%	Investment holding
Dragon Zone Ltd.	28 January 2000	US\$1	100%	Investment holding
Fine Sky Limited	4 January 1999	US\$1	100%	Investment holding
Great Target Ltd.	5 January 2000	US\$3	100%	Investment holding
Honway Technologies Limited	5 January 2000	US\$1	100%	Investment holding
Huge Profit Investments Ltd.	8 November 1999	US\$7	100%	Investment holding
iAdvantage Holdings Ltd.	1 December 1999	US\$2	100%	Investment holding
iAdvantage Data Centre Ltd.	26 August 1999	US\$2	100%	Investment holding
Merry Dragon Ltd.	5 January 2000	US\$5	100%	Investment holding
Multi-Well Investments Limited	5 January 2000	US\$2	100%	Investment holding
Netsales Company Limited	31 March 1999	US\$1	100%	Investment holding
Po Keung Investment Ltd.	2 December 1999	US\$2	100%	Investment holding
PropertyStreet Ltd.	17 December 1999	US\$1	100%	Investment holding
Red-Dots Holdings Ltd.	2 December 1999	US\$2	100%	Investment holding

<b>Name of company</b>	<b>Date of incorporation</b>	<b>Issued fully paid share capital</b>	<b>Attributable equity interest held by the Group</b>	<b>Principal activities</b>
Smart Cheer Investments Limited	20 August 1999	US\$1	100%	Investment holding
Sunevision e-Commerce Limited*	11 June 1999	HK\$2	100%	Investment holding
SuperHome Ltd.	17 December 1999	US\$1	100%	Investment holding
Super-office Ltd.	5 January 2000	US\$1	100%	Investment holding
SuperStreets Ltd.	5 January 2000	US\$1	100%	Investment holding
Top Harvest Enterprises Ltd.	5 January 2000	US\$1	100%	Investment holding
Tat Fook Holdings Limited	12 April 1999	US\$1	100%	Investment holding
<i>Property holding:</i>				
Riderstrack Development Limited	8 November 1999	US\$1	100%	Property holding
Splendid Sharp Limited*	24 October 1986	Ordinary shares - HK\$2 Deferred shares - HK\$2	100%	Property holding
Top Merchant Investments Limited	23 July 1993	US\$1	100%	Property holding
Weelek Company Limited*	29 May 1987	Ordinary shares - HK\$200 Deferred shares - HK\$200	100%	Property holding

<b>Name of company</b>	<b>Date of incorporation</b>	<b>Issued fully paid share capital</b>	<b>Attributable equity interest held by the Group</b>	<b>Principal activities</b>
<i>Operating:</i>				
BankingStreet.net (H.K.) Limited*	13 October 1999	HK\$2	100%	Provision of banking information on internet
Express Spirit Investment Limited	22 November 1999	US\$1	100%	Treasury
iAdvantage Limited*	28 April 1999	Ordinary shares - HK\$2 Deferred shares - HK\$2	100%	Operation of internet server co-location centres and provision of system management services
iHON Limited*	10 September 1999	Ordinary shares - HK\$2 Deferred shares - HK\$2	100%	Provision of IT and optical fibre network and related maintenance
iHON (Royal Peninsula) Limited*	10 September 1999	HK\$2	100%	Provision of IT and optical fibre network and related maintenance
Insurancestreet.net (H.K.) Limited*	17 September 1999	HK\$2	100%	Provision of insurance information on internet
PropertyStreet.net (H.K.) Limited*	5 January 2000	HK\$2	100%	Provision of property information on internet

<b>Name of company</b>	<b>Date of incorporation</b>	<b>Issued fully paid share capital</b>	<b>Attributable equity interest held by the Group</b>	<b>Principal activities</b>
Red-Dots Limited*	5 May 1999	Ordinary shares - HK\$2 Deferred shares - HK\$2	100%	Provision of web-based auction and e-commerce services
Sun Technology Services Limited*	25 February 1992	Ordinary shares - HK\$2 Deferred shares - HK\$2	100%	Installation of SMATV, security system and IT infrastructure network and provision of related maintenance services
SuperHome.net (H.K.) Limited*	3 January 2000	HK\$2	100%	Provision of intranet and e-commerce services
Super-office.net (H.K.) Limited*	22 November 1999	HK\$2	100%	Provision of intranet and e-commerce services

*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 “\*” which are incorporated in Hong Kong.
- (iii) Unless otherwise stated, the issued and fully paid share capital of the subsidiaries are ordinary shares.
- (iv) The deferred shares, the details of which are set out in Appendix 5 to the Prospectus, 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 operations in Hong Kong.

## 6. DIRECTORS' REMUNERATION

No remuneration was paid or is payable to the Company's directors by the Company or any of its subsidiaries in respect of the Relevant Periods.

Under the arrangements presently in force the aggregate remuneration of the Company's directors for the year ending 30 June 2000 are estimated to be approximately HK\$3 million.

## 7. SUBSEQUENT EVENTS

The following events have occurred subsequent to 31 December 1999 and up to the date of this report:

- a. The Group acquired from the SHKP Group certain properties (one of which it had previously leased from the SHKP Group) for a total consideration of HK\$605 million.
- b. The Group invested US\$2 million in Incubasia Ltd. and invested US\$1.5 million of a total commitment of US\$15 million in DynaFund II, L.P. Details of these investments are set out in the "Business" section of the Prospectus.
- c. The Group completed a reorganisation in preparation for the listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the details of which are set out in the subsection headed "Corporate Reorganisation" of Appendix 5 to the Prospectus.
- d. Resolutions of the sole shareholder were passed on 29 February 2000 to approve the matters set out in the section headed "Resolutions passed by the sole shareholder of the Company on 29 February 2000" in Appendix 5 to the Prospectus.

## 8. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 1999.

Yours faithfully,  
**DELOITTE TOUCHE TOHMATSU**  
*Certified Public Accountants*  
Hong Kong

*The following is the text of a letter, summary of valuation and valuation certificate, prepared for the purpose of incorporation in this prospectus by DTZ Debenham Tie Leung Limited, an independent valuer, in connection with their valuations as at 31 January 2000 of the property interests of the Group.*



Formerly C Y Leung & Company  
原梁振英測量師行

6 March 2000

Sunevision Holdings Limited  
21st Floor  
Sun Hung Kai Centre  
30 Harbour Road  
Wanchai  
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests as listed in the attached Summary of Valuation (“the Summary”) and held by Sunevision Holdings Limited (“the Company”) and its subsidiaries (hereinafter together referred to as “the Group”) in Hong Kong and the People’s Republic of China (“the PRC”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the open market values of the property interests as at 31 January 2000 (“the date of valuation”).

Our valuation of each of the property interests represents its open market value which we would define as intended to mean “an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:—

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and

- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

Our valuations have been made on the assumption that the owners sell each of the property interests on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the value of each of the property interests.

In valuing the properties in Hong Kong the Government Leases of which expired before 30 June 1997, we have taken into account that under the provisions contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the Question of Hong Kong as well as in the New Territories Leases (Extension) Ordinance such leases have been extended without premium until 30 June 2047 and that rents of three per cent. of the rateable value are charged per annum from the date of extension.

In forming our opinion of the value of the property interest in Group I, which is owned and occupied by the Group in Hong Kong, we have valued it on an open market basis by the direct comparison approach assuming sale of the property interest in its existing state on a strata-title basis with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market.

In valuing the property interests in Group II, which are held for investment purpose by the Group in Hong Kong, we have adopted the investment approach of valuation by considering the capitalised income derived from the existing tenancy terms with due allowance for the reversionary potential of the property interests.

In valuing the property interests in Group III, which are held under development by the Group in Hong Kong, we have valued each of these property interests on the basis that these properties will be developed and completed in accordance with the Group's latest development proposals provided to us. We have assumed that approvals for the proposals have been obtained. In arriving at our opinion of value, we have valued each of such property interests by the direct comparison approach by making reference to comparable transactions in the locality and have also taken into account the construction costs that will be expended to complete the development to reflect the quality of the completed development. The “capital value when completed” represents our opinion of the aggregate selling prices of the development assuming that it would have been completed at the date of valuation.

The property interests in Groups IV and V, which are leased or licensed and contracted to be leased to the Group in Hong Kong and the PRC respectively, have no commercial value due to prohibition against assignment or lack of substantial profit rent.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, development proposals, number of parking spaces, site and floor plans, site and floor areas, age of properties, construction costs and expenses, date of completion of properties and all other relevant matters. Dimensions and measurements are based on the copies of documents or other information provided to us by the Group and are

therefore only approximations. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information supplied.

We have not been provided with copies of the title documents relating to the property interests but have caused searches to be made at the appropriate Land Registry in respect of the property interests in Hong Kong. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, wherever possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services. Moreover, we have not carried out any investigations on site to determine the suitability of the soil conditions and the services etc. for any future development. In undertaking our valuations, we have assumed that the properties are suitable for the development as proposed by the Group and no extraordinary costs or delays will be incurred during construction.

Unless otherwise stated, all sums stated in our valuations are in Hong Kong dollars. The exchange rates adopted in our valuations are approximately US\$1=HK\$7.78 and HK\$1=RMB1.07 which were approximately the prevailing exchange rates as at the date of valuation.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

We enclose herewith our summary of valuation and valuation certificate.

Yours faithfully,  
for and on behalf of  
**DTZ Debenham Tie Leung Limited**  
**K.B. Wong**  
*Registered Professional Surveyor*  
A.H.K.I.S., A.R.I.C.S.  
*Director*

*Note:* Mr K.B. Wong is a chartered surveyor who has extensive experience in the valuation of properties in Hong Kong and the PRC.

## SUMMARY OF VALUATION

<b>Property</b>	<b>Capital value in existing state as at 31 January 2000</b>
<b>Group I — Property interest owned and occupied by the Group in Hong Kong</b>	
1. Units 1 to 19 on Level 36, Tower II, Millennium City, 388 Kwun Tong Road, Kwun Tong, Kowloon	HK\$103,500,000
Sub-total	<u>HK\$103,500,000</u>
<b>Group II — Property interests held for investment purpose by the Group in Hong Kong</b>	
2. Units 1 to 19 on Levels 31 to 33, 35 and 37, Tower II, Millennium City, 388 Kwun Tong Road, Kwun Tong, Kowloon	HK\$501,500,000
3. 48 workshop units in Kodak House II, 39 Healthy Street East, North Point, Hong Kong	HK\$204,000,000
Sub-total	<u>HK\$705,500,000</u>
<b>Group III — Property interests held under development by the Group in Hong Kong</b>	
4. 399 Chai Wan Road and 1 Sun Yip Street, Chai Wan, Hong Kong	HK\$225,000,000
5. Lee Tai Industrial Building, 145-159 Yeung Uk Road, Tsuen Wan, New Territories	HK\$153,000,000
Sub-total	<u>HK\$378,000,000</u>

<b>Property</b>	<b>Capital value in existing state as at 31 January 2000</b>
<b>Group IV — Property interests leased or licensed to the Group in Hong Kong</b>	
6. Room 3203 on 32nd Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong	No commercial value
7. Rooms 1237 to 1240 on 12th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong	No commercial value
8. Rooms 2108 to 2119 on 21st Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong	No commercial value
9. Unit Nos. 4601 and 4620 to 4625 on Level 46, Tower 1, Metroplaza, 223 Hing Fong Road, Kwai Chung, New Territories	No commercial value
10. Storage area on Ground Floor, Shield Industrial Centre, 84-92 Chai Wan Kok Road, Tsuen Wan, New Territories	No commercial value
11. Flat B on 30th Floor, Block 2, Pacific View, 38 Tai Tam Road, Tai Tam, Hong Kong	No commercial value
Sub-total	<u>No commercial value</u>

**Capital value in  
existing state as at  
31 January 2000**

**Property****Group V — Property interests contracted to be leased to the Group in the PRC**

12. Unit Nos. 809 to 817 on the 8th Level, Tower 1, Sun Dong An Centre, 138 Wangfujing Avenue, Dongcheng District, Beijing	No commercial value
13. Level 37, Shanghai Central Plaza, 381 Huihai Central Road, Luwan District, Shanghai	No commercial value
	_____
	Sub-total <u>No commercial value</u>
	Total <u><u>HK\$1,187,000,000</u></u>

## VALUATION CERTIFICATE

## Group I — Property interest owned and occupied by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2000
<p>1. Units 1 to 19 on Level 36, Tower II, Millennium City, 388 Kwun Tong Road, Kwun Tong, Kowloon</p> <p>7437/556778th shares of and in Kun Tong Inland Lot No. 733</p>	<p>The property comprises the whole office floor on Level 36 (being the 2nd top floor) of one of the two 30-storey (there are no Levels 14, 24 and 34) office towers erected over a four-storey common retail podium completed in 1998.</p> <p>The property has a total saleable area of approximately 1,650.41 sq.m. (17,765 sq.ft.).</p> <p>The property is held from the Government for a term from 19 November 1996 to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>The property is currently occupied by the Group for office use.</p>	<p>HK\$103,500,000</p>

*Notes:*

1. The registered owner of the property is Riderstrack Development Limited, a wholly-owned subsidiary of the Company.
2. The property is currently zoned for "Other Specified Uses".

## VALUATION CERTIFICATE

## Group II — Property interests held for investment purpose by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2000
<p>2. Units 1 to 19 on Levels 31 to 33, 35 and 37, Tower II, Millennium City, 388 Kwun Tong Road, Kwun Tong, Kowloon</p> <p>37185/556778th shares of and in Kun Tong Inland Lot No. 733</p>	<p>The property comprises the whole office floors on Levels 31 to 33, 35 and 37 (together with Level 36, being the top six floors) of one of the two 30-storey (there are no Levels 14, 24 and 34) office towers erected over a four-storey common retail podium completed in 1998.</p> <p>The property has a total saleable area of approximately 8,252.04 sq.m. (88,825 sq.ft.).</p> <p>The property is held from the Government for a term from 19 November 1996 to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>Levels 31 to 33, together with Levels 21 to 23 and 25 to 30 (which have been retained by the SHKP Group), are currently leased for a term of three years from 15 April 1999 to 14 April 2002 at a monthly rent of HK\$3,351,456, exclusive of rates, air-conditioning and management charges and other outgoings with three options to renew each for a term of three years at the then current market rental.</p> <p>Level 35 is currently vacant, but has been leased for a term of three years from 1 November 2000 to 31 October 2003 at a monthly rent of HK\$260,325, exclusive of rates, air-conditioning and management charges and other outgoings with an option to renew for a term of three years at the then current market rental.</p> <p>Level 37 is currently vacant, but has been leased for a term of three years from 11 October 2000 to 10 October 2003 at a monthly rent of HK\$260,325, exclusive of rates, air-conditioning and management charges and other outgoings with an option to renew for a term of three years at the then current market rental.</p>	HK\$501,500,000

*Notes:*

1. The registered owner of the property is Riderstrack Development Limited, a wholly-owned subsidiary of the Company.
2. The property is currently zoned for "Other Specified Uses".

