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SUNeVision Holdings Ltd.
新意網集團有限公司

(Incorporated in the Cayman Islands with limited liability)

ONGOING CONNECTED TRANSACTIONS

SUMMARY

Upon listing of the shares of the Company on GEM in March 2000, the Company has obtained waivers from compliance with relevant announcement and shareholders approval requirements under the GEM Listing Rules in relation to the Existing Ongoing Connected Transactions. The Original Waiver expired on 17 March 2003 whereupon, the Company was required to comply with all disclosure and shareholders' approval requirements under the GEM Listing Rules in respect of those of the Existing Ongoing Connected Transactions which continue after such date. In addition, the Directors anticipate that certain other existing ongoing transactions between the Group and the SHKP Group, which have been of a small scale with value not exceeding the de minimus threshold stipulated under Rule 20.25 of the GEM Listing Rules, will increase to a scale constituting non-exempt continuing ongoing connected transactions for the Company under Rule 20.26 of the GEM Listing Rules. The Group will also enter into certain future ongoing connected transactions with the SHKP Group which shall constitute non-exempt continuing connected transactions of the Company under the GEM Listing Rules.

As at the date of this announcement, SHKP indirectly owned an aggregate of 1,719,427,500 Shares representing approximately 84.86% of the entire issued share capital of the Company. SHKP is therefore a substantial shareholder of the Company. As such, SHKP and its associates are connected persons of the Company for so long as SHKP remains the Company's substantial shareholder.

In view of the above, the Company will seek the approval of the Independent Shareholders (by way of poll) in relation to the Ongoing Connected Transactions.

A circular containing, among other things, (1) further information on the Ongoing Connected Transactions; (2) the recommendation of the Independent Board Committee in respect of the Ongoing Connected Transactions; (3) the advice from the independent financial adviser to the Independent Board Committee; and (4) notice of the EGM to be convened at which the Ordinary Resolution will be proposed to approve the Ongoing Connected Transactions and all matters contemplated thereunder will be sent to Shareholders as soon as practicable.

1. BACKGROUND

Expiry of the Original Waiver and increase in scale of certain other ongoing connected transactions

Reference is made to the Prospectus which set out the particulars of the Existing Ongoing Connected Transactions. The Company has applied for, and the Stock Exchange had granted, waivers from strict compliance with the relevant announcement and shareholders' approval requirements under the GEM Listing Rules in relation to the Existing Ongoing Connected Transactions. The Original Waiver expired on 17 March 2003 whereupon, the Company was required to comply with all disclosure and shareholders' approval requirements under the GEM Listing Rules in respect of those of the Existing Ongoing Connected Transactions which continue after the expiry of the Original Waiver Period. In addition, the Directors anticipate that certain other ongoing transactions of the Group with SHKP and its associates as described below, which have been of a small scale with value not exceeding the de minimus threshold stipulated under Rule 20.25 of the GEM Listing Rules, will increase to a scale constituting non-exempt continuing ongoing connected transactions for the Company under Rule 20.26 of the GEM Listing Rules. The Company will therefore seek Independent Shareholders' approval in respect of these existing ongoing connected transactions.

Future connected transactions

Members of the Group and SHKP Group will also enter into certain transactions in the future which will constitute non-exempt continuing connected transactions for the Company under Rule 20.26 of the GEM Listing Rules. As such, the Company will also seek approval from the Independent Shareholders in relation to these future ongoing connected transactions.

All of the Ongoing Connected Transactions (other than the Investment Management Service Arrangement and the Construction Services Arrangement, both of which have not been commenced yet and are not expected to be conducted before the Independent Shareholders' Approval is obtained) have been conducted by the Group in compliance with the requirements of the GEM Listing Rules, in particular, the transaction amounts have not exceeded the threshold permitted under the GEM Listing Rules. The Directors do not expect that the amounts of the Ongoing Connected Transaction after the date of expiry of the Original Waiver Period and before the date of the Independent Shareholders' Approval to be in excess of the de minimus threshold under Rule 20.25(3) of the GEM Listing Rules. The Company will make appropriate announcement should any transaction exceed the permitted limit.

Relationship with SHKP

As at the date of this announcement, SHKP indirectly owned an aggregate of 1,719,427,500 Shares representing approximately 84.86% of the entire issued share capital of the Company. SHKP is therefore a substantial shareholder of the Company. As such, SHKP and its associates are connected persons of the Company for so long as SHKP remains the Company's substantial shareholder.

