

Telecommunications and Information Technology



SmarTone will explore and develop new revenue streams by introducing new services to cater to different customer segments.

Telecommunications

SmarTone Telecommunications Holdings Limited posted further growth in service revenue and saw improvements in key operating indices, despite the mature, highly-competitive mobile market. Profits were adversely affected however by a significant increase in handset subsidies and 3G costs.

The company's mobile business in Hong Kong, SmarTone-Vodafone, achieved continued improvements in average revenue per user, data revenue and churn rate. This reflects its unique customer franchise, recognized brand, attractive service offerings, focused distribution and efforts at customer relationship management. It is on track towards revenue growth from 3G, as evidenced by a steady growth in 3G customers and their significantly higher average revenue per user. The 3G customer base currently stands at 160,000, or just over 20 per cent of post-paying customers. Its total customer base increased to 1,063,000 as at 30 June 2006.

SmarTone-Vodafone introduced a range of new service propositions for consumers and businesses during the year, to meet customers' rising expectations. These further extend the company's leadership in service and innovation.

Going forward, the company will continue to focus on increasing revenue and market share with its targeted and differentiated propositions for specific customer segments. It will also explore and develop new revenue streams from additional services. The Group is confident that SmarTone will enhance value for shareholders over the longer term, despite continuing pressure on profitability, and it will maintain its interest in the company as a strategic investment.

Information Technology

The profit of **SUNeVision Holdings Ltd** grew significantly during the 2005/06 financial year, generating a net profit of HK\$339 million compared with HK\$146 million in the previous financial year.

Turnover was HK\$276 million, an 11 percent increase over the previous year. Factors behind the growth included higher revenues from the company's Internet data centre and last-mile connectivity businesses, driven by increased demand. The year's gross profit of HK\$109 million was also higher than in the previous year, reflecting price improvements across the company's businesses. Gross margin for the year was 39 per cent, two per cent points higher than the previous year.

Other revenue, being revenue in addition to turnover from operations, was HK\$181 million. This was substantially higher than in the last financial year, largely as a result of the one-time redemption of several bond holdings and the one-time distributions from an equity technology investment. Operating expenditures were HK\$48 million, similar to that of the previous year. Profit from operations was HK\$241 million. Including the effect of revaluation of investment properties and equity technology investments, and allowing for taxation and minority interests, net profit for the financial year was HK\$339 million.

iAdvantage continued to strengthen its position as the leader in carrier-neutral data centre facilities and services in Hong Kong and China during the year. It kept on meeting the demands of global financial services, telecommunications carriers, IT service providers, multinational corporations and government authorities with its carrier-neutral, world-class facilities and services. Overall data centre occupancy during the year was approximately 70 per cent, a significant improvement over the previous year. Demand for iAdvantage's service is anticipated to grow.

SUNeVision's consumer-enabling and property-related technology businesses continued to deliver value-added services to the customers during the year. Productivity improved and the Group's extensive property footing provided valuable opportunities.

SUNeVision's financial position remained solid after the payment of a special cash dividend, and the company continues to hold sufficient resources to meet expected operational needs and support future growth. The Group is confident in the company's continuing fiscal strength and earnings prospects.



iAdvantage data centres continue to make an important contribution to SUNeVision's revenues.