

Share option scheme of SUNeVision Holdings Limited

The following directors were granted options at HK\$1.00 per option in respect of shares of SUNeVision Holdings Limited under its share option scheme during the period ended 30th June 2001 as follows:

Name of Director	Date of Grant	Exercise Price (HK\$)	No. of Shares	Option Exercised During the Year	Balance Outstanding at 30/6/2001
Kwok Ping-sheung, Walter	28/3/2000	10.38	415,000	—	595,000
	7/4/2001	2.34	180,000	—	
Kwok Ping-Kwong, Thomas	28/3/2000	10.38	415,000	—	595,000
	7/4/2001	2.34	180,000	—	
Kwok Ping-luen, Raymond	28/3/2000	10.38	755,000	—	1,105,000
	7/4/2001	2.34	350,000	—	
Chan Kui-yuen, Thomas	28/3/2000	10.38	510,000	—	690,000
	7/4/2001	2.34	180,000	—	
Wong Yick-kam, Michael	28/3/2000	10.38	360,000	—	540,000
	7/4/2001	2.34	180,000	—	

The above mentioned options at the exercise price of HK\$10.38 per share may be exercised in accordance with the following terms:

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

The above mentioned options at the exercise price of HK\$2.34 per share may be exercised in accordance with the following terms:

- (i) one third of the options within three years commencing on 20th March 2002;
- (ii) a further one third of the options within three years commencing on 20th March 2003; and
- (iii) the remaining one third of the options within three years commencing on 20th March 2004.

Other Share Option Schemes

Two more share option schemes were approved for two subsidiaries of the Company, iAdvantage Limited and SUNeVision Red-Dots Limited, allowing their respective boards of directors the right to grant to their full-time employees and executive directors the chance to subscribe for their shares, which in aggregate represent up to 10 per cent of the issued capital of the respective companies from time to time. No such options were granted to any director of the Company during the year.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes as mentioned above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30th June 2001, the interests of every person, other than a director or the chief executive of the Company, being 10 per cent or more in the equity securities of the Company, as recorded in the register required to be kept under Section 16(1) of the Ordinance, were as follows:

Name of Shareholder	No. of Shares in which the Shareholder was interested
HSBC Holdings plc	1,123,601,108
HSBC Finance (Netherlands)	1,123,031,659
HSBC Holdings B.V.	1,123,031,659
HSBC Investment Bank Holdings B.V.	1,081,551,594
HSBC International Trustee Limited (Note 4)	1,080,582,744

Note 4 The shares in which HSBC International Trustee Limited was interested formed part of the shares in which HSBC Investment Bank Holdings B.V. was interested; the shares in which HSBC Investment Bank Holdings B.V. was interested formed part of the shares in which HSBC Holdings B.V. was interested; the shares in which HSBC Holdings B.V. was interested were the shares in which HSBC Finance (Netherlands) was interested and the shares in which HSBC Finance (Netherlands) was interested formed part of the shares in which HSBC Holdings plc was interested.

Of the above shares in the Company in which HSBC International Trustee Limited was interested, 1,051,808,347 shares were part of the shares referred to in Note 1 above.

BANK BORROWINGS

Details of bank borrowings are set out in notes 20 and 22 to the financial statements on pages 108 and 109.

INTEREST CAPITALIZED

Interest capitalized during the year amounted to HK\$593 million (2000: HK\$114 million).

CHARITABLE DONATIONS

HK\$47 million was donated during the year (2000: HK\$25 million).

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The interests of directors of the Company in competing businesses as at 30th June 2001 required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Messrs. Kwok Ping-sheung, Walter, Kwok Ping-kwong, Thomas and Kwok Ping-luen, Raymond are brothers (collectively "the Kwok Brothers") within a family whose businesses consist of property development and investment in Hong Kong through companies in which they have maintained certain personal and deemed interests. As such, they are regarded as being interested in such competing businesses ("Excluded Businesses") with the Company and its subsidiaries ("the Group"). However, when compared with the dominance and size of operations of the Group, such Excluded Businesses are immaterial. Since the Group does not have property developments and investments in locations other than in Hong Kong and Mainland China and the Kwok family does not have such businesses in the Mainland, the Kwok Brothers are therefore not regarded to be interested in such Excluded Businesses of the Group in the Mainland.

Messrs. Kwok Ping-sheung, Walter and Kwok Ping-luen, Raymond are directors of The Kowloon Motor Bus Holdings Limited in which the Group has a substantial interest, which businesses consist of property development and investment. In this regard, each of them is regarded to be interested in such Excluded Businesses with the Group.

Mr. Kwok Ping-luen, Raymond is the Chairman of SmarTone Telecommunications Holdings Limited in which the Group has a substantial interest, which businesses consist of Internet services. In this respect, he is regarded to be interested in such Excluded Businesses with SUNeVision Holdings Limited, the technology arm of the Group.

Dr. Lee Shau-kee is the Chairman and Managing Director of Henderson Land Development Co. Limited and Henderson Investment Limited. He is also Chairman of Henderson China Holdings Limited, a director of The Miramar Hotel and Investment Co. Limited, The Hong Kong and China Gas Company Limited and certain subsidiaries of the aforementioned listed companies. In addition to his being a director, Dr. Lee has maintained certain personal and deemed interests in some of these companies, which businesses consist of property development and investment, property management, infrastructure, Internet and telecommunication services, which constitute Excluded Businesses of the Group. Dr. Lee is a non-executive director of the Company, who is not involved in the daily management of the Group.

The Kwok Brothers are directors of USI Holdings Limited and Mr. Wong Yick-kam, Michael is an alternate director to them. The Group has a substantial interest in the company, which businesses consist of property development and investment, and therefore each of them is regarded to be interested in such Excluded Businesses with the Group.

Other than the family businesses of the Kwok Brothers, the above-mentioned Excluded Businesses are managed by separate publicly listed companies with independent management and administration. In this respect, coupled with the diligence of its independent non-executive directors and the Audit Committee, the Group is capable of carrying on its businesses independent of, and at arms length from, the Excluded Businesses mentioned above.

INTEREST IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest subsisted at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30 per cent of the Group's sales and less than 30 per cent of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

AUDITORS

The retiring auditors, Messrs. Deloitte Touche Tohmatsu, have signified their willingness to continue in office. A resolution will be proposed at the Annual General Meeting to re-appoint them and to authorize the directors to fix their remuneration.

AUDIT COMMITTEE

The Audit Committee, which was established pursuant to the requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, comprising Mr. William Kwan Cheuk-yin (Chairman), Sir Sze-yuen Chung (appointed on 9th July 2001 in replacement of Dr. Ho Tim) and Mr. Clement Lo Chiu-chun, met twice in the year.

During the meetings, the Committee reviewed and made recommendations on the improvement of the Company's financial reporting process and internal controls.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules of The Stock Exchange of Hong Kong Limited during the accounting period covered by this annual report.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board.

Kwok Ping-sheung, Walter

Chairman & Chief Executive

Hong Kong, 27th September 2001