Independent Shareholders Approval

As the Ongoing Connected Transactions are/will be made between the Company and SHKP and its associates, they constitute/will constitute non-exempt continuing connected transactions for the Company under Rule 20.26 of the GEM Listing Rules. Being so, those GEM Listing Rules governing non-exempt continuing connected transactions, including the reporting, announcement and shareholders' approval requirements under Rules 20.34, 20.35 and 20.36 of the GEM Listing Rules, will apply to the Ongoing Connected Transactions. The Company seeks the Independent Shareholders' Approval, including the respective caps for such transactions for the respective periods hereinafter mention.

2. THE ONGOING CONNECTED TRANSACTIONS

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

As disclosed in the Prospectus, CST iAdvantage has leased from members of the SHKP Group certain premises in the PRC (“**Lease Arrangement**”). The Lease Arrangement is covered by the Original Waiver which expired on 17 March 2003. Set out below is information regarding such leases.

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

Date of Agreements: 30 June 2000 – original lease agreement
6 November 2002 – surrender agreement (see remarks below)

Landlord: Beijing Sun Dong An Company Limited, a jointly controlled entity in which SHKP is interested in 50%

Tenant: CST iAdvantage

Term: Six years commencing on 1 May 2000 (with five renewal options for a term of three years each), including the Original Waiver Period

Rental: In relation to the period covered by the Original Waiver, the rental was US\$11,090 per month for the period from 1 May 2000 to 30 April 2002, US\$12,199 per month for the period from 1 May 2002 to 31 October 2002, US\$9,273 per month for the period from 1 November 2002 to 16 March 2003, all rental being exclusive of air-conditioning, management fees and other outgoings; and

in relation to the remainder of the term, the rental is US\$9,273 per month for the period from 17 March 2003 to 30 April 2004, US\$10,116 per month for the period from 1 May 2004 to 30 April 2006, open market rent (subject to a cap of ± 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 periods: 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

Air-conditioning and property management charges: RMB35,488 per month for the period from 1 May 2000 to 30 October 2002 and RMB26,976 per month for the period from 1 November 2002 to 30 April (during the rent free periods, 50% of the

aforesaid monthly charges)

User: This property is used by the Group as its office premises and data centre.

Remarks: CST iAdvantage surrendered part of Room 809 with an area of 266 square meters to the landlord on 30 October 2002. There has been no change in the rent per square meter as agreed under the original lease agreement. However, due to a reduction in the area leased by CST iAdvantage, the monthly rental payable by CST iAdvantage for the period from 1 November 2002 to 30 April 2004 has been reduced from US\$12,199 to US\$9,273 and for the period from 1 May 2004 to 30 April 2006 has been reduced from US\$13,308 to US\$10,116.

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

Date of Agreement: 1 April 2000

Landlord: Shanghai Central Plaza Property Co. Limited, a subsidiary of SHKP in which SHKP has a 75% interest

Tenant: CST iAdvantage

Term: Six years commencing on 1 April 2000 (with five renewal options for a term of three years each), including the Original Waiver Period

Rental: In relation to the period covered by the Original Waiver, the rental (excluding air-conditioning, management fees and other outgoings) was US\$17,891.55 per month for the period from 1 April 2000 to 16 March 2003,

in relation to the remainder of the term, the rental is US\$17,891.55 from 17 March 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 periods: 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

Air-conditioning and property management charges: RMB24,372.90 per month

User: This property is used by the Group as its office

premises and data centre

Remarks: The parties to the lease agreement are still negotiating for the rental in respect of the period from 1 April 2003 to 31 March 2006 and the agreed amount of rental will be disclosed in the circular to be sent to the Shareholders

As shown above, the agreements in respect of the Lease Arrangement are for periods of more than three years. 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. At the time of the Listing, the Stock Exchange granted a waiver to the Company from strict compliance with the requirement that the periods of the agreements under the Lease Arrangement should not exceed three years.