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2000
3. 48 workshop units in Kodak House II, 39 Healthy Street East, North Point, Hong Kong (see Note (1))	The property comprises a total of 48 workshop units on various floors of a 23-storey industrial building erected over a four-storey carparking podium completed in 1992.	Except for a portion with a total gross floor area of approximately 408.77 sq.m. (4,400 sq.ft.) and a total store room area of approximately 49.05 sq.m. (528 sq.ft.) which are	HK\$204,000,000
20359/100000th shares of and in Marine Lot No. 705 and the Extension thereto	<p>The property has a total gross floor area of approximately 15,247.03 sq.m. (164,119 sq.ft.) plus a total store room area of approximately 198.72 sq.m. (2,139 sq.ft.) and a total flat roof area of approximately 40.41 sq.m. (435 sq.ft.).</p> <p>The property is held from the Government for a term of 999 years from 25 December 1869. The total current Government rent payable for Marine Lot No. 705 and the Extension thereto is HK\$3,000 per annum.</p>	<p>vacant, the property is currently let under 31 tenancies for terms of one to three years and three months with the latest tenancy due to expire on 26 December 2002 at a total monthly rent of HK\$1,368,151, exclusive of rates and management fees.</p> <p>Some of the tenants have options to renew for terms of one to three years.</p>	

*Notes:*

1. The property comprises:—
  - Workshop No. 1 on 1st Floor,
  - Workshop Nos. 10 and 11 on 10th Floor,
  - Workshop Nos. 9 to 12 on 11th Floor,
  - Workshop No. 10 on 12th Floor,
  - Workshop No. 7 on 13th Floor,
  - Workshop Nos. 9 and 11 on 14th Floor,
  - Workshop Nos. 4, 10 and 11 on 17th Floor,
  - Workshop Nos. 1 to 12 on 18th Floor,
  - Workshop No. 6 on 19th Floor,
  - Workshop Nos. 1 to 12 on 20th Floor,
  - Workshop Nos. 1, 6, 7 and 8 on 22nd Floor, and
  - Workshop Nos. 1, 5, 6, 8 and 9 on 23rd Floor.
 Kodak House II, 39 Healthy Street East, North Point, Hong Kong
2. The registered owner of the property is Kodak (Far East) Limited.
3. Splendid Sharp Limited, a wholly-owned subsidiary of the Company, is the beneficial owner of the property.
4. The property is currently zoned for “Commercial” use.

## Group III — Property interests held under development by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2000
4. 399 Chai Wan Road and 1 Sun Yip Street, Chai Wan, Hong Kong  The Remaining Portion of Chai Wan Inland Lot No. 30	<p>The property comprises a site with a registered site area of approximately 2,164.82 sq.m. (23,302.087 sq.ft.) upon which a 32-storey industrial/office building is proposed to be erected.</p> <p>Upon completion, the property will comprise a total of 109 private car parking spaces, 19 lorry parking spaces and one container space on the ground to 4th floors and industrial/office space on the 6th to 31st floors (the 5th floor being a mechanical floor and the 17th floor being a refuge floor). The total gross floor area of the industrial/office space will be approximately 32,472.208 sq.m. (349,531 sq.ft.).</p> <p>The property is held from the Government for a term of 75 years from 1 January 1963 renewable for a further term of 75 years. The current Government rent payable for the property is HK\$432 per annum.</p>	<p>The property is currently under construction up to 1st floor level and is scheduled for completion in December 2000.</p> <p>The property is intended to be used as a co-location centre.</p>	HK\$225,000,000

*Notes:*

1. The registered owner of the property is Weelek Company Limited, a wholly-owned subsidiary of the Company.
2. The capital value in existing state was assessed in accordance with the proposed development scheme, which has been approved by the Building Authority, provided by the Group.
3. The property is currently zoned for "Industrial" use. According to a letter dated 20 December 1999, the Town Planning Board (the "Board") has approved a minor amendment to a previously approved scheme approved by the Board on 20 May 1994 and permitted the development of composite industrial/office building(s) on the Remaining Portion of Chai Wan Inland Lot No. 30.
4. According to a letter dated 17 May 1996, the Government has approved a modification of Conditions of Exchange No. 8730 (i.e. the Government lease in respect of Chai Wan Inland Lot No. 30) and premium has been fully settled to permit the development of composite industrial/office building(s) on the Remaining Portion of Chai Wan Inland Lot No. 30.
5. The estimated outstanding construction cost of completing the development as at 31 January 2000 was in the sum of approximately HK\$342,000,000.
6. The capital value when completed as at 31 January 2000 was in the sum of HK\$724,000,000.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2000
5. Lee Tai Industrial Building, 145-159 Yeung Uk Road, Tsuen Wan, New Territories  Lot No. 476 in Demarcation District No. 443	<p>The property comprises an eight-storey industrial building erected on a site with a registered site area of approximately 1,858.05 sq.m. (20,000 sq.ft.).</p> <p>The building has a total gross floor area of approximately 13,935.34 sq.m. (150,000 sq.ft.). A total of 14 car parking spaces are provided on the ground floor.</p> <p>The property is held from the Government for a term of 99 years less the last three days from 1 July 1898 and statutorily extended until 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>The property is currently under renovation. It is scheduled for completion in April 2000 and is intended to be used as a co-location centre.</p>	HK\$153,000,000

*Notes:*

1. The registered owner of the property is Top Merchant Investments Limited, a wholly-owned subsidiary of the Company.
2. The property is currently zoned for "Industrial" use.

## Group IV — Property interests leased or licensed to the Group in Hong Kong

Property	Description and tenancy particulars	Capital value in existing state as at 31 January 2000
6. Room 3203 on 32nd Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong	<p>The property comprises an office unit on the 32nd floor of a 43-storey commercial tower completed in 1975.</p> <p>The property has an area of approximately 152.36 sq.m. (1,640 sq.ft.) and is currently occupied by the Group for office use.</p> <p>The property is currently licensed from Delux Plan Enterprises Limited, a wholly-owned subsidiary of Sun Hung Kai Properties Limited, to the Group for a term of three years from 1 October 1999 to 30 September 2002 at a monthly licence fee of HK\$32,800, exclusive of rates, management fee and other charges. The Group is entitled to a rent free period of six months from 1 October 1999 to 31 March 2000.</p>	No commercial value
7. Rooms 1237 to 1240 on 12th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong	<p>The property comprises four office units on the 12th floor of a 43-storey commercial building erected upon a seven-storey (including two basement floors) shopping/car parking complex completed in 1980.</p> <p>The property has a total lettable area of approximately 178.56 sq.m. (1,922 sq.ft.) and is currently occupied by the Group for office use.</p> <p>The property is currently leased from Perry Holdings Limited, a wholly-owned subsidiary of Sun Hung Kai Properties Limited, to the Group for a term of three years from 5 January 2000 to 4 January 2003 at a monthly rent of HK\$40,362, exclusive of rates, service charges and other outgoings. The Group is entitled to a rent free period of two months from 5 January 2000 to 4 March 2000, but is responsible for payment of rates, service charges and other outgoings.</p>	No commercial value

Property	Description and tenancy particulars	Capital value in existing state as at 31 January 2000
8. Rooms 2108 to 2119 on 21st Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong	<p>The property comprises twelve office units on the 21st floor of a 43-storey commercial building erected upon a seven-storey (including two basement floors) shopping/car parking complex completed in 1980.</p> <p>The property has a total lettable area of approximately 381.46 sq.m. (4,106 sq.ft.) and is currently occupied by the Group for office use.</p> <p>The property is currently leased from Perry Holdings Limited, a wholly-owned subsidiary of Sun Hung Kai Properties Limited, to the Group for a term of three years from 20 January 2000 to 19 January 2003 at a monthly rent of HK\$110,862, exclusive of rates, service charges and other outgoings. The Group is entitled to a rent free period of four months from 20 January 2000 to 19 May 2000 but is responsible for payment of rates, service charges and other outgoings.</p>	No commercial value
9. Unit Nos. 4601 and 4620 to 4625 on Level 46, Tower 1, Metroplaza, 223 Hing Fong Road, Kwai Chung, New Territories	<p>The property comprises seven office units on the 26th level of a 35-storey office tower erected upon a common car parking/shopping arcade podium completed in 1991.</p> <p>The property has an area of approximately 416.02 sq.m. (4,478 sq.ft.) and is currently occupied by the Group for office use.</p> <p>The property is currently leased from Rainforce Limited and Donora Company Limited, wholly-owned subsidiaries of Sun Hung Kai Properties Limited, to the Group for a term of two years from 9 March 1999 to 8 March 2001 at a monthly rent of HK\$58,214 exclusive of rates, air-conditioning and management charges and other outgoings.</p>	No commercial value
10. Storage area on Ground Floor, Shield Industrial Centre, 84-92 Chai Wan Kok Road, Tsuen Wan, New Territories	<p>The property comprises a storage space on the ground floor of a 30-storey industrial building completed in 1984.</p> <p>The property has an area of approximately 148.64 sq.m. (1,600 sq.ft.) and is currently occupied by the Group for storage use.</p> <p>The property is currently licensed from Estate-Care Property Management Limited (as agent for the registered owner), a wholly-owned subsidiary of Sun Hung Kai Properties Limited, to the Group for a term of two years from 1 September 1999 to 31 August 2001 at a monthly licence fee of HK\$4,600, exclusive of rates and all other outgoings.</p>	No commercial value

Property	Description and tenancy particulars	Capital value in existing state as at 31 January 2000
11. Flat B on 30th Floor, Block 2, Pacific View, 38 Tai Tam Road, Tai Tam, Hong Kong	<p>The property comprises a domestic unit on the 30th floor of a 39-storey residential building completed in 1991.</p> <p>The property has a gross floor area of approximately 190.82 sq.m. (2,054 sq.ft.) and is currently occupied by the Group as staff quarters of a director.</p> <p>The property is currently leased from Sun Hung Kai Real Estate Agency Limited (as agent for the registered owner), a wholly-owned subsidiary of Sun Hung Kai Properties Limited, to the Group for a term of three years from 1 March 2000 to 28 February 2003 at a monthly rent of HK\$70,000, exclusive of rates, management fees and other outgoings.</p>	No commercial value

## Group V — Property interests contracted to be leased to the Group in the PRC

Property	Description and tenancy particulars	Capital value in existing state as at 31 January 2000																	
12. Unit Nos. 809 to 817 on the 8th Level, Tower 1, Sun Dong An Centre, 138 Wangfujing Avenue, Dongcheng District, Beijing	<p>The property comprises nine office units on the 8th level of a 12-storey office building plus two levels of basement completed in 1997.</p> <p>The property has a total gross floor area of approximately 1,109 sq.m. (11,937 sq.ft.) and is intended to be occupied by the Group for office use.</p> <p>The property is contracted to be leased from Beijing Sun Dong An Company Limited, in which Sun Hung Kai Properties Limited holds 50% attributable interests, to the Group for a term of six years from 1 May 2000 to 30 April 2006 with five renewal options for a term of three years each. The total monthly rents are as follows:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Term</th> <th style="text-align: right;">Monthly rent US\$</th> </tr> </thead> <tbody> <tr> <td>01-05-2000 to 30-04-2002</td> <td style="text-align: right;">11,090</td> </tr> <tr> <td>01-05-2002 to 30-04-2004</td> <td style="text-align: right;">12,199</td> </tr> <tr> <td>01-05-2004 to 30-04-2006</td> <td style="text-align: right;">13,308</td> </tr> <tr> <td>01-05-2006 to 30-04-2009 (optional)</td> <td style="text-align: right;">Open market rent (subject to a cap of <math>\pm 35\%</math> of the rent of the 6th year of the term)</td> </tr> <tr> <td>01-05-2009 to 30-04-2020 (four renewal options for a term of three years each (subject to government regulation))</td> <td style="text-align: right;">Open market rent</td> </tr> </tbody> </table> <p>The said rentals are all exclusive of air-conditioning and management fees and other outgoings. We are given to understand that the monthly air-conditioning and management fees of the property for the year ending 31 December 2000 are in total RMB35,488.</p> <p>The Group is to be granted a rent free period of twelve months as follows:—</p> <table border="1" style="margin-left: 40px;"> <tbody> <tr><td>01-05-2000 to 31-08-2000</td></tr> <tr><td>01-05-2001 to 30-06-2001</td></tr> <tr><td>01-05-2003 to 30-06-2003</td></tr> <tr><td>01-05-2004 to 30-06-2004</td></tr> <tr><td>01-05-2005 to 30-06-2005</td></tr> </tbody> </table> <p>The Group is entitled to share occupation of the premises with its affiliated and associated companies, in each of which the Group holds not less than 30 per cent. of its issued share capital. One month prior written notice of such arrangement shall be given to the landlord. All rental profits, if any, derived from subletting shall be held for the landlord's account. All shortfalls on rent, if any, arising from such subletting shall be the responsibility of the tenant.</p>	Term	Monthly rent US\$	01-05-2000 to 30-04-2002	11,090	01-05-2002 to 30-04-2004	12,199	01-05-2004 to 30-04-2006	13,308	01-05-2006 to 30-04-2009 (optional)	Open market rent (subject to a cap of $\pm 35\%$ of the rent of the 6th year of the term)	01-05-2009 to 30-04-2020 (four renewal options for a term of three years each (subject to government regulation))	Open market rent	01-05-2000 to 31-08-2000	01-05-2001 to 30-06-2001	01-05-2003 to 30-06-2003	01-05-2004 to 30-06-2004	01-05-2005 to 30-06-2005	No commercial value
Term	Monthly rent US\$																		
01-05-2000 to 30-04-2002	11,090																		
01-05-2002 to 30-04-2004	12,199																		
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01-05-2000 to 31-08-2000																			
01-05-2001 to 30-06-2001																			
01-05-2003 to 30-06-2003																			
01-05-2004 to 30-06-2004																			
01-05-2005 to 30-06-2005																			