The Directors confirmed that the terms of the agreements in respect of the Lease Arrangement were entered into in the ordinary course of business and were negotiated on an arm's length basis and on normal commercial terms. The amounts of rental, management fees and air-conditioning charges payable by the Group under the Lease Arrangement were determined by reference to, and were at market rates at the time the relevant agreements governing the Lease Arrangement were entered into, and such amounts for the lease in Shanghai are also comparable with the current prevailing market rates of similar properties in Shanghai, while such amounts for the lease in Beijing are slightly below the current prevailing market rates of similar property in Beijing due to a general increase in the market rates for office rental in Beijing in recent years. The Directors further confirmed that the Lease Arrangement has been conducted in accordance with the terms of the relevant lease agreements governing them which terms are fair and reasonable so far as the Shareholders as a whole are concerned.

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

Members of the SHKP Group have been using the Group's internet services whereby they place advertisements on or conduct promotion activities via various internet websites operated by members of the Group, such as superhome.net, superstreets.net, red-dots.com and reinsurancemall.com (the "**Advertising Transactions**"). Members of the Group also provide internet-related services to members of the SHKP Group which services include the setting-up of e-management systems and resident communities, reservation and booking services, systems maintenance and management services, website development and maintenance services and online marketing campaigns (the "**e-Commerce Transactions**"). The Group charges the relevant members of SHKP Group service fees for the provision of such services.

As disclosed in the Prospectus, the Company and SHKP entered into an agreement on 26 February 2000 whereby SHKP had agreed to procure its subsidiaries to enter into the Advertising Transactions and e-Commerce Transactions with members of the Group for a period of three years from the date of the agreement. On 6 May 2003, the Company and SHKP entered into a new agreement governing these transactions which is in essence of the same terms as those under the previous agreement. The new agreement is conditional upon the obtaining of, and shall take effect from the date of, the Independent Shareholders' Approval to 30 June 2005. This is a master agreement which sets out the principles upon which detailed terms are to be determined between the Company and SHKP in relation to the Advertising and e-Commerce Transactions. Such principles include the service to be provided by the Group to SHKP Group pursuant to the Advertising and e-Commerce Transactions shall be on normal commercial terms and the fees payable by the relevant members of the SHKP Group shall be at rates comparable to the rates at which the Group charges other independent third party customers for similar transactions. In determining the rates chargeable to the SHKP Group, the Group will refer to the available rates in local and international markets from time to time. Relevant members of the Group and SHKP Group have entered and will enter into separate and definitive agreements to provide for the detailed

terms of each single transaction pursuant to such arrangement from time to time.

Under the Original Waiver, the annual cap for the Advertising and e-Commerce Transactions was HK\$70,000,000. During the Original Waiver Period, the aggregate service fees for the Advertising Transactions and e-Commerce Transactions received by the Group for the years ended 30 June 2000, 30 June 2001, 30 June 2002 and the period from 1 July 2002 to 17 March 2003 amounted to approximately HK\$745,000, HK\$10,576,000, HK\$7,761,000 and HK\$6,900,000 respectively. The aggregate service fees for the Advertising Transactions and e-Commerce Transactions received by the Group for the period from 18 March to 30 April 2003 was approximately HK\$750,000. It is expected that the aggregate amount of service fees receivable by the Group in respect of the Advertising Transactions and e-Commerce Transactions will not exceed HK\$450,000 for the month of June 2003 and HK\$15,000,000 in each of the two subsequent financial years ending 30 June 2005. The proposed annual caps are determined by reference to the historical value of such transactions, projected level of demand of such services by members of the SHKP Group and the anticipated level of fees at which the Group may charge in respect of such services.

The substantial increase in the annual caps sought as compared to the historical transaction amounts is mainly due to the expected launch of the booking and reservation systems in the first quarter of 2004. Such booking and reservation systems will enable the users to make reservation for facilities such as hotels, resorts, restaurants and sports facilities owned, operated and/or managed by the SHKP Group. The Group charges a fee to SHKP Group for the design and development of such booking and reservation systems, and a monthly fee will also be charged as maintenance fee. It is anticipated that the revenue to be generated from the said booking and reservation systems will account for approximately 60% of the projected increase of the annual cap. The remaining approximately 40% increase in the annual cap is attributable to the expected increase in the level of demand for the Group's existing services which is partly due to an increase in the number of properties developed by the SHKP Group utilising the Group's services.

The Advertising Transactions and e-Commerce Transactions have been and will be conducted in the ordinary and usual course of business of the Group. The Directors confirmed that the service fees charged/to be charged by the Group were and will continue to be based on comparable rates at which the Group charges other independent third party customers and are and will continue to be on normal commercial terms.

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

Members of the Group, including SUNeVision Super e-Network Limited and SUNeVision Super e-Technology Services Limited ("**Super e-Tech**"), have been providing services to members of the SHKP Group in connection with the design, installation, operation and provision of SMATV/CABD and other security systems and laying of network cabling system (such as voice and data network), optical fibre network, broadband network and other IT infrastructure network in buildings owned and/or managed by the SHKP Group (the "**Networking Arrangement**"). The Group charges the relevant members of SHKP Group service fees for the provision of such services.

As disclosed in the Prospectus, the Company and SHKP entered into an agreement on 26 February 2000 whereby the Company had agreed to procure relevant members of the Group to provide services contemplated under the Networking Arrangement to members of SHKP Group for a period of three years from the date of the agreement. On 6 May 2003, the Company and SHKP entered into a new agreement governing these transactions which is in essence of the same terms as those under the previous agreement. The new agreement shall be conditional upon the obtaining of, and shall commence from the date of, the Independent Shareholders' Approval to 30 June 2005. This is a master agreement which sets out the principles upon which detailed terms are to be determined between the Company and SHKP under the Networking Arrangement.

Such principles include the service provided by the Group to SHKP Group pursuant to the Networking Arrangement shall be on normal commercial terms and the fees payable by the relevant members of the SHKP Group shall be at rates comparable to the rates at which other independent third parties may charge the SHKP Group for such services. Relevant members of the Group and the SHKP Group have entered into and will enter into definitive agreements providing the terms of each single transaction for the provision of the different types of services pursuant to the arrangement from time to time. The fees payable by the SHKP Group to the Group are according to such definitive agreements concluded between the Group and the SHKP Group after the Group has successfully bid the relevant projects. It is the understanding of the Group that the SHKP Group will select bidders whom SHKP Group considers are able to offered the most attractive terms taking into account the price, the quality of work and schedule of completion offered by them.

Under the Original Waiver, no cap had been set for transactions carried out pursuant to the Networking Arrangement. During the Original Waiver Period, the aggregate services fees for the Networking Arrangement received by the Group for the years ended 30 June 2000, 30 June 2001, 30 June 2002 and for the period from 1 July 2002 to 17 March 2003 amounted to approximately HK\$24,430,000, HK\$25,153,000, HK\$34,323,000 and HK\$33,888,000 respectively. The aggregate services fees for the Networking Arrangement received by the Group for the period from 18 March to 30 April 2003 is approximately HK\$348,000 .

It is expected that the amount of service fees receivable by the Group in respect of the Networking Arrangement will not exceed HK\$10,000,000 for the month of June 2003 and HK\$39,000,000 in each of the two subsequent financial years ending 30 June 2005. The proposed annual caps are determined by reference to the historical value of such transactions, projected level of demand of such services by members of the SHKP Group and the anticipated level of fees which the Group may charge in respect of such services. In particular, the increase in the amount of the annual caps sought as compared to the historical values is due to (i) an anticipated increase in the level of demand for the Group's services which accounts for approximately 90% of the amount of increase; and (ii) an anticipated increase in the rate of service chargeable by the Group which accounts for approximately 10% of the amount of increase.

The Networking Arrangement have been and will be conducted in the ordinary and usual course of business of the Group. The Directors confirmed that, in view of the fact that the Group has to bid for the projects, the Networking Arrangement have been and will continue to be negotiated on an arm's length basis, on normal commercial terms and the service fees charged/to be charged by the Group in respect of the Networking Arrangement have been and will continue to be at rates comparable to the rates at which other independent third parties may charge the SHKP Group for such services.

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

Certain members of the Group, including SUNeVision Super e-Network Limited and SUNeVision Super e-Technology Services Limited, have been engaged by certain members of the SHKP Group to carry out maintenance and repair works for cable, broadband, computer systems and other IT infrastructure networks and security systems in buildings owned and/or managed by the SHKP Group ("**Maintenance Arrangement**"). The Group charges fees for services provided under the Maintenance Arrangement after the expiry of the warranty periods of the cable, broadband, computer systems and other IT infrastructure networks and security systems provided, installed or laid by the Group.

As disclosed in the Prospectus, the Company and SHKP entered into an agreement on 26 February 2000 whereby the Company had agreed to procure relevant members of the Group to provide services contemplated under the Maintenance Arrangement to members of SHKP Group for a period of three years from the date of the agreement. On 6 May 2003, the Company and SHKP entered into a new agreement governing these

transactions which is in essence of the same terms as those under the previous agreement. The new agreement is conditional upon the obtaining of, and shall commence from the date of, the Independent Shareholders' Approval to 30 June 2005. This is a master agreement which sets out the principles upon which detailed terms are to be determined in relation to the Maintenance Arrangement. Such principles include the service provided by the Group to the SHKP Group pursuant to the Maintenance Arrangement shall be on normal commercial terms and the fees payable by the relevant members of SHKP Group shall be at rates comparable to those at which other independent third parties may charge the SHKP Group. Members of the SHKP Group have entered into and will enter into separate and definitive agreements with members of the Group to provide for the detailed terms of service to be provided pursuant to the Maintenance Arrangement. The fees chargeable to the SHKP Group are according to such definitive agreements concluded between the Group and the SHKP Group after the Group has successfully bid the relevant projects. It is the understanding of the Group that the SHKP Group will select bidders whom SHKP Group considers are able to offer the most attractive terms taking into account the price, the quality of work and schedule of completion offered by them.

Under the Original Waiver, no cap had been set for transactions carried out pursuant to the Maintenance Arrangement. During the Original Waiver Period, the aggregate amount of service fees received by the Group in relation to the Maintenance Arrangement for the years ending 30 June 2000, 30 June 2001, 30 June 2002 and for the period for 1 July 2002 to 17 March 2003 amounted to approximately HK\$26,934,000, HK\$27,879,000, HK\$29,051,000 and HK\$27,110,000 respectively. The aggregate amount of service fees received by the Group in relation to the Maintenance Arrangement for the period from 18 March to 30 April 2003 was approximately HK\$996,000.

It is expected that the service fees in respect of the Maintenance Arrangement receivable by the Group will not exceed HK\$10,000,000 for the month of June 2003 and HK\$42,000,000 in each of the subsequent two financial years ending 30 June 2004 and 2005 during the term of the new agreement as mentioned above. The proposed annual caps are determined by reference to the historical value of such transactions, projected level of demand of such services by members of the SHKP Group and the anticipated level of fees at which the Group may charge in respect of such services. The increase in the projected amount of service fees during the term of the new agreement from the historical value over the past three years is due to (i) an expected increase in the number of property sites owned and/or managed by SHKP Group in respect of the Group will provide services pursuant to the Maintenance Arrangement, which is expected to account for approximately 90% of the amount of the increase; and (ii) an expected increase in the rate of service chargeable by the Group, which is expected to account for approximately 10% of the increase in amount.

The Maintenance Arrangement has been and will be conducted in the ordinary and usual course of business of the Group. The Directors confirmed that in view of the fact that the Group has to bid for the projects under the Maintenance Arrangement as set out above, the Maintenance Arrangement has been and will continue to be negotiated on an arm's length basis, on normal commercial terms and the service fees charged/to be charged by the Group in respect of the Maintenance Arrangement were and will continue to be at rates comparable to those at which other independent third parties may charge the SHKP Group.

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

As disclosed in the Company's 2001/02 annual report and 2002/03 interim report, the Group has been leasing certain properties owned by the Group, including units of Kodak House at North Point, Hong Kong and of Millennium City at Kwun Tong, Kowloon, to independent tenants. In connection therewith, the Group has from time to time engages Sun Hung Kai Real Estate Agency Limited and/or Kai Shing (REA) Limited, both wholly-owned subsidiaries of SHKP, in providing estate agency, lease administration, billing and rent collection services to relevant members of the SHKP

Group (“**Estate Agency Arrangement**”). The Group pays commissions to Sun Hung Kai Real Estate Agency Limited and/or Kai Shing (REA) Limited for leases procured and concluded on behalf of the relevant members of the Group and the subsequent provision of the lease administration, billing and rent collection services in respect of the leases concluded. Such commission is payable by the Group on a monthly basis and is determined based on a percentage of the monthly rental in relation to the relevant leases concerned.