Property	Description and tenancy particulars	Capital value in existing state as at 31 January 2000													
13. Level 37, Shanghai Central Plaza, 381 Huihai Central Road, Luwan District, Shanghai	<p>The property comprises Level 37 of a 35-storey (there are no Level Nos. 14, 24 &amp; 34 of the building) office/commercial composite building plus two levels of basement completed in 1999.</p> <p>The property has a total gross floor area of approximately 1,325.30 sq.m. (14,266 sq.ft.) and is intended to be occupied by the Group for office use.</p> <p>The property is contracted to be leased from Shanghai Central Plaza Property Company Limited, in which Sun Hung Kai Properties Limited holds 41.25% attributable interests, to the Group for a term of six years from 1 April 2000 with five renewal options for a term of three years each. The total monthly rents are as follows:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Term</th> <th style="text-align: right;">Monthly rent US\$</th> </tr> </thead> <tbody> <tr> <td>01-04-2000 to 31-03-2003</td> <td style="text-align: right;">17,891.55</td> </tr> <tr> <td>01-04-2003 to 31-03-2006</td> <td style="text-align: right;">Open market rent (subject to a cap of <math>\pm 35\%</math> of the rent of the 3rd year of the term)</td> </tr> <tr> <td>01-04-2006 to 31-03-2009 (optional)</td> <td style="text-align: right;">Open market rent (subject to a cap of <math>\pm 35\%</math> of the rent of the 6th year of the term)</td> </tr> <tr> <td>01-04-2009 to 31-03-2021 (four renewal options for a term of three years each (subject to government regulation))</td> <td style="text-align: right;">Open market rent</td> </tr> </tbody> </table> <p>The said rentals are all exclusive of air-conditioning and management fees and other outgoings. We are given to understand that the monthly air-conditioning and management fees of the property for the year ending 31 December 2000 are in total RMB 39,759.</p> <p>The Group is to be granted a rent free period of six months as follows:—</p> <table border="1" style="margin-left: 40px;"> <tbody> <tr> <td>01-04-2000 to 31-05-2000</td> </tr> <tr> <td>01-04-2001 to 31-05-2001</td> </tr> <tr> <td>01-04-2002 to 31-05-2002</td> </tr> </tbody> </table> <p>The Group is entitled to sublet part or the whole of the property to its subsidiary or an affiliated company or to sublet the whole of the property to another independent company subject to final written notification and landlord's approval. All rental profits, if any, derived from subletting to another independent company shall be held for the landlord's account. All shortfalls on rent, if any, arising from such subletting shall be the responsibility of the tenant.</p>	Term	Monthly rent US\$	01-04-2000 to 31-03-2003	17,891.55	01-04-2003 to 31-03-2006	Open market rent (subject to a cap of $\pm 35\%$ of the rent of the 3rd year of the term)	01-04-2006 to 31-03-2009 (optional)	Open market rent (subject to a cap of $\pm 35\%$ of the rent of the 6th year of the term)	01-04-2009 to 31-03-2021 (four renewal options for a term of three years each (subject to government regulation))	Open market rent	01-04-2000 to 31-05-2000	01-04-2001 to 31-05-2001	01-04-2002 to 31-05-2002	No commercial value
Term	Monthly rent US\$														
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01-04-2003 to 31-03-2006	Open market rent (subject to a cap of $\pm 35\%$ of the rent of the 3rd year of the term)														
01-04-2006 to 31-03-2009 (optional)	Open market rent (subject to a cap of $\pm 35\%$ of the rent of the 6th year of the term)														
01-04-2009 to 31-03-2021 (four renewal options for a term of three years each (subject to government regulation))	Open market rent														
01-04-2000 to 31-05-2000															
01-04-2001 to 31-05-2001															
01-04-2002 to 31-05-2002															

*The principal terms of the Convertible Note are summarised below:*

Issuer:	The Company.
Subscriber:	Sunco.
Principal Amount:	HK\$730 million. The Convertible Note confers rights on the holder(s) to convert such note into approximately 70.3 million Conversion Shares (assuming an Issue Price of HK\$10.38), representing about 3.5 per cent. of the enlarged issued share capital of the Company upon listing of the Shares and approximately 3.4 per cent. of the issued share capital of the Company as enlarged by the Conversion Shares.
Voting:	The holder of the Convertible Note will not be entitled to attend or vote at any general meeting of the Company.
Interest:	3 per cent. per annum, payable semi-annually in arrear from the date of issue.
Term:	Three years, the Company shall repay the principal amount outstanding under the Convertible Note to holder(s) of the Convertible Note together with accrued interest.
Conversion Price:	The Issue Price.
Conversion Rights:	The Convertible Note may be converted at any time following the date of issue. The Convertible Note may be converted in full or in part (in amounts of not less than HK\$1,000,000 on each conversion) of the principal amount thereof, any new Shares issued as a result of the exercise of the conversion rights attached to the Convertible Note shall rank <i>pari passu</i> in all respects with the then existing Shares. Sunco has in accordance with the terms of the Convertible Note undertaken to the Stock Exchange that it will not exercise the conversion rights attached to the Convertible Note which may result in the public holding of the Shares falling below 15 per cent.
Transfer:	The Convertible Note may be assigned or transferred in whole or in part subject to compliance of all relevant laws, regulations and approvals.
Security:	Unsecured and ranking <i>pari passu</i> with all other present and future unsecured and other general obligations of the Company, except for obligations accorded preference by mandatory provisions of all applicable laws.
Listing:	The Convertible Note will not be listed on any stock exchange. Application has been made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
Amendments to Terms:	Any amendments to the terms of the Convertible Note will be subject to, <i>inter alia</i> , the approval of the Stock Exchange.

*Set out below is a summary of certain provisions of the existing memorandum and articles of association (the “Memorandum and Articles of Association”) of the Company and of certain aspects of Cayman Islands company law.*

## CONSTITUTION OF THE COMPANY

### 1 MEMORANDUM OF ASSOCIATION

The Memorandum of Association of the Company was adopted on 25 January 2000, the date of incorporation of the Company, and states, amongst other things, that the liability of members of the Company is limited, that the objects for which the Company is established are unrestricted (including acting as a holding and investment company) and the Company shall have full power and authority to carry out any object not prohibited by any law as provided by Section 7(4) of the Companies Law, that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit as provided in Section 27(2) of the Companies Law and (in view of the fact that the Company is an exempted company) that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

The objects of the Company are set out in full in Clause 3 of the Memorandum of Association which is available for inspection at the address specified in the section headed “Documents Available for Inspection” in Appendix 7 to this prospectus.

### 2 ARTICLES OF ASSOCIATION

The Articles of Association of the Company were adopted on 25 January 2000, the date of incorporation of the Company, and include provisions to the following effect:

#### (A) **Classes of Shares**

The share capital of the Company consists of ordinary shares.

#### (B) **Directors**

##### (a) *Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors may determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any Shares or attaching to any class of Shares, any Share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of

capital or otherwise, and to such persons at such time and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on the holders of any Shares or attaching to any class of Shares, any Share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulations from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy Shares or shares in any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the

Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of Directors in respect of any contract or arrangement or any other proposal in which he has any material interest but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director of any security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company, its holding company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director has himself guaranteed or secured in whole or in part;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal concerning any other company in which he is interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Director is beneficially interested in shares of that company, provided that, he, together with any of his associates, is not beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest is derived) or of the voting rights;
- (v) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
  - (aa) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which he may benefit;
  - (bb) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to

Directors and employees of the Company or any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (vi) any contract or arrangement in which the Director is interested in the same manner as other holders of Shares or debentures or other securities of the Company by virtue only of his interest in Shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses reasonably incurred by them in or about the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as he may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election by ordinary resolution.

The Company may by special resolution remove any Director and may by ordinary resolution appoint another person in his place. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person other than a Director retiring at the meeting shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, not less than seven clear days before the day appointed for the meeting, there has been given to the Secretary of the Company notice in writing by some member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Board (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Board resolves that his office is vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by a special resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors (other than the managing Director or joint managing Director) for the time being shall retire from office by rotation. Each Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election. Subject to the provision of the Articles of Association, the Company may at each annual general meeting at which the Directors retire fill each of the vacated offices by electing a person thereto.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet in any part of the world for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(C) Alteration to constitutional documents**

No alteration to the Memorandum or Articles of Association may be made except by special resolution.

**(D) Variation of rights of existing Shares or classes of shares**

If at any time the share capital of the Company is divided into different classes of Shares, all or any of the special rights attached to any class (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting all the provisions of the Articles of Association relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate general meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, and that any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(E) Alteration of Capital**

The Company in general meeting may, from time to time, whether or not all the Shares for the time being authorised shall have been issued and whether or not all the Shares for the time being issued shall have been fully paid up, by ordinary resolution increase its share capital by the creation of new Shares, such new capital to be of such amount and to be divided into Shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (i) consolidate and divide all or any of its share capital into shares of larger amount than its existing Shares. On any consolidation of fully paid Shares and division into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of Shares to be consolidated determine which particular Shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (ii) cancel any Shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the Shares so cancelled subject to the provisions of the Companies Law; and
- (iii) sub-divide its Shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any Share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any manner authorised and subject to any conditions prescribed by the Companies Law.

**(F) Special resolution - majority required**

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

**(G) Voting rights (generally on a poll and right to demand a poll)**

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of Shares and to the provisions in respect of a recognised clearing house as a member of the Company, at any general meeting on a show of hands every member of the Company who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each Share registered in his name in the register of members of the Company.

In the case of joint holders of any share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the ground that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote, whether on a show of hands or on a poll, by any person authorised in such circumstances to do so and such person may vote on a poll by proxy.

No member shall, unless the Directors otherwise determine, be entitled to vote, or be reckoned in a quorum, at any general meeting in respect of any Share unless he is registered as a shareholder of the Company at the date of such meeting and all calls which have been made by the Directors, or other sums presently payable by him, in respect of such Share have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) at least five members present in person or by proxy and entitled to vote or who represent in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or
- (c) any member or members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

On a poll votes may be given either personally or by proxy and a person entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

If a recognised clearing house (or its nominee) is a member of the Company it may appoint such person or persons as it thinks fit to act as its proxy or proxies or representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so appointed, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person so appointed pursuant to this provision shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise if it were an individual shareholder of the Company holding the number and class of shares specified in such proxy form or authorisation including without limitation the right to vote individually on a show of hands.

#### (H) **Annual general meetings**

The Company shall in each year hold a general meeting as its general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months shall elapse between the date of one annual general meeting of the Company and that of the next.

#### (I) **Accounts and audit**

The Directors shall cause to be kept accounting records sufficient to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of

the Company or any of them shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Law or as authorised by the Directors or by the Company in general meeting.

The Directors shall from time to time commencing with the first annual general meeting cause to be prepared and to be laid before the members of the Company at every annual general meeting profit and loss accounts, balance sheets and the Directors' and the auditors' reports thereon. Printed copies of these documents which are to be laid before the members of the Company at an annual general meeting shall be sent not less than 21 days before the date of the meeting and at the same time as the notice of annual general meeting to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send printed copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any Shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting and shall fix his or their remuneration provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

**(J) Notice of meetings and business to be conducted thereat**

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the Shares they hold, are not entitled to receive such notices from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the Shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing, the remuneration of the Directors and of the auditors;
- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares in the capital of the Company representing not more than 20 per cent. (or such other percentage as may from time to time be specified in the GEM Listing Rules) in nominal value of its existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

**(K) Transfer of Shares**

All transfers of Shares may be effected by an instrument of transfer in the usual common form or in any other form (which may include such standard form of transfer as may be prescribed by the Stock Exchange) as the Directors may approve.

The instrument of transfer of a Share shall be signed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the Share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer, when registered, shall be retained by the Company.

The Directors may decline to register any transfer of any Share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any other Shares unless:

- (a) the instrument of transfer is lodged at such place or places where the Board from time to time determines to keep a branch register of Shareholders and where (except where the Board otherwise determines) transfers of documents of title for Shares are to be lodged for registration and are to be registered, with the Company accompanied by the certificate for the Shares to which it relates (which

shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

- (b) the instrument of transfer is in respect of only one class of Share;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the Share is to be transferred does not exceed four;
- (e) the Shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such maximum as the Stock Exchange may from time to time determine (or such lesser sum as the Directors may from time to time require) is paid to the Company.

If the Directors refuse to register a transfer they shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement in such one or more newspapers as the Directors may determine be suspended at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of Shares, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

**(L) Power of the Company to purchase its own Shares**

The Company is empowered by the Companies Law and the Articles of Association to purchase its own Shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong or by any other recognised stock exchange.

**(M) Power of any subsidiary of the Company to own Shares**

There are no provisions in the Articles of Association relating to the ownership of Shares by a subsidiary.

**(N) Dividends and other methods of distributions**

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no such dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Except in so far as the rights attaching to, or the terms of issue of, any Share otherwise provides:

- (a) all dividends shall be declared and paid according to the amounts paid up on the Shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for this purpose as paid up on the Share; and
- (b) all dividends shall be apportioned and paid pro rata according to the amounts paid upon the Shares during any portion or portions of the period in respect of which the dividend is paid.

The Directors may also pay any dividend which is payable on any Shares half-yearly or on any other dates, whenever the position of the Company, in the opinion of the Directors, justifies such payment.

The Directors may retain any dividends or other moneys payable on or in respect of a Share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend or other monies payable by the Company on or in respect of any Share shall bear interest against the Company.

In respect of any dividend proposed to be paid or declared on the share capital of the Company, the Directors may resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of Shares credited as fully paid up on the basis that the Shares so allotted are to be of the same class or classes as the class or classes already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the Shares so allotted are to be of the same class or classes as the class or classes already held by the allottee. The Directors may also, with the sanction of the members of the Company in general meeting, resolve and direct in respect of any particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of Shares credited as fully paid up without offering any right of members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend or bonus may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the Shares at his address as appearing in the register or addressed to such person and to such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such Shares, and shall be sent at his

or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute good discharge by the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the Shares held by such joint holders.

Any dividend unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct payment or satisfaction of any dividend wholly or in part by the distribution of specific assets, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may issue fractional certificates, disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

#### (O) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in any common form or in such other form as the Directors may approve. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12

months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

**(P) Calls on Shares and forfeiture of Shares**

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their Shares (whether on account of the nominal amount of the Shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment) pay to the Company at the time and place so specified the amount called on his Shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the Shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a Share shall be jointly and severally liable to pay all calls and instalments due in respect of such Share or other moneys due in respect thereof.

If a sum called in respect of a Share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15 per cent. per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any Share after the day appointed for payment thereof, the Directors may at any time serve a notice on the holder of such Shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment on or before the day and at the place appointed, the Shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any Share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited Shares and not actually paid before the forfeiture. A forfeited Share shall be deemed to be the property of the Company and may be sold, re-allotted, cancelled or otherwise disposed of.

A person whose Shares have been forfeited shall thereupon cease to be a member of the Company in respect of the forfeited Shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the Shares, together with interest thereon at such rate not exceeding 15 per cent. per annum (or such lower rate as the Directors may determine) from the date of forfeiture until payment, and the Directors may enforce payment without being under any obligation to make any allowance for the value of the Shares forfeited, at the date of forfeiture.

**(Q) Inspection of register of members**

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the Shares respectively held by them. The register may, on notice being given by advertisement in such one or more newspapers as the Directors may determine, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of Shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK\$1.00 (or such higher amount as may from time to time be permitted under the GEM Listing Rules) as the Directors may determine for each inspection.

**(R) Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Save as otherwise provided by the Articles of Association two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one shareholder of record the quorum shall be that one member present in person or by proxy.

A corporation being a member shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of Shares of the Company is described in sub-paragraph (D) above.

**(S) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

**(T) Procedure on liquidation**

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of Shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the Shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the Shares held by them respectively.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

**(U) Untraceable members**

The Company shall be entitled to sell any Shares of a member or the Shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such Shares have remained uncashed for a period of 12 years; (ii) the Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) during the 12 year period, at least three dividends in respect of the Shares in question have become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspaper, giving notice of its intention to sell such Shares and a period of three months has elapsed since such advertisement and the recognised Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

## SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

**(A) Introduction**

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(B) Incorporation**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 January 2000 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

**(C) Share capital**

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of Section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

#### (D) **Dividends and distributions**

With the exception of Section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, Section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see (C) above for further details).

#### (E) **Shareholders' suits**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority) has been applied and followed by the courts in the Cayman Islands.

**(F) Protection of minorities**

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

**(G) Disposal of assets**

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

**(H) Accounting and auditing requirements**

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

**(I) Register of members**

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

**(J) Inspection of books and records**

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**(K) Special resolutions**

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

**(L) Subsidiary owning shares in parent**

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

**(M) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75 per cent. in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court of the Cayman Islands is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

**(N) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(O) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**(P) Liquidation**

A company is placed in liquidation either by an order of the court or by a special resolution (or, in certain circumstances, an ordinary resolution) of its members. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

**(Q) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(R) Taxation**

Pursuant to Section 6 of the Tax Concessions Law (Revised) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (i) on or in respect of the shares, debentures or other obligations of the Company; or
  - (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (Revised).

The undertaking is for a period of twenty years from 8 February 2000.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

**(S) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(T) General**

Maples and Calder Asia, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies law, is available for inspection as referred to in the section headed "Documents Delivered and Available for Inspection" in Appendix 7 to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

**FURTHER INFORMATION ABOUT THE COMPANY****Incorporation**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 25 January 2000. The Company has established a place of business in Hong Kong at 2108 Sun Hung Kai Centre, 30 Harbour Road, Hong Kong and is registered in Hong Kong under Part XI of the Companies Ordinance, with Mr Hui Ho Ming, Herbert appointed the agent of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong. As the Company is incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution which comprises a memorandum of association and articles of association. A summary of various parts of its constitution and relevant aspects of the Companies Law is set out in Appendix 4 to this prospectus.

**Changes in share capital**

As at the date of incorporation of the Company, its authorised share capital was HK\$100,000,000 divided into 1,000,000,000 Shares. On 25 January 2000, two Shares were allotted and issued to the initial subscribers and such shares were then transferred to Sunco on 29 January 2000.

On 29 February 2000, the Company increased its authorised share capital from HK\$100,000,000 to HK\$1,000,000,000 by the creation of an additional 9,000,000,000 Shares and allotted and issued in aggregate 1,699,999,998 Shares to Sunco credited as fully paid at premium as part of the consideration for the acquisition by the Company from Sunco of the entire issued share capital of Huge Profit and a loan in the amount of HK\$1,460 million due from Huge Profit to Sunco (the “Loan”).

Assuming that the Share Offer becomes unconditional and the issue of the Offer Shares mentioned herein are made, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option, the exercise of the conversion rights under the Convertible Note or the options which have been conditionally granted under the Company Share Option Scheme, the authorised share capital of the Company will be HK\$1,000,000,000 divided into 10,000,000,000 Shares and the issued share capital of the Company will be HK\$200,000,000 divided into 2,000,000,000 Shares fully paid or credited as fully paid, with 8,000,000,000 Shares remaining unissued. Other than pursuant to the exercise of any options which have been conditionally granted, and any options which may be granted, under the Company Share Option Scheme or pursuant to the exercise of any conversion rights under the Convertible Note or pursuant to the exercise of the Over-allotment Option, there is no present intention to issue any part of the authorised but unissued share capital of the Company and, without the prior approval of the shareholders of the Company in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as aforesaid, there has been no alteration in the share capital of the Company since the date of its incorporation.

**Resolutions passed by the sole shareholder of the Company on 29 February 2000**

On 29 February 2000, resolutions of the sole shareholder of the Company were passed pursuant to which, inter alia:

- (a) the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$1,000,000,000 by the creation of an additional 9,000,000,000 Shares;
- (b) the Directors were authorised to (i) allot and issue, credited as fully paid at premium, a total of 1,699,999,998 Shares to Sunco as to eight Shares as consideration for the acquisition by the Company of the entire issued share capital of Huge Profit and 1,699,999,990 Shares as part consideration for the acquisition by the Company of the Loan and (ii) issue the Convertible Note to Sunco as balance of the consideration for the acquisition by the Company of the Loan and the Directors were further authorised to allot, issue and deal with Shares pursuant to the exercise of conversion rights under the Convertible Note;
- (c) conditional on (i) the GEM Listing Committee granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein (including any Shares which may be made available pursuant to the exercise of the Over-allotment Option), and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any conditions by Jardine Fleming, on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreement or otherwise, in each case, on or before 5 April 2000, the Share Offer and the Over-allotment Option were approved and the Directors were authorised to allot and issue the Offer Shares and the Shares which may be required to be issued if the Over-allotment Option is exercised;
- (d) conditional on (i) the GEM Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and granting listing of, and permission to deal in, any Shares which may fall to be issued pursuant to the exercise of any such option under the Company Share Option Scheme, (ii) the Company Share Option Scheme being approved by the shareholders of SHKP in general meeting, and (iii) on the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any conditions by Jardine Fleming, on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreement or otherwise, the rules of the Company Share Option Scheme were approved and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights under any options which may be granted under the Company Share Option Scheme and to take all such steps as they consider necessary or desirable to implement the Company Share Option Scheme;
- (e) conditional on the iAdvantage Share Option Scheme being approved by the shareholders of SHKP in general meeting, the rules of the iAdvantage Share Option Scheme were approved and the Directors were authorised, at their absolute discretion, to take all such steps as they consider necessary or desirable to implement the iAdvantage Share Option Scheme;

- (f) conditional on the Red-Dots Share Option Scheme being approved by the shareholders of SHKP in general meeting, the rules of the Red-Dots Share Option Scheme were approved and the Directors were authorised, at their absolute discretion, to take all such steps as they consider necessary or desirable to implement the Red-Dots Share Option Scheme;
- (g) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights or an issue of shares upon the exercise of any subscription rights attached to any warrants of the Company or pursuant to the exercise of any conversion rights under the Convertible Note or pursuant to the exercise of any options which may be granted under the Company Share Option Scheme or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of the Company in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company or a specific authority granted by the shareholders of the Company in general meeting, Shares with a total nominal value not exceeding 20 per cent. of (i) the aggregate of the total nominal value of the share capital of the Company in issue immediately following completion of the Share Offer and (ii) the total nominal value of share capital of the Company which may be issued pursuant to the Over-allotment Option, such mandate to remain in effect until whichever is the earliest of:—
- (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; or
  - (iii) the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking, varying or renewing such mandate;
- (h) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on the GEM or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the Securities and Futures Commission in Hong Kong and the Stock Exchange for this purpose such number of Shares as will represent up to 10 per cent. of the aggregate of (i) the total nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer and (ii) the total nominal value of share capital of the Company which may be issued pursuant to the Over-allotment Option, such mandate to remain in effect until whichever is the earliest of:—
- (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; or
  - (iii) the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking, varying or renewing such mandate; and

- (i) the general unconditional mandate mentioned in paragraph (g) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (h) above provided that such extended amount shall not exceed 10 per cent. of (i) the aggregate of the total nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer and (ii) the total nominal value of share capital of the Company which may be issued pursuant to the Over-allotment Option.

### Corporate Reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Shares on GEM. Huge Profit became the intermediate holding company and the Company became the ultimate holding company of the Group. The Reorganisation involved the following:

- (a) On 28 February 2000:
- (i) 2 shares of HK\$100 each in the share capital of Weelek Company Limited ("Weelek") were allotted and issued for cash at par as to one share to each of Po Keung Investment Limited ("Po Keung") and its nominee, Sun Hung Kai Secretarial Services Limited ("SHK Secretarial"); and
- (ii) the 2 shares of HK\$100 each in the share capital of Weelek in issue prior to the subscription and allotment of the 2 shares referred to in paragraph (a)(i) above were converted into 2 non-voting deferred shares as described in paragraph (m) below, and the remaining 998 shares (including 996 unissued shares and the 2 shares subscribed and allotted as mentioned in paragraph (a)(i) above) were re-designated as 998 ordinary shares of HK\$100 each and 1 share of US\$1 in Po Keung was allotted and issued credited as fully paid at premium to iAdvantage Data Centre Ltd. ("Data Centre");
- (b) On 28 February 2000, Data Centre acquired the entire issued share capital of Top Merchant Investments Limited ("Top Merchant") from Win Profit Properties Limited ("Win Profit") and allotted and issued 1 share of US\$1 in Data Centre to iAdvantage Holdings Ltd. ("iAdvan Holding") credited as fully paid;
- (c) On 28 February 2000:
- (i) 2 shares of HK\$1 each in the share capital of Splendid Sharp Limited ("Splendid Sharp") were allotted and issued for cash at par as to one share to each of Multi-well Investments Limited ("Multi-well") and its nominee, SHK Secretarial; and
- (ii) the 2 shares of HK\$1 each in the share capital of Splendid Sharp in issue prior to the subscription and allotment of the 2 shares referred to in paragraph (c)(i) above were converted into 2 non-voting deferred shares as described in paragraph (m) below, and the remaining 9,998 shares (including 9,996 unissued

shares and the 2 shares subscribed and allotted as mentioned in paragraph (c)(i) above) were re-designated as 9,998 ordinary shares of HK\$1 each and 1 share of US\$1 in Multi-well was allotted and issued credited as fully paid to Huge Profit;

(d) On 28 February 2000:

- (i) 2 shares of HK\$1 each in the share capital of iAdvantage were allotted and issued for cash at par as to one share to each of iAdvan Holding and its nominee, SHK Secretarial; and
- (ii) the 2 shares of HK\$1 each in the share capital of iAdvantage in issue prior to the subscription and allotment of the 2 shares referred to in paragraph (d)(i) above were converted into 2 non-voting deferred shares as described in paragraph (m) below, and the remaining 9,998 shares (including 9,996 unissued shares and the 2 shares subscribed and allotted as mentioned in paragraph (d)(i) above) were re-designated as 9,998 ordinary shares of HK\$1 each and 1 share of US\$1 in iAdvan Holding were allotted and issued credited as fully paid to Huge Profit;

(e) On 28 February 2000:

- (i) 2 shares of HK\$1 each in the share capital of Red-Dots were allotted and issued for cash at par as to one share to each of Red-Dots Holdings Ltd. (“Red-Dots Holdings”) and its nominee, SHK Secretarial; and
- (ii) the 2 shares of HK\$1 each in the share capital of Red-Dots in issue prior to the subscription and allotment of the 2 shares referred to in paragraph (e)(i) above were converted into 2 non-voting deferred shares as described in paragraph (m) below, and the remaining 9,998 shares (including 9,996 unissued shares and the 2 shares subscribed and allotted as mentioned in paragraph (e)(i) above) were re-designated as 9,998 ordinary shares of HK\$1 each and 1 share of US\$1 in Red-Dots Holdings were allotted and issued credited as fully paid to Huge Profit;

(f) On 28 February 2000:

- (i) 2 shares of HK\$1 each in the share capital of Sun Technology were allotted and issued for cash at par as to one share to each of Great Target Ltd. (“Great Target”) and its nominee, SHK Secretarial; and
- (ii) the 2 shares of HK\$1 each in the share capital of Sun Technology issue prior to the subscription and allotment of the 2 shares referred to in paragraph (f)(i) above were converted into 2 non-voting deferred shares as described in paragraph (m) below, and the remaining 9,998 shares (including 9,996 unissued shares and the 2 shares subscribed and allotted as mentioned in paragraph (f)(i) above) were re-designated as 9,998 ordinary shares of HK\$1 each and 2 shares of US\$1 each in Great Target were allotted and issued credited as fully paid to Huge Profit;

(g) On 28 February 2000, Merry Dragon Ltd. (“Merry Dragon”) acquired the entire issued share capital of Netsales Company Limited (“Netsales”) from Junlink Investment Limited (“Junlink”) and allotted and issued 1 share of US\$1 in Merry Dragon to Huge Profit credited as fully paid;

- (h) On 28 February 2000, Merry Dragon acquired the entire issued share capital of Smart Cheer Investment Limited (“Smart Cheer”) from Prosperous Wealth Development Limited (“Prosperous Wealth”) and allotted and issued 1 share of US\$1 in Merry Dragon to Huge Profit credited as fully paid;
- (i) On 24 February 2000, Merry Dragon acquired the entire issued share capital of each of Fine Sky Limited (“Fine Sky”) and Dragon Zone Ltd. (“Dragon Zone”) from Harvison International Limited (“Harvison”) and allotted and issued 2 shares of US\$1 each in Merry Dragon to Huge Profit credited as fully paid;
- (j) On 24 February 2000:—
- (i) 2 shares of HK\$1 each in the share capital of iHON were allotted and issued for cash at par as to one share to each of Huge Profit and its nominee, SHK Secretarial; and
- (ii) the 2 shares of HK\$1 each in the share capital of iHON in issue prior to the subscription and allotment of the 2 shares referred to in paragraph (j)(i) above were converted into 2 non-voting deferred shares as described in paragraph (m) below, and the remaining 9,998 shares (including 9,996 unissued shares and the 2 shares subscribed and allotted as mentioned in paragraph (j)(i) above) were re-designated as 9,998 ordinary shares of HK\$1 each and 1 share of US\$1 in Huge Profit was allotted and issued credited as fully paid to Sunco;
- (k) On 24 February 2000, Huge Profit acquired the entire issued share capital of each of SuperHome Ltd., Super-office Ltd., SuperStreets, Diamond Rock Development Corp. (“Diamond Rock”) and Express Spirit Investment Limited (“Express Spirit”) from Harvison and allotted and issued a total of 5 shares of US\$1 each in Huge Profit to Sunco credited as fully paid;
- (l) On 29 February 2000, the Company acquired from Sunco the entire issued share capital of Huge Profit and the Loan and allotted and issued 1,699,999,998 Shares to Sunco credited as fully paid at premium and issued the Convertible Note to Sunco;
- (m) The rights and restrictions of the non-voting deferred shares in Weelek, Splendid Sharp, iAdvantage, Red-Dots, Sun Technology and iHON respectively referred to in paragraphs (a), (c), (d), (e), (f) and (j) above are identical and are summarised below:
- (i) *As regards income.* The profits which the company may determine to distribute in respect of any financial year shall be distributed among the holders of ordinary shares according to the amounts paid up on the ordinary shares held by them respectively and no part of the profits shall be distributed among the holders of the non-voting deferred shares.
- (ii) *As regards capital.* On a return of assets on winding up or otherwise the assets of the company to be returned shall be distributed as regards the first HK\$100,000,000,000,000 thereof among the holders of ordinary shares in proportion to the nominal amounts of ordinary shares held by them respectively

and one half of the balance of such assets (if any) shall belong to and be distributed among the holders of the non-voting deferred shares and the other half thereof to and among the holders of the ordinary shares, in each case in proportion to the nominal amounts of the shares held by them respectively.

- (iii) *As regards voting.* On a show of hands every holder of ordinary shares who (being an individual) is present in person or (being a corporation) is represented by its authorised representative shall one vote, and on a poll every holder of ordinary shares present in person or by proxy or, in the case of a corporation, by its authorised representative, shall have one vote for every ordinary share held by him/it but the non-voting deferred shares shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the company.

### **Changes in the share capital of subsidiaries**

The Company's subsidiaries are referred to in the accountants' report, the text of which is set out in Appendix 1 to this prospectus.

In addition to those mentioned in the section headed "Corporate Reorganisation" in this Appendix, the following alterations in the share capital of the Company's subsidiaries have taken place within the two years preceding the date of this prospectus:

- (a) following its incorporation on 8 November 1999, Huge Profit allotted and issued for cash at par 1 share of US\$1 to Sunco on 18 January 2000;
- (b) following its incorporation on 1 December 1999, iAdvan Holding allotted and issued for cash at par 1 share of US\$1 to Huge Profit on 26 January 2000;
- (c) following its incorporation on 26 August 1999, Data Centre allotted and issued for cash at par 1 share of US\$1 to iAdvan Holding on 26 January 2000;
- (d) following its incorporation on 2 December 1999, Po Keung allotted and issued for cash at par 1 share of US\$1 to Data Centre on 26 January 2000;
- (e) following its incorporation on 8 November 1999, Riderstrack Development Limited ("Riderstrack") allotted and issued for cash at par 1 share of US\$1 to Data Centre on 26 January 2000;
- (f) following its incorporation on 2 December 1999, Red-Dots Holdings allotted and issued for cash at par 1 share of US\$1 to Huge Profit on 26 January 2000;
- (g) following its incorporation on 5 January 2000, Great Target allotted and issued for cash at par 1 share of US\$1 to Huge Profit on 26 January 2000;
- (h) following its incorporation on 5 January 2000, Multi-well allotted and issued for cash at par 1 share of US\$1 to Huge Profit on 26 January 2000;
- (i) following its incorporation on 5 January 2000, Merry Dragon allotted and issued for cash at par 1 share of US\$1 to Huge Profit on 26 January 2000;

- (j) following its incorporation on 5 January 2000, Honway allotted and issued for cash at par 1 share of US\$1 to Huge Profit on 18 January 2000;
- (k) following its incorporation on 22 November 1999, Express Spirit allotted and issued for cash at par 1 share of US\$1 to Harvison on 30 December 1999;
- (l) following its incorporation on 11 June 1999, Sunevision e-Commerce Limited allotted and issued for cash at par 2 shares of HK\$1 each as to one share to each of its subscribers;
- (m) following its incorporation on 1 December 1999, Diamond Rock allotted and issued for cash at par 1 bearer share of US\$1 which share was redesignated as a registered share to Harvison on 26 January 2000;
- (n) following its incorporation on 28 April 1999, iAdvantage allotted and issued for cash at par 2 shares of HK\$1 each as to one share to each of its subscribers;
- (o) following its incorporation on 5 May 1999, Red-Dots allotted and issued for cash at par 2 shares of HK\$1 each as to one share to each of the subscribers;
- (p) following its incorporation on 31 March 1999, Netsales allotted and issued for cash at par 1 share of US\$1 to Junlink on 19 April 1999;
- (q) following its incorporation on 20 August 1999, Smart Cheer allotted and issued for cash at par 1 share of US\$1 on 8 October 1999 to Junlink;
- (r) following its incorporation on 3 January 2000, SuperHome allotted and issued for cash at par 2 shares of HK\$1 each as to one share to each of the subscribers;
- (s) following its incorporation on 17 December 1999, SuperHome Ltd. allotted and issued for cash at par 1 share of US\$1 to Harvison on 26 January 1999;
- (t) following its incorporation on 5 January 2000, PropertyStreet allotted and issued for cash at par 2 shares of HK\$1 each as to one share to each of the subscribers;
- (u) following its incorporation on 17 December 1999, PropertyStreet Ltd. allotted and issued for cash at par 1 share of US\$1 to SuperStreets on 26 January 1999;
- (v) following its incorporation on 4 January 1999, Fine Sky allotted and issued for cash at par 1 share of US\$1 to Harvison on 18 January 2000;
- (w) following its incorporation on 10 September 1999, iHON (Royal Peninsula) Limited allotted and issued for cash at par 1 share of HK\$1 to each of the subscribers;
- (x) following its incorporation on 28 January 2000, Dragon Zone allotted and issued for cash at par 1 share of US\$1 to Harvison on 31 January 2000.
- (y) following its incorporation on 12 April 1999, Tat Fook Holdings Limited (“Tat Fook”) allotted and issued for cash at par 1 share of US\$1 to SuperStreets on 26 January 2000;

- (z) following its incorporation on 17 September 1999, Insurance Street allotted and issued for cash at par 1 share of HK\$1 to each of the subscribers;
- (aa) following its incorporation on 5 January 2000, SuperStreets allotted and issued for cash at par 1 share of US\$1 to Harvison on 26 January 2000;
- (bb) following its incorporation on 5 January 2000, Top Harvest Enterprises Ltd. allotted and issued for cash at par 1 share of US\$1 to SuperStreets on 26 January 2000;
- (cc) following its incorporation on 13 October 1999, Banking Street allotted and issued for cash at par 1 share of HK\$1 to each of its subscribers;
- (dd) following its incorporation on 5 January 2000, Super-office Ltd. allotted and issued for cash at par 1 share of US\$1 to Harvison on 26 January 2000;
- (ee) following its incorporation on 22 November 1999, Super-office allotted and issued for cash at par 1 share of HK\$1 to each of its subscribers; and
- (ff) following its incorporation on 10 September 1999, iHON allotted and issued for cash at par 1 share of HK\$1 to each of its subscribers.

Save as aforesaid, there has been no alteration in the share capital of the subsidiaries of the Company within the two years preceding the date of this prospectus.

### **Repurchase by the Company of its own securities**

This section includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

#### *(a) Regulations of the GEM Listing Rules*

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, the most important of which are summarised below:—

##### *(i) Shareholders' approval*

All repurchases of securities on GEM by a company with its primary listing on GEM must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

*Note:* Pursuant to a resolution of the sole shareholder of the Company passed on 29 February 2000, a general unconditional mandate (the “Buyback Mandate”) was given to the Directors authorising any repurchase by the Company of Shares on GEM or on any other stock exchange recognised by the Securities and Futures Commission in Hong Kong and the Stock Exchange of up to 10 per cent. of the (i) total nominal value of the share capital of the Company in issue immediately after completion of the Share Offer and (ii) the total nominal value of the share capital of the Company which may be issued pursuant to the Over-allotment Option, at any time until the conclusion of the next annual general meeting of the Company or the expiration

of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held or the passing of an ordinary resolution of shareholders of the Company in general meeting revoking, varying or renewing such mandate, whichever occurs first.

(ii) Source of funds

Any repurchases must be financed out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws of the Cayman Islands.

(iii) Trading restrictions

A company is authorised to repurchase on GEM or on any other stock exchange recognised by the Securities and Futures Commission in Hong Kong and the Stock Exchange the total number of shares which represent up to a maximum of 10 per cent. of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in the company representing up to 10 per cent. of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchases on GEM if the result of the repurchases would be that the number of the listed securities in public hands would be below the relevant prescribed minimum percentage for that company as determined by the Stock Exchange.

(iv) Status of repurchased securities

The listing of all repurchased securities (whether on GEM or otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under Cayman Islands law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

Any securities repurchase programme is required to be suspended after a price-sensitive development has occurred or has been the subject of directors' decision until the price-sensitive information is made publicly available. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of the company's half-year report or a quarterly report, a company may not purchase its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on GEM if a company has breached the GEM Listing Rules.

(vi) Reporting requirements

Repurchases of securities on GEM or otherwise must be reported to the Stock Exchange not later than 9:30 a.m. (Hong Kong time) on the following business day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) Connected parties

Under the GEM Listing Rules, a company shall not knowingly repurchase shares from a connected person (as defined in the GEM Listing Rules) and a connected person shall not knowingly sell his shares to the company. As at the Latest Practicable Date and to the best of the knowledge of the Directors having made all reasonable enquiries, none of the Directors or their Associates has a present intention to sell Shares to the Company.

(b) *Exercise of the Buyback Mandate*

Exercise in full of the Buyback Mandate, on the basis of 2,000,000,000 Shares in issue immediately after listing of the Shares and taking no account of the Shares which may be allotted pursuant to the Over-allotment Option could accordingly result in up to 200,000,000 Shares being repurchased by the Company during the period up to (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any other applicable laws to be held; or (iii) the revocation, variation or renewal of the repurchase mandate by ordinary resolution of the shareholders of the Company in general meeting, whichever occurs first.

(c) *Reasons for repurchases*

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share.

(d) *Funding of repurchases*

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association and the applicable laws and regulations of the Cayman Islands. The Company may not purchase securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(e) *General*

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) in the event that the Buyback Mandate is exercised in full. However, the Directors do not propose to exercise the Buyback Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the GEM Listing Rules, the Memorandum and Articles of Association and the applicable laws of the Cayman Islands.

No connected person (as defined in the GEM Listing Rules) of the Company has notified the Company that he has a present intention to sell Shares to the Company or has undertaken not to do so.

If as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). As a result, a shareholder, or a group of shareholders acting in concert, depending on the level of increase in the shareholder's interests, could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Code.

## **FURTHER INFORMATION ABOUT THE BUSINESS**

### **Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:—

- (a) an agreement dated 24 February 2000 between Hopley International Limited ("Hopley") as vendor and Riderstrack as purchaser whereby Hopley agreed to sell to Riderstrack the properties being Units 1 to 19 on Levels 31, 32, 33, 35, 36 and 37, Tower II, Millennium City, 388 Kwun Tong Road, Kwun Tong, Kowloon for a consideration of HK\$605,000,000;
- (b) an assignment dated 3 March 2000 between Hopley as assignor and Riderstrack as assignee whereby Hopley assigned to Riderstrack the properties being Units 1 to 19 on Levels 31, 32, 33, 35, 36 and 37, Tower II, Millennium City, 388 Kwun Tong Road, Kwun Tong, Kowloon for a consideration of HK\$605,000,000;
- (c) two tenancy agreements both dated 26 February 2000 between Sun Hung Kai Real Estate Agency Limited ("SHK Agency") as agent for Perry Holdings Limited and the Company pursuant to which the Landlord agreed to lease the premises being Rooms

2108 to 2119 on 21st Floor and Rooms 1237 to 1240 on 12th Floor, respectively, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong to the Company for a term of three years commencing from 20 January 2000 at a monthly rental exclusive of rates, management fees and other services of HK\$110,862 and HK\$40,362, respectively;

- (d) an agreement dated 28 February 2000 between Renown Investment Corporation (“Renown”) and Po Keung whereby Renown agreed to procure the allotment of 1 share of HK\$1 in Weelek to each of Po Keung and its nominee for cash at par and to defer the shares in Weelek in issue prior to the said allotment held by Renown and its nominee at a consideration of HK\$2 satisfied by the allotment of 1 share of US\$1 in Po Keung to Data Centre credited as fully paid;
- (e) a sale and purchase agreement dated 28 February 2000 between Win Profit and Data Centre whereby Win Profit agreed to sell to Data Centre the entire issued share capital in Top Merchant at a consideration of US\$1 satisfied by the allotment of 1 share in Data Centre of US\$1 to iAdvan Holdings credited as fully paid;
- (f) an agreement dated 28 February 2000 between Prominent Investment S.A. (“Prominent”) and Multi-well whereby Prominent agreed to procure the allotment of 1 share of HK\$1 in Splendid Sharp to each of Multi-well and its nominee for cash at par and to defer the shares in Splendid Sharp in issue prior to the said allotment held by Prominent and its nominee at a consideration of US\$1 satisfied by the allotment of 1 share of US\$1 in Multi-well to Huge Profit credited as fully paid;
- (g) an agreement dated 28 February 2000 between Junlink and iAdvan Holding whereby Junlink agreed to procure the allotment of 1 share of HK\$1 in iAdvantage to each of iAdvan Holding and its nominee for cash at par and to defer the shares in iAdvantage in issue prior to the said allotment held by Junlink and its nominee at a consideration of US\$1 satisfied by the allotment of 1 share in iAdvan Holding to Huge Profit credited as fully paid;
- (h) an agreement dated 28 February 2000 between Prominent and Jasmain Investments Limited (collectively the “Sun Technology Shareholders”) and Great Target whereby the Sun Technology Shareholders agreed to procure the allotment of 1 share of HK\$1 in Sun Technology to each of Great Target and its nominee for cash at par and to defer the shares in Sun Technology in issue prior to the said allotment held by the Sun Technology Shareholders respectively at a total consideration of US\$2 satisfied by the allotment of 2 shares of US\$1 each in Great Target to Huge Profit credited as fully paid;
- (i) a sale and purchase agreement dated 28 February 2000 between Prosperous Wealth and Merry Dragon whereby Prosperous Wealth agreed to sell to Merry Dragon the entire issued share capital in Smart Cheer at a consideration of US\$1 satisfied by the issue by Merry Dragon of 1 share of US\$1 in Merry Dragon to Huge Profit credited as fully paid;
- (j) a sale and purchase agreement dated 28 February 2000 between Junlink and Merry Dragon whereby Junlink agreed to sell to Merry Dragon the entire issued share capital in Netsales at a consideration of US\$1 satisfied by the issue by Merry Dragon of 1 share of US\$1 in Merry Dragon to Huge Profit credited as fully paid;

- (k) a sale and purchase agreement dated 24 February 2000 between Harvison and Merry Dragon whereby Harvison agreed to sell to Merry Dragon the entire issued share capital in each of Fine Sky and Dragon Zone at a total consideration of US\$2 satisfied by the issue by Merry Dragon of 2 shares of US\$1 each in Merry Dragon to Harvison credited as fully paid;
- (l) an agreement dated 24 February 2000 between SHKP and Huge Profit whereby SHKP agreed to procure the allotment of 1 share of HK\$1 in iHON to each of Huge Profit and its nominee for cash at par and to defer the shares in iHON in issue prior to the said allotment held by SHKP and its nominee at a consideration of US\$1 satisfied by the allotment of 1 share in Huge Profit to Sunco credited as fully paid;
- (m) an agreement dated 28 February 2000 between Junlink and Red-Dots Holdings whereby Junlink agreed to procure the allotment of 1 share of HK\$1 in Red-Dots to each of Red-Dots Holdings and its nominee for cash at par and to defer the shares in Red-Dots held by Junlink and its nominee at a consideration of US\$1 satisfied by the allotment of 1 share of US\$1 in Red-Dots Holdings to Huge Profit credited as fully paid;
- (n) a sale and purchase agreement dated 24 February 2000 between Harvison and Huge Profit whereby Harvison agreed to sell to Huge Profit the entire issued share capital in each of SuperHome Ltd., Super-office Ltd., SuperStreets, Diamond Rock and Express Spirit at a total consideration of US\$5 satisfied by the issue by Huge Profit of five shares of US\$1 each in Huge Profit to Sunco credited as fully paid;
- (o) a deed dated 29 February 2000 between Sunco and the Company whereby Sunco sold to the Company the entire issued share capital in Huge Profit and the Loan in consideration of the issue by the Company of 1,699,999,998 Shares to Sunco credited as fully paid and the issue of the Convertible Note;
- (p) an assignment dated 29 February 2000 between Sunco as assignor, the Company as assignee and Huge Profit as debtor whereby Sunco assigned to the Company the Loan in consideration of the issue by the Company of 1,699,999,990 Shares to Sunco credited as fully paid and the issue of the Convertible Note to Sunco;
- (q) an agreement dated 26 February 2000 between the Company and SHKP whereby SHKP agreed to supply, inter alia, secretarial, computer and other related services and the use of office equipment to the Group at reimbursement costs which shall not exceed HK\$2,000,000 per year for a period of three years commencing from 1 March 2000;
- (r) an agreement dated 26 January 2000 between Rainforce Limited and Donora Limited (together the “Landlord”) and Sun Technology pursuant to which the Landlord agreed to let the premises being Unit Nos. 4601 and 4620-25, Level 46, Metroplaza, Tower I, Kwai Fong, Kowloon, Hong Kong to Sun Technology for a term of two years commencing on 9 March 1999 and expiring on 8 March 2001 (both days inclusive) at a monthly rental (exclusive of rates, management fees and other outgoings) of HK\$58,214;
- (s) a letter dated 30 August 1999 from Estate-Care Property Management Limited (“Estate-care”) (as agent for the registered owner) and Sun Technology pursuant to

which Estate-care agreed to lease the premises being storage area on Ground Floor, Shield Industrial Centre, 84-92 Chai Wan Kok Road, Tsuen Wan, New Territories, Hong Kong to Sun Technology for a term of two years commencing from 1 September 1999 at a monthly licence fee (exclusive of rates and all other outgoings) of HK\$4,600;

- (t) a licence agreement dated 1 October 1999 between SHK Agency as agent for Delux Plan Enterprises Limited (the “Licensor”) and Red-Dots pursuant to which the Licensor agreed to lease the premises being Room 3203, 32nd Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong to Red-Dots for a term of three years commencing on 1 October 1999 and expiring on 30 September 2002 (both days inclusive) at a monthly licence fee (exclusive of rates, management fee and other charges) of HK\$32,800;
- (u) a tenancy agreement dated 26 February 2000 between SHK Agency (as agent for the registered owner) and the Company pursuant to which SHK Agency agreed to lease the premises being Flat B, 30th Floor, Block 2, Pacific View, 38 Tai Tam Road, Hong Kong to the Company for a term of three years commencing from 1 March 2000 to 28 February 2003 (both days inclusive) at a monthly rental of HK\$70,000 exclusive of rates, management fees and other outgoings;
- (v) a letter dated 2 February 2000 from Beijing Sun Dong An Co. Ltd. (the “Landlord”) to iAdvantage pursuant to which the Landlord agreed to lease the premises being Unit Nos. 809-817, 8th Level, Tower 1, Sun Dong An Plaza, 138 Wangfujing Avenue, Beijing, PRC to iAdvantage for a term of six years commencing from 1 May 2000 plus five renewal options of three years each with an aggregate rent free period of 12 months at a monthly rental of 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 30 April 2004 and US\$13,308 per month for the period from 1 May 2004 to 30 April 2006, exclusive of management fees and other outgoings;
- (w) a letter dated 2 February 2000 from SHK Agency (as agent for Shanghai Central Plaza Property Co. Ltd.) (the “Landlord”) to iAdvantage pursuant to which the Landlord agreed to lease the premises being 37th Floor, Shanghai Central Plaza, 381 Huihai Zhong Road, Shanghai, PRC to iAdvantage of a term of six years commencing from 1 April 2000 plus five renewal options of three years each with an aggregate rent free period of six months and at a monthly rental of US\$17,891.55 per month for the period from 1 April 2000 to 31 March 2003, open market rent subject to a cap of  $\pm 35\%$  of the rental for the third year for the period 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 other four further options to renew are exercised at then market rent for the period from 1 April 2009 to 31 March 2021, all rental being exclusive of management fees, air conditioning charges and other outgoings;
- (x) a licence agreement dated 21 October 1999 between Splendid Sharp as the licensor and HKITC as the licensee whereby on the terms set out therein, Splendid Sharp granted in favour of HKITC a licence to use and occupy the property (the “Property”) known as Workshop Nos.6-8 and Store Room No.6 on 22nd Floor, Kodak House II, 321 Java Road, Hong Kong for a term of three years and three months commencing on the date to be notified by Splendid Sharp in writing and HKITC has agreed to elect certain business







enterprises in line with the spirit of promoting industrial technology development and to procure that the nominee of Splendid Sharp will be allotted and issued credited as fully paid with 7.5 per cent. or 10 per cent. (as the case may be) shares in such enterprises elected by HKITC;



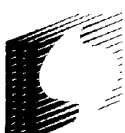
- (y) a license agreement dated 26 February 2000 between SHKP and the Company whereby SHKP granted to the Group an exclusive right to use the two marks owned by it and which are more specifically described in the paragraph headed “Intellectual Property” in this Appendix for a period of 10 years at a nominal consideration of HK\$1;
- (z) a letter from Kai Shing Management Services Limited (“Kai Shing”) to Weelek dated 12 February 2000 whereby Weelek has agreed to appoint Kai Shing as the building manager for the building currently being erected on 399 Chai Wan Road and 1 Sun Yip Street, Chai Wan, Hong Kong for a term of three years from the date to be notified by Weelek which shall be on or before the issuance of the occupation permit at an initial management charge of HK\$1.65 per month per square feet based on a floor area of 349,531 square feet;
- (aa) a letter from Kai Shing to Top Merchant dated 12 February 2000 whereby Top Merchant has agreed to appoint Kai Shing as the building manager for the building currently being erected on Lee Tai Industrial Building, 145-159 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong for a term of three years from the date to be notified by Top Merchant which shall be on or before the issuance of the occupation permit at an initial management charge of HK\$1.65 per month per square feet based on a floor area of 135,260 square feet;
- (bb) a stock borrowing agreement dated 3 March 2000 entered into between Jardine Fleming, Sunco and the Company pursuant to which Sunco shall upon request by Jardine Fleming lend such number of Shares representing up to 15 per cent. of the Offer Shares as may be required to settle over-allocation of Shares under the Placing and all stabilisation gains derived from (i) the stock borrowing arrangements pursuant thereto and/or (ii) secondary market purchases made by Jardine Fleming for direct settlement of over-allocation of Shares under the Placing less any stabilisation costs, liabilities and expenses shall be for the benefit of the Company absolutely;
- (cc) an agreement dated 26 February 2000 entered into between the Company and SHKP relating to the Advertising Transactions and E-commerce Transactions detailed in the section headed “Waivers from Compliance with the GEM Listing Rules and Companies Ordinance”;
- (dd) an agreement dated 26 February 2000 entered into between the Company and SHKP relating to the Networking Arrangement detailed in the section headed “Waivers from Compliance with the GEM Listing Rules and Companies Ordinance”;
- (ee) an agreement dated 26 February 2000 entered into between the Company and SHKP relating to the Maintenance Arrangements detailed in the section headed “Waivers from Compliance with the GEM Listing Rules and Companies Ordinance”;
- (ff) an agreement dated 26 February 2000 entered into between Weelek Company Limited and SHKP relating to the Project Management Arrangements relating to the Chai Wan Site detailed in the section headed “Waivers from Compliance with the GEM Listing Rules and Companies Ordinance”;

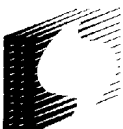
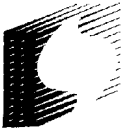

- (gg) an agreement dated 26 February 2000 entered into between Top Merchant and SHKP relating to the Project Management Arrangements relating to the Yeung Uk Road Site detailed in the section headed “Waivers from Compliance with the GEM Listing Rules and Companies Ordinance”;
- (hh) an agreement dated 24 February 2000 entered into between the Company and Sun Hung Kai Properties Insurance Limited relating to the Insurance Arrangements detailed in the section headed “Waivers from Compliance with the GEM Listing Rules and Companies Ordinance”;
- (ii) the Underwriting Agreement dated 3 March 2000 entered into between the Underwriters, SHKP, Sunco and the Company referred to in the paragraph headed “Underwriting Arrangements and Expenses” in the section headed “Underwriting”; and
- (jj) a deed of indemnity dated 3 March 2000 between SHKP, Sunco and the Company for itself and as trustee for its subsidiaries, containing certain indemnities given by SHKP and Sunco in favour of the Company and its subsidiaries being, inter alia, the indemnities referred to in the sub-paragraph headed “Estate duty and tax indemnity” under the paragraph headed “Other Information” in this Appendix.

### Intellectual Property



The Group has applied for registration of the following marks in Hong Kong in respect of the classes of goods specified below:—

Name of applicant	Mark	Class	Application no.	Date of application
Company	 sunelvision	38	2000 03869	25 February 2000
Company	 sunelvision	42	2000 03059	16 February 2000
Company	 sunelvision	42	2000 03870	25 February 2000
Company	sunelvision	42	2000 03060	16 February 2000
Company		38	2000 03871	25 February 2000
Company		42	2000 03061	16 February 2000
Company		42	2000 03872	25 February 2000

Name of applicant	Mark	Class	Application no.	Date of application
iAdvantage		38	2000 00551	11 January 2000
Red-Dots		35	2000 03865	25 February 2000
Red-Dots		38	2000 03866	25 February 2000
Red-Dots		41	2000 03867	25 February 2000
Red-Dots		42	2000 03207	17 February 2000
Red-Dots		42	2000 03868	25 February 2000
SuperHome		35	2000 04041	29 February 2000
SuperHome		36	2000 04042	29 February 2000
SuperHome		38	2000 04043	29 February 2000
SuperHome		39	2000 04044	29 February 2000
SuperHome		41	2000 04045	29 February 2000
SuperHome		42	2000 04046	29 February 2000
Sun Technology		9	2000 03873	25 February 2000

Name of applicant	Mark	Class	Application no.	Date of application
Sun Technology		37	2000 03874	25 February 2000
Sun Technology		38	2000 03875	25 February 2000
Sun Technology		42	2000 03876	25 February 2000

The Group has obtained the licence to use the following marks in Hong Kong in respect of the classes of goods specified below pursuant to material contract (y):—

Name of applicant	Mark	Class	Application no.	Date of application
SHKP		38	12701/99	13 September 1999
SHKP		38	12702/99	13 September 1999

The following members of the Group are the registrants of the domain names specified below:—

Registrant	Domain name	Registration date	Expiration date
Citigate Technology (Note 1)	<i>sunevision.com</i>	18 January 2000	17 January 2002
Citigate Dewe Rogerson (Note 1)	<i>sunevision.net</i>	22 January 2000	21 January 2002
Company	新意網.公司	11 February 2000	10 February 2002
Company	新意網.網絡	15 February 2000	14 February 2002
Canton Digital Media Limited (Note 2)	<i>suntechnology.com.hk</i>	17 May 1999	None
iAdvantage	<i>iadvantage.com.cn</i>	21 January 2000	20 January 2001
iAdvantage	<i>iadvantage.net.hk</i>	15 November 1999	None
iAdvantage	<i>iadvantage.net.cn</i>	14 January 2000	13 January 2001
iAdvantage	<i>iadvantage.net</i>	11 January 2000	10 January 2002
iAdvantage	<i>iadvantagenet.com</i>	25 January 2000	24 January 2002

<b>Registrant</b>	<b>Domain name</b>	<b>Registration date</b>	<b>Expiration date</b>
iAdvantage	互聯優勢.公司	11 January 2000	10 January 2002
Red-Dots	<i>red-dots.com</i>	2 July 1999	2 July 2001
Red-Dots	<i>red-dots.com.bk</i>	18 August 1999	None
Red-Dots	<i>red-dots.com.cn</i>	16 December 1999	16 December 2000
Red-Dots	<i>red-dots.com.tw</i>	1 December 1999	27 December 2001
Red-Dots	<i>red-dots.net</i>	6 September 1999	5 September 2001
Red-Dots	<i>red-dots.org</i>	6 September 1999	5 September 2001
Red-Dots	<i>i-red.com</i>	4 July 1999	3 July 2001
Red-Dots	點點紅.公司	11 January 2000	10 January 2002
SHKP (Note 3)	<i>super-office.net</i>	21 January 2000	20 January 2002
SHK Agency (Note 4)	<i>shkhome.net</i>	24 November 1998	23 November 2000
Network Computing Services Limited (Note 4)	<i>superhome.net</i>	13 October 1999	12 October 2001
SuperStreets	<i>superstreets.com</i>	31 January 2000	30 January 2002
SuperStreets	<i>superstreets.net</i>	31 January 2000	30 January 2002
Jordan Chan (Note 5)	<i>propertystreet.net</i>	25 November 1999	24 November 2001
SHK Agency (Note 5)	<i>insurancestreet.net</i>	5 January 2000	4 January 2002
SHK Agency (Note 5)	<i>bankingstreet.net</i>	25 November 1999	24 November 2001

## Notes:

1. An application has been submitted to transfer this domain name to the Company.
2. An application has been submitted to transfer this domain name to Sun Technology.
3. An application has been submitted to transfer this domain name to Super-office Ltd.
4. An application has been submitted to transfer this domain name to SuperHome.
5. An application has been submitted to transfer this domain name to SuperStreets.

## FURTHER INFORMATION ABOUT DIRECTORS, SENIOR MANAGEMENT AND STAFF

## Directors

*Disclosure of Interests*

(a) The interests of each of the Directors in the equity securities of the associated corporations (within the meaning of the SDI Ordinance) of the Company which will have to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they are taken or deemed to have taken under section 31 of, or Part 1 of the Schedule to, the SDI Ordinance) once the Shares are listed, or will be required, pursuant to section 29 of the SDI Ordinance, to be entered in the register required to be kept therein once the Shares are listed, or will be required pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange once the Shares are listed, will be as follows (assuming that their interest will remain unchanged after the Latest Practicable Date):—

(i) SHKP Shares:

Name of Director	Categories of Interest				Total
	Personal Interest	Family Interest	Corporate Interest	Other Interest	
Kwok Ping Sheung, Walter	—	3,000	—	1,070,749,522 <i>(Note)</i>	1,070,752,522
Kwok Ping Kwong, Thomas	2,201,281	304,065	—	1,068,799,214 <i>(Note)</i>	1,071,304,560
Kwok Ping Luen, Raymond	—	1,000	—	1,071,942,895 <i>(Note)</i>	1,071,943,895
Chan Kui Yuen, Thomas	126,500	66,000	—	—	192,500
Wong Yick Kam, Michael	50,904	—	—	—	50,904

*Note:* Messrs. Kwok Ping Sheung, Walter, Kwok Ping Kwong, Thomas and Kwok Ping Luen, Raymond were deemed (by virtue of the SDI Ordinance) to be interested in the number of SHKP Shares shown opposite their names respectively. Of these numbers of SHKP Shares, 1,048,765,347 SHKP Shares represent the same interests and are therefore duplicated amongst these three directors.

- (ii) Each of Messrs. Kwok Ping Sheung, Walter, Kwok Ping Kwong, Thomas and Kwok Ping Luen, Raymond had the following interests in the equity securities of the following associated corporations:

<b>Associated Corporation</b>	<b>No. and Class of Securities</b>	<b>Category of Interest</b>
Superindo Company Limited	10 ordinary shares	Personal
Super Fly Company Limited	10 ordinary shares	Personal
Splendid Kai Limited	2,500 ordinary shares	Corporate ( <i>Note</i> )
Hung Carom Company Limited	25 ordinary shares	Corporate ( <i>Note</i> )
Tinyau Company Limited	1 ordinary share	Corporate ( <i>Note</i> )
Open Step Limited	8 ordinary shares	Corporate ( <i>Note</i> )

*Note:* These securities are held by companies in which Messrs. Kwok Ping Sheung, Walter, Kwok Ping Kwong, Thomas and Kwok Ping Luen, Raymond are entitled to control the exercise of one third or more of the voting power at their general meetings and therefore they were deemed (by virtue of the SDI Ordinance) to be interested in these securities.

- (iii) Messrs. Kwok Ping Sheung, Walter and Kwok Ping Luen, Raymond had personal interests of 61,522 ordinary shares and 393,350 ordinary shares respectively in the equity security of The Kowloon Motor Bus Holdings Limited.
- (iv) Mr Kwok Ping Luen, Raymond had personal interests of 690,000 ordinary shares in the equity security of SmarTone Telecommunications Holdings Limited.
- (b) Certain Directors have been granted options in respect of Shares under the Company Share Option described in the section headed “Share Option Schemes” below. The options granted under the Company Share Option Scheme, including the options granted to Directors, are set out in sub-paragraph (g) of the paragraph headed “Others” in the section headed “Further Information about Directors, Senior Management and Staff” of this Appendix 5 below and in Appendix 6 to this prospectus.

### **Particulars of service agreements**

- (a) Each of the executive Directors has entered into a service agreement with the Company. Particulars of these agreements, except as indicated, are in all material respects identical and are set out below:—
- (i) each service agreement is of three years duration commencing on 1 March 2000 and shall continue thereafter until terminated by either party giving to the other not less than six months’ prior written notice;
- (ii) for the period from 1 March 2000 to 30 June 2000, the aggregate salary for Mr Kwok Ping Luen, Raymond is HK\$1, for Mr Kwok Ping Sheung, Walter is HK\$1, for Mr Kwok Ping Kwong, Thomas is HK\$1, for Mr Chan Kui Yuen, Thomas is HK\$258,000, for Mr Wong Yick Kam, Michael is HK\$68,000, for Mr Hui Ho Ming, Herbert is HK\$1,412,000, for Mr Leung Kui King, Donald is HK\$168,000, for Mr So Chung Keung, Alfred is HK\$340,000, for Mr Tung Chi Ho is HK\$352,000, for Mr Wong Chin Wah is HK\$198,000 and for Mr Tung Yiu Kwan, Stephen is HK\$480,000, such salary to be reviewed annually by the board of Directors. For the period from 1 July 2000 onwards, the salary of each of the executive Directors shall be determined by the Board;

- (iii) each of the executive Directors is entitled to such management bonus as the board of Directors may approve;
  - (iv) each such Director shall abstain from voting and not be counted in the quorum in respect of any resolution of the board of Directors regarding the amount of annual salary and management bonus payable to himself; and
  - (v) the percentages of working hours which the executive Directors shall devote to discharge their duties as executive Directors are: (1) for each of Mr Kwok Ping Luen, Raymond, Mr Kwok Ping Sheung, Walter and Mr Kwok Ping Kwong, Thomas, such time as he deems necessary; (2) for Mr Hui Ho Ming, Herbert, 100 per cent.; (3) for each of Mr Tung Chi Ho and Mr Tung Yiu Kwan, Stephen, 80 per cent.; (4) for each of Mr Chan Kui Yuen, Thomas, Mr So Chung Keung, Alfred and Mr Wong Chin Wah, 50 per cent.; (5) for Leung Kui King, Donald, 30 per cent. and (6) for Mr Wong Yick Kam, Michael, 10 per cent.
- (b) Save as disclosed herein, none of the Directors has entered into any service agreements with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

#### **Directors' remuneration**

- (a) The Company's policies concerning remuneration of executive Directors are:—
- (i) the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, workload and the time devoted to the Group;
  - (ii) non-cash benefits may be provided to the Directors under their remuneration package; and
  - (iii) the executive Directors may be granted, at the discretion of the board of Directors, options pursuant to the Company Share Option Scheme, as part of their remuneration package.
- (b) No remuneration was paid to the Directors in respect of any periods ending on or before 30 June 1999.
- (c) It is expected that an aggregate sum of approximately HK\$3 million will be paid to the Directors as remuneration by the Group in respect of the year ending 30 June 2000 pursuant to the present arrangement.
- (d) No bonus was paid to any of the Directors in each of the two years ended 30 June 1999.
- (e) None of the Directors or any past directors of any member of the Group has been paid any sum of money in each of the two years ended 30 June 1999 (i) as an inducement to join or upon joining the Company or (ii) for loss of office as a director of any member of the Group or of any other notice in connection with the management of the affairs of any member of the Group.

- (f) There has been no arrangement under which a Director has waived or agreed to waive any emoluments in each of the two years ended 30 June 1999.
- (g) The non-executive Directors have been appointed for a term expiring on 31 January 2002. Save for directors' fees, none of the non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director.

### Others

- (a) No Director received any emoluments from the Group for the year ended 30 June 1999. Particulars of emoluments paid to the five persons who received the highest emoluments from the Group for the year ended 30 June 1999 are set out in note (d) to the section headed "Results" of the accountants' report set out in Appendix 1 to this prospectus.
- (b) Mr Kwan Cheuk Yin, William, an independent non-executive director of SHKP, is a partner of Woo, Kwan, Lee & Lo, the Company's legal advisers on Hong Kong law, which firm will receive normal professional fees in connection with the Share Offer.
- (c) Mr Lee Yeh Kwong, Charles is the Chairman of Hong Kong Exchanges and Clearing Limited and a consultant of Woo, Kwan, Lee & Lo, the Company's legal advisers on Hong Kong law, which firm will receive normal professional fees in connection with the Share Offer.
- (d) Mr Woo Po Shing, an independent non-executive director of SHKP, is a consultant of Woo, Kwan, Lee & Lo, the Companies legal advisers on Hong Kong law, which firm will receive normal professional fees in connection with the Share Offer.
- (e) Mr Cheung Wing Yui, a non-executive Director, is a partner of Woo, Kwan, Lee & Lo, the Company's legal advisers on Hong Kong law, which firm will receive normal professional fees in connection with the Share Offer.
- (f) No other Director has any interest in other institutions and/or business entities which may compete or potentially may compete with the business of the Group. Professor Kao Kuen, Charles and Professor Li On Kwok, Victor, both independent non-executive directors of the Company, are well recognised leaders in the field of IT 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 (as disclosed in their biographies as set out in the section headed "Directors, Management and Staff") which may compete with the business of the Group.
- (g) As at the date of this prospectus, options to subscribe for an aggregate of 10,000,000 Shares, representing 5 per cent. of the options which may be granted under the Company Share Option Scheme (assuming that the Over-allotment Option is not exercised), at an exercise price equal to the Issue Price have been conditionally granted by the Company under the Company Share Option Scheme. Each of the executive Directors and senior management staff and other employees of the Group to whom options have been conditionally granted under the Company Share Option Scheme will be entitled to exercise (i) one third of the options so granted to him/her within three years commencing on 31 December 2000, (ii) a further one third of the options so granted to him/her within three years commencing on 31 December 2001 and (iii) the remaining one third of the options so granted to him/her within three years commencing on 31 December 2002. In addition, each executive Director may not

dispose of any Shares which may be issued to him upon exercise of the options granted to him as aforesaid during the first two years (or such shorter period stipulated from time to time by the Stock Exchange) after the Listing Date. Particulars of the outstanding options granted to the Executive Directors and employees of the Group under the Company Share Option Scheme are set out below:

<b>Name of grantee</b>	<b>Number of Shares subject to the options</b>
Kwok Ping Luen, Raymond	755,000
Kwok Ping Sheung, Walter	415,000
Kwok Ping Kwong, Thomas	415,000
Hui Ho Ming, Herbert	720,000
Chan Kui Yuen, Thomas	510,000
Wong Yick Kam, Michael	360,000
Leung Kui King, Donald	360,000
So Chung Keung, Alfred	360,000
Tung Chi Ho	360,000
Wong Chin Wah	360,000
Tung Yiu Kwan, Stephen	360,000
16 senior management staff (please refer to Appendix 6 to this prospectus for their names and addresses and the number of Shares in respect of which options have been so granted)	3,785,000
124 other employees (each holds options in respect of 10,000 Shares)	1,240,000

A full list of all optionholders, being 11 executive Directors, 16 senior management staff and 124 other employees of the Group, containing all the details in respect of each option required under paragraph 10 of the Third Schedule to the Companies Ordinance is available for inspection in accordance with the paragraph headed “Documents Available for Inspection” in Appendix 7 to this prospectus.

### **Agency fees or commissions received**

The Underwriters will receive an underwriting commission of 3 per cent. of the aggregate Issue Price of the Offer Shares, out of which they will pay any sub-underwriting commissions as mentioned in the paragraph headed “Commission and expenses” under the section headed “Underwriting” of this prospectus.

### **Related party transactions**

The Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in note 3(i) of the section headed “Results” of the accountants’ report set out in Appendix 1, the sections headed “Waivers from compliance with the GEM Listing Rules and Companies Ordinance” and “Relationship with SHKP” of the prospectus.

**Disclaimers**

Save as disclosed herein:—

- (a) none of the Directors or chief executives has for the purposes of section 28 of the SDI Ordinance, nor is any of them taken to or deemed to have under section 31 of, or Part 1 of the Schedule to, the SDI Ordinance, any interests in the securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) or any interests which will have to be entered in the register to be kept by the Company pursuant to section 29 of the SDI Ordinance or pursuant to rules 5.40 to 5.59 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange once such securities are listed on GEM;
- (b) none of the Directors nor any of the persons whose names are listed in the paragraph headed “Consent of experts” under the section headed “Other Information” in this Appendix is interested in the promotion of the Company or in any assets which have within the two years immediately preceding the issue of this prospectus been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) none of the Directors nor any of the persons whose names are listed in the paragraph headed “Consents of experts” under the section headed “Other Information” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group;
- (d) none of the persons whose names are listed in the paragraph headed “Consents of experts” under the section headed “Other Information” in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (e) none of the Directors has entered or has proposed to enter into any service agreements with the Company or any members of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);
- (f) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Share Offer or related transaction as mentioned in this prospectus; and
- (g) so far as is known to the Directors, none of the Directors, their respective Associates or shareholders of the Company who are interested in 5 per cent. or more of the issued share capital of the Company have any interests in the five largest customers of the Group.

**SHARE OPTION SCHEMES****A Summary of terms**

The following is a summary of the principal terms of the Company Share Option Scheme, the iAdvantage Share Option Scheme and the Red-Dots Share Option Scheme conditionally approved by resolutions of the sole shareholder of the Company, the shareholders of iAdvantage and the shareholders of Red-Dots, respectively, in each case on 29 February 2000. For the purpose of this section as the context requires, references to “Employee” shall, in the case of the Company Share Option Scheme, mean any full-time employee including any executive director of the Group and, in the case of the iAdvantage Share Option Scheme and the Red-Dots Share Option Scheme, mean any full-time employee including any executive director of iAdvantage or Red-Dots (as the case may be), references to “Shares” shall mean the shares of the iAdvantage or Red-Dots (as the case may be), references to “Share Option Scheme” shall mean the Company Share Option Scheme, the iAdvantage Share Option Scheme or the Red-Dots Share Option Scheme (as the case may be) and references to “Board” shall mean the board of directors of the Company, iAdvantage or Red-Dots (as the case may be) or a duly authorised committee thereof which shall include the independent non-executive directors of the Company (and, in so far as may be required by the GEM Listing Rules, the independent non-executive directors of any holding company of the Company, iAdvantage or Red-Dots (as the case may be) which is also listed on GEM or the Main Board).

(a) *Who may join*

The Board may, at its discretion, invite any Employee to take up options at HK\$1.00 per option to subscribe for Shares at a price calculated in accordance with sub-paragraph (d) below.

(b) *Grant of option*

Any grant of options must not be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the requirements of Chapter 16 of the GEM Listing Rules. In particular, during the period of one month immediately preceding the preliminary announcement of annual results or the publication of interim results, no option should be granted until such information has been announced pursuant to the requirements of Chapter 16 of the GEM Listing Rules.

(c) *Payment on acceptance of option offer*

HK\$1.00 is payable by the Employee to the Company, iAdvantage or Red-Dots, as the case may be, on acceptance of the option offer.

(d) *Price of Shares*

The subscription price for Shares under the Company Share Option Scheme in respect of options granted prior to the Listing Date will be the Offer Price and the subscription price for Shares under the Company Share Option Scheme in respect of options granted on or after the Listing Date will be a price determined by the Board and notified to each grantee and will be the highest of (i) the closing price of the Shares as stated in the Stock Exchange's

daily quotations sheet on the date of offer, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer and (iii) the nominal value of a Share.

The subscription price for shares in iAdvantage or Red-Dots under the iAdvantage Share Option Scheme and the Red-Dots Share Option Scheme respectively shall be a price determined by the board of directors of iAdvantage or Red-Dots (as the case may be) or a duly authorised committee thereof and notified to an Employee and shall not be less than the nominal value of a share in iAdvantage or Red-Dots (as the case may be) provided that in the case of a grantee which is a director of any holding company of iAdvantage or Red-Dots (as the case may be) which is also listed on GEM or the Main Board or his or her associates, the subscription price shall be determined on a fair and reasonable basis and not be less than the latest audited net tangible assets per share in iAdvantage or Red-Dots (as the case may be).

(e) *Maximum number of shares*

The total number of shares subject to the Share Option Scheme and any other schemes must not, in aggregate, exceed 10 per cent. of the shares of the Company, iAdvantage or Red-Dots (as the case may be) in issue from time to time (excluding (i) shares issued upon the exercise of options granted pursuant to the Share Option Schemes and any other schemes; and (ii) any pro rata entitlements to further shares issued in respect of those shares mentioned in (i)).

Upon completion of the Share Offer and taking no account of Shares which may be issued pursuant to the Over-allotment Option, the total number of Shares which will be subject to the Company Share Option Scheme will be 200,000,000 Shares representing 10 per cent. of the issued share capital of the Company at that time.

No Employee shall be granted an option which, if exercised in full, would result in such person's maximum entitlement exceeding 25 per cent. of the aggregate number of shares for the time being issued and are issuable under the Share Option Scheme.

(f) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period of not less than three years to be notified by the Board to each grantee which period of time shall commence on the date of grant of the option and expire on such date as determined by the Board or 28 February 2010, whichever is the earlier.

(g) *Rights are personal to grantee*

An option may not be transferred or assigned and is personal to the grantee.

(h) *Rights on ceasing employment*

If the grantee of an option ceases to be an Employee for any reason other than death, misconduct or certain other grounds (including bankruptcy, insolvency or a conviction for a criminal offence), the grantee may exercise the option up to the grantee's entitlement at

the date of cessation (to the extent which has become exercisable and not already exercised) within the period of three months following the date of such cessation, which date shall be the last actual working day with the relevant company in the Group whether salary is paid in lieu of notice or not or such longer period as the Board may determine, failing which the option will lapse.

(i) *Rights on death*

If the grantee of an option dies before exercising the option in full and none of certain events which would be a ground for termination of his or her employment by the employer arises, his or her personal representative(s) may exercise the option in full (to the extent which has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death, failing which the option will lapse.

(j) *Effects of alterations to capital*

In the event of an alteration in the capital structure of the Company, iAdvantage or Red-Dots (as the case may be) whilst any option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of the Company, iAdvantage or Red-Dots (as the case may be) as fair and reasonable will be made in the subject matter of the option so far as unexercised, the subscription price and/or the method of the exercise of the option, provided that no such alteration shall be made so that a share would be issued at less than its nominal value or which would give a grantee a different proportion of the issued share capital of the Company, iAdvantage or Red-Dots (as the case may be) as that to which he or she was previously entitled and no alteration shall be made if any alteration in the capital structure of the Company, iAdvantage or Red-Dots (as the case may be) is the result of an issue of shares in the capital of the Company, iAdvantage or Red-Dots (as the case may be) as consideration in a transaction.

(k) *Rights on take-over*

If a general offer by way of take-over is made to all the holders of shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) with the terms of the offer having been approved by the holders of not less than nine-tenths in value of the shares comprised in the offer within four months from the date of the offer and the offeror thereafter gives a notice to acquire the remaining shares, the grantee (or his or her personal representative(s)) may by notice in writing to the Company, iAdvantage or Red-Dots (as the case may be) within 21 days of such notice exercise the option (to the extent which has become exercisable on the date of such notice and not already exercised) to its full extent or to the extent specified in such notice.

(l) *Rights on a compromise or arrangement*

If a compromise or arrangement between the Company, iAdvantage or Red-Dots (as the case may be) and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company, iAdvantage or Red-Dots (as the case may be) or its amalgamation with any other company or companies, the Company, iAdvantage or Red-Dots (as the case may be) shall give notice to the grantee on the same date as it dispatches the notice to each member or creditor of the Company, iAdvantage or

Red-Dots (as the case may be) summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his or her personal representative(s)) may until the expiry of the period commencing with such date and ending with the earlier of the date two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the court exercise any of his or her options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. The Company, iAdvantage or Red-Dots (as the case may be) may require the grantee (or his or her personal representative(s)) to transfer or otherwise deal with the shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such shares been subject to such compromise or arrangement.

(m) *Lapse of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the option period;
- (ii) the expiry of the periods referred to in sub-paragraph (h), (i) or (k), respectively;
- (iii) subject to the compromise or arrangement becoming effective, the expiry of the period referred to in sub-paragraph (l);
- (iv) the date on which the grantee of an option ceases to be an Employee by reason of the termination of his or her employment on grounds including, but not limited to, misconduct, bankruptcy, insolvency and conviction of any criminal offence;
- (v) the date of the commencement of the winding-up of the Company, iAdvantage or Red-Dots (as the case may be); or
- (vi) the date on which the grantee sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option in breach of the Share Option Scheme.

(n) *Ranking of shares*

The shares to be allotted upon the exercise of an option will be subject to the articles of association of the Company, iAdvantage or Red-Dots (as the case may be) for the time being in force and will rank *pari passu* with the fully paid shares in issue on the date of their allotment and issue and in particular will rank in full for all dividends or other distributions declared paid or made on or after the date of exercise of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the date of allotment and issue.

Unless the context otherwise requires, references to “Shares” in the Share Option Scheme include references to shares in the Company, iAdvantage or Red-Dots (as the case may be) of any such nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time.

(o) *Cancellation of options granted*

Any cancellation of options granted but not exercised must be approved by shareholders of the Company, iAdvantage or Red-Dots (as the case may be) (and also by shareholders of any holding company which is listed on the GEM and the Main Board) in general meeting, with grantees and their associates abstaining from voting. Any vote taken at the meeting to approve such cancellation must be taken by poll.

(p) *Period of Share Option Scheme*

The Share Option Scheme will remain valid for a period of 10 years commencing on 29 February 2000 after which period no further options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(q) *Alteration to Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the scheme relating to matters contained in Rule 23.03 of the GEM Listing Rules shall not be altered to extend the class of persons eligible for the grant of options or to the advantage of grantees or prospective grantees except with the prior approval of the shareholders of the Company, iAdvantage or Red-Dots (as the case may be) in general meeting (with grantees and their associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the shareholders of the Company, iAdvantage or Red-Dots (as the case may be) under the articles of association of the Company, iAdvantage or Red-Dots (as the case may be) for the time being for a variation of the rights attached to the Shares.

Any alteration to the terms and conditions of the Share Option Scheme, which are of a material nature, must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(r) *Conditions of the Company Share Option Scheme*

The Company Share Option Scheme is conditional on (a) the GEM Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and granting listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of options granted under the Company Share Option Scheme, (b) the Company Share Option Scheme being approved by the shareholders of SHKP in general meeting, and (c) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by Jardine Fleming on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreement or otherwise. Application

has been made to the GEM Listing Committee for the approval of and the listing of and permission to deal in the Shares and granting the approval of and listing of and permission to deal in the Shares to be issued pursuant to the exercise of the options granted under the Company Share Option Scheme.

Save as set out in the paragraphs headed “Disclosure of interests” and “Others” in the section headed “Further information about Directors, senior management and staff” of this Appendix 5 and in Appendix 6 to this prospectus, as at the date of this prospectus, no option has been granted or agreed to be granted by the Company, iAdvantage or Red-Dots under the Company Share Option Scheme, the iAdvantage Share Option Scheme or the Red-Dots Share Option Scheme, respectively.

## **OTHER INFORMATION**

### **Estate duty and tax indemnity**

SHKP and Sunco have pursuant to a deed of indemnity referred to in the sub-section headed “Summary of material contracts” under the section headed “Further Information about the Business” in this Appendix, given indemnities in connection with among others (a) any liability for Hong Kong estate duty which might be payable by any member of the Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any member of the Group on or before the date on which the Share Offer becomes unconditional; and (b) any taxation which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the date on which the Share Offer becomes unconditional other than any taxation chargeable in respect of profits or gains made in the ordinary course of business of members of the Group.

SHKP and Sunco will however, not be liable under the deed of indemnity for taxation where (a) provision has been made for such taxation in the audited combined accounts of the Group for the two years ended 30 June 1999 and the six months ended 31 December 1999 (the “Accounts”); (b) the taxation arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date of the deed of indemnity; (c) the taxation or liability would not have arisen but for any act, transaction, omission or delay by any member of the Group voluntarily effected (other than pursuant to a legally binding commitment created on or before the date of the deed of indemnity) without the prior written consent or agreement of SHKP or Sunco, otherwise than in the ordinary course of business after the date of the deed of indemnity; and (d) provision or reserve made for such taxation in the Accounts is established to be an over-provision or an excessive reserve.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in the Cayman Islands or the British Virgin Islands, being jurisdictions in which one or more of the companies comprising the Group are incorporated.

### **Litigation**

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group save that the Company has received a letter dated 1 March 2000 from a firm of solicitors in Hong Kong acting for Sun Microsystems, Inc of the USA (“Sun Microsystems”) claiming that the use and operation of the Group’s Internet business under or by reference to “SUNeVision”, the “SUNeVision” logo and/or “Sun Technology” may provide Sun Microsystems with the basis of an action for trade mark infringement and passing off.

The word “Sun” is part of the name of Sun Hung Kai Properties Limited and many of its subsidiaries which since 1972 have conducted businesses of different nature including high tech businesses which were commenced subsequent to 1972. The Company will defend any possible legal action which may be taken by Sun Microsystems.

### **Address for service of process and notices**

Mr Hui Ho Ming, Herbert, has been nominated as the authorised persons to accept service of process and notices of the Company. The address for service of process and notices is 20C, Star Court, 4 Man Wan Road, Waterloo Hill, Kowloon, Hong Kong.

### **Sponsor**

Jardine Fleming has made an application on behalf of the Company to the GEM Listing Committee for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and any Shares falling to be issued pursuant to the exercise of options granted under the Company Share Option Scheme or pursuant to the exercise of any conversion rights under the Convertible Note.

### **Preliminary expenses**

The preliminary expenses of the Company are estimated to be approximately HK\$30,000 and are payable by the Company.

### **Promoter**

The promoter of the Company is SHKP. As at the Latest Practicable Date, the issued share capital of SHKP was HK\$1,200,453,681 divided into 2,400,907,362 shares of HK\$0.50 each which are fully paid or credited as fully paid. SHKP’s current directors, principal bankers and auditors are as follows:

#### **Directors of the promoter**

KWOK Ping Sheung, Walter	(Chairman & Chief Executive Officer)
LEE Shau Kee	(Vice Chairman)
KWOK Ping Kwong, Thomas	(Vice Chairman & Managing Director)
KWOK Ping Luen, Raymond	(Vice Chairman & Managing Director)
HO Tim	(Independent Non-Executive Director)
WOO Po Shing	(Independent Non-Executive Director)
FUNG Kwok King, Victor	(Independent Non-Executive Director)
KWAN Cheuk Yin, William	(Independent Non-Executive Director)
LO Chiu Chun, Clement	(Non-Executive Director)
LAW King Wan	(Executive Director)
CHAN Kai Ming	(Executive Director)
CHAN Kui Yuen, Thomas	(Executive Director)
KWONG Chun	(Executive Director)
WONG Yick Kam, Michael	(Executive Director)
WONG Chik Wing, Mike	(Executive Director)

**Principal bankers of the promoter**

The Hongkong & Shanghai Banking Corporation Limited  
 Bank of China  
 Hang Seng Bank Limited  
 Standard Chartered Bank  
 The Bank of Tokyo-Mitsubishi Limited  
 The Sanwa Bank Limited  
 The Sumitomo Bank, Limited  
 The Chase Manhattan Bank  
 Banque Nationale de Paris  
 ABN Amro Bank

**Auditors of the promoter**

Deloitte Touche Tohmatsu

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter in connection with the Share Offer or the related transactions described in this prospectus.

**Qualifications of experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
Jardine Fleming	Registered investment adviser
Deloitte Touche Tohmatsu	Certified public accountant
DTZ Debenham Tie Leung Limited	Property valuers
Maples and Calder Asia	Cayman Islands attorneys-at-law

**Consents of experts**

Each of Jardine Fleming, Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited and Maples and Calder Asia has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

**Binding effect**

This prospectus shall have the effect if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

**Miscellaneous**

- (a) Save as disclosed in this prospectus:
- (i) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 1999 (being the date to which the latest audited financial statements of the Group were made);
  - (iv) no founders, management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued; and
  - (v) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries.
- (b) None of Jardine Fleming, Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited and Maples and Calder Asia:
- (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.
- (c) No company within the Group is presently listed on any stock exchange or traded on any trading system.
- (d) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

**PARTICULARS OF OPTIONS CONDITIONALLY  
GRANTED TO SENIOR MANAGEMENT STAFF  
UNDER THE COMPANY SHARE OPTION SCHEME**

Set out below are the names and addresses of the 16 senior management staff of the Group who have been conditionally granted options by the Company under the Company Share Option Scheme and the number of options so granted to them:

<b>Name</b>	<b>Address</b>	<b>Number of options</b>
Tsim Wing Kit, Alfred	Flat 1806, Kei Hong House Hong Tin Court Lam Tin Kowloon	260,000
Chan Wing Yuen, Hubert	Room 1802, Block B Parkway Court 4 Park Road Hong Kong	260,000
Ho Chi-Lam, Alfred	1303, Block B Kornhill Quarry Bay Hong Kong	285,000
Chang, Frederick Hubert	10B, Royal Tower 18 Old Peak Road Hong Kong	260,000
Cheng Chung Ho, Jeremy	Room 1108 Block J, Kornhill Hong Kong	260,000
Kwok Tai Wai, David	Flat 9B, Block 1 Kornhill Garden Quarry Bay Hong Kong	260,000
Tam Wing Yiu, Alex	Flat D, 3/F, Block 6 The Paramount 23 Shan Tong Road Tai Po New Territories	260,000
Cheung Wai Tak, Vitus	28/F, Flat B Chuang's On The Park 162 Tung Lo Wan Road Tin Hau Hong Kong	260,000

**PARTICULARS OF OPTIONS CONDITIONALLY  
GRANTED TO SENIOR MANAGEMENT STAFF  
UNDER THE COMPANY SHARE OPTION SCHEME**

<b>Name</b>	<b>Address</b>	<b>Number of options</b>
Thomas McDonald Overton	6B Babington Path Apartment 7 Mid Levels Hong Kong	160,000
Kwok Sai Kwong, Simon	Flat F, 35/F, Block 4 Sea Crest Villa 18 Castle Peak Road Kowloon	160,000
Li Ming Pan, Ben	Flat C, 11/F 1 Glee Path Mei Foo Sun Chuen Kowloon	160,000
Tam Wai Han, Loretta	Senior Staff Quarter 11th Tower 3/A Clear Water Bay HKU of Science & Technology Kowloon	160,000
Lam Man Pak, Patrick	Flat 31A, Tower 3 Hillsborough Court 18 Old Peak Road Hong Kong	260,000
Lo Kit Yee, Grace	22 Bella Vista Silver Terrace Road Clear Water Bay Kowloon	260,000
Wong Tuen Wah, Hilda	Flat 25G, Block 33 Laguna City Kowloon	260,000
Wan Chung Ming, William	Room 3B, Tai Wo Village Ho Chung Sai Kung New Territories	260,000

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus registered by the Registrar of Companies in Hong Kong were copies of the **WHITE**, **YELLOW**, **BLUE** and **RED** application forms, the statement of adjustment to the accountants' report set out in Appendix 1 to this prospectus prepared by Deloitte Touche Tohmatsu the written consents referred to in the section headed "Other Information — Consents of experts" in Appendix 5 to this prospectus, and copies of the material contracts referred to in the section headed "Further Information About the Business — Summary of material contracts" in Appendix 5 to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Woo Kwan Lee & Lo, 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including 20 March 2000:

- (a) the Memorandum and Articles of Association of the Company;
- (b) such audited accounts as have been prepared for the companies comprising the Group for each of the two years ended 30 June 1999 and the six months ended 31 December 1999;
- (c) the accountants' report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix 1 to this prospectus and the statement of adjustments thereto;
- (d) the letter, summary of valuations and valuation certificate relating to the property interests of the Group prepared by DTZ Debenham Tie Leung Limited, the text of which is set out in Appendix 2 to this prospectus;
- (e) the rules of the Company Share Option Scheme, the iAdvantage Share Option Scheme and the Red-Dots Share Option Scheme;
- (f) the Companies Law;
- (g) the letter prepared by Maples and Calder Asia referred to in Appendix 4 summarising certain aspects of Cayman Islands law;
- (h) the service agreements referred to in the section headed "Further Information About Directors, Senior Management and Staff — Directors" in Appendix 5 to this prospectus;
- (i) the material contracts referred to in the section headed "Summary of material contracts" under the section headed "Further Information About the Business" in Appendix 5 to this prospectus;

- (j) the written consents referred to in the section headed “Consents of experts” under the section headed “Other Information” in Appendix 5 to this prospectus;
- (k) the deed relating to the Convertible Note; and
- (l) A full list of all optionholders, being 11 executive Directors, 16 senior management staff and 124 other employees of the Group, containing all the details in respect of each option required under paragraph 10 of the Third Schedule to the Companies Ordinance as referred to in sub-paragraph (g) of the paragraph headed “Others” in the section headed “Further Information about Directors, Senior Management and Staff” in Appendix 5 to this prospectus.