Pursuant to an agreement entered into between the Company and SHKP on 6 May 2003, SHKP has agreed to procure the relevant members of the SHKP Group to provide estate agency services in respect of the leasing of the Group’s properties. The agreement is conditional upon the obtaining of, and shall commence from the date of, the Independent Shareholders’ approval to 30 June 2005. This is a master agreement which sets out principles upon which detailed terms are to be determined in relation to the Estate Agency Arrangement. Such principles include the terms upon which the service provided under the Estate Agency Arrangement shall be on normal commercial terms and the fees payable by the relevant members of the Group to the relevant members of SHKP Group shall be comparable with the rates charged by other independent third party service providers. Relevant members of the Group will enter into separate and definitive agreements with Sun Hung Kai Real Estate Agency Limited and/or Kai Shing (REA) Limited to provide for the detailed terms for such appointment whenever estate agency service is required by the Group.

The aggregate amount of leasing commission paid by the Group for the years ended 30 June 2001, 30 June 2002 and for the ten months ended 30 April 2003 amounted to approximately HK\$1,123,000 (which represented less than (a) 0.03% of HK\$4,085,003,000, being the audited consolidated net tangible assets of the Group as shown in the annual report of the Company for the year ended 30 June 2000, the then latest published audited accounts of the Company; and (b) 0.03% of HK\$3,998,387,000, being the amount of unaudited consolidated net tangible assets of the Group as shown in the unaudited management accounts of the Company as at 31 December 2000), HK\$869,000 and HK\$724,000 respectively. Such amounts represented less than the de minimus threshold provided in Rule 20.25 of the GEM Listing Rules. As the Directors anticipate that the leasing activities of the Group’s premises/rental income is likely to increase to a level similar to that in financial year 2001, the annual amount of commission which may become payable by the Group to the SHKP Group pursuant to the Estate Agency Arrangement is therefore likely to exceed the de minimus threshold under Rule 20.25 of the GEM Listing Rules and the reporting, announcement and shareholders’ approval requirements with respect to non-exempt continuing connected transactions under the GEM Listing Rules will apply.

The Directors anticipate that the commission payable by the Group to members of the SHKP Group pursuant to the Estate Agency Arrangement will not exceed HK\$100,000 for the month of June 2003 and HK\$1,200,000 for each of the two subsequent financial years ending 30 June 2005. Such annual caps are determined by reference to the historical value of such transactions and the projected level of demand of the Group’s premises by potential tenants and the anticipated level of rents for the Group’s premises and on the assumption that the rate of commission at which the Group may need to pay for the services under the Estate Agency Arrangement will be approximately 3% of the monthly rental for the premises leased and concluded by the SHKP Group pursuant to the Estate Agency Arrangement. Of the increase in the amount of the annual cap sought as compared to the historical transaction amounts, approximately 30% is due to an expected increase in the occupancy rate of the Group’s property and approximately 70% is due to an expected increase in the rates of rental chargeable to the tenants. The Directors further confirmed that the commission rate of 3% of the monthly rental of the properties leased is at the lower end of the prevailing range of commission of 3% to 5% at which other third party service providers may charge for provision of similar estate agency services. However, such rate may change due to fluctuations of market conditions from time to time.

The Estate Agency Arrangement has been and will be conducted in the ordinary and

usual course of business of the Group. The Directors confirmed that the Estate Agency Arrangement has been and will continue to be negotiated at an arm's length basis, on normal commercial terms and the commission payable by the Group pursuant to such arrangement were and will continue to be at comparable market rates taking into account the scope of services provided including letting, lease administration, billing and rent collection.

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

Various members of the Group currently maintain their entire insurance cover with or through Sun Hung Kai Properties Insurance Limited, a wholly-owned subsidiary of SHKP ("SHKI") ("**Insurance Arrangement**"). As disclosed in the Prospectus, the Company and SHKI entered into an agreement on 24 February 2000 whereby the Group would maintain its entire insurance coverage with or through SHKI for a period of three years from the date of the agreement. On 6 May 2003, the Company and SHKI entered into a new agreement governing these transactions, the terms of which are in essence the same as those under the previous agreement. The new agreement is conditional upon the obtaining of, and shall commence from the date of, the Independent Shareholders' Approval to 30 June 2005. This agreement sets out the principles upon which members of the Group will obtain insurance coverage from SHKI. Such principles include the terms of the insurance policies maintained by the Group with SHKI as the insurer shall be comparable to the terms of the insurance policies maintained by other third parties with SHKI in respect of similar type of risk insured. Prior to taking out the relevant insurance policies, the Group will obtain market rates of insurance premium charged by other independent insurance companies and determine whether the rates of premium offered by SHKI are at market level. Relevant members of the Group and the SHKP Group have entered into and will enter into the insurance policies to provide for detailed terms governing each type of insurance policies from time to time.

The annual cap for the Insurance Arrangement under the Original Waiver was HK\$7,000,000. During the Original Waiver Period, the aggregate amount of insurance premiums paid by the Group to members of SHKP Group in respect of the Insurance Arrangement for the years ended 30 June 2000, 30 June 2001, 30 June 2002 and for the period from 1 July 2002 to 17 March 2003 amounted to approximately HK\$518,000, HK\$1,566,000, HK\$1,998,000 and HK\$1,578,000 respectively. The aggregate amount of insurance premiums paid by the Group to members of SHKP Group in respect of the Insurance Arrangement for the period from 18 March to 30 April 2003 was approximately HK\$302,000. It is expected that the aggregate insurance premiums payable by the Group to the SHKP Group will not exceed HK\$150,000 for the month of June 2003 and HK\$3,600,000 for each of the two subsequent financial years ending 30 June 2005 during the term of the agreement governing the same as mentioned above. The proposed annual caps are determined by reference to the estimated insurance protection requirement of the Group based on the likely level of insurance premium at which the Group will be able to obtain the relevant insurance cover. The anticipated increase in the amount of insurance premiums payable is mainly attributable to (1) the expected substantial increase in the level of insurance premiums in view of the hardened and fluctuating insurance market which is expected to account for approximately 60% to 70% of the anticipated increased amount; and (2) the expected increase in the number and types of insurance policies to be maintained by the Group, which is expected to account for approximately 30% to 40% of the anticipated increase in premium payable in each financial year.

The Insurance Arrangement has been and will be conducted in the ordinary and usual course of business of the Group. The Directors confirmed that the Insurance Arrangement has been and will continue to be on normal commercial terms and the insurance premiums payable by the Group pursuant to such arrangement has been and will continue to be at market rates.

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

Kai Shing Management Services Limited, a wholly-owned subsidiary of SHKP, is the manager of both Kodak House II at North Point, Hong Kong and Millennium City at Kwun Tong, Kowloon. The building manager is appointed by the owners of the buildings, and performs duties for the benefit of all owners of the respective buildings in accordance with the terms of the relevant deeds of mutual covenants. As the Group owns certain units of these two buildings, the relevant members of the Group pay property management fees to the relevant building manager, which is on the same basis as the other owners of the buildings, being on the basis of the floor area of the relevant units (“**Building Management Services**”).

Members of the SHKP Group also provide cleaning and sanitary services, security guard services, ad hoc facilities fixing services, small scale and miscellaneous repairs services in relation to data centres owned by iAdvantage, such properties include ONE-iAdvantage in Millennium City at Kwun Tong, Kowloon, Jumbo-iAdvantage in Tsuen Wan, New Territories and Mega-iAdvantage in Chai Wan, Hong Kong. iAdvantage pays monthly service fee to SHKP Group for the services provided at the same rates to those chargeable by the SHKP Group to other owners/tenants requesting for the same types of services (“**Extra Management Services**” and arrangements under the Building Management Services are collectively referred to as the “**Property Management Arrangement**”). The Company and SHKP entered into an agreement on 6 May 2003, whereby SHKP has agreed to procure the relevant members of SHKP Group to provide the Extra Management Services required by members of the Group. The agreement is conditional upon, and shall commence from the date of, the Independent Shareholders’ Approval to 30 June 2005. This is a master agreement which sets out the principles upon which detailed terms are to be determined in relation to the provision of the Extra Management Services. Relevant members of the Group shall enter into definitive agreements with detailed terms for the service required from time to time pursuant to such arrangement. Such principles include the Extra Management Services shall be on normal commercial terms and the amount of service fees payable by the Group to the SHKP shall be at rates comparable with those charged by other third party service providers.

Of the total fees payable under the Property Management Arrangement, approximately 90% was attributable to those payable in respect of the Building Management Services and approximately 10% was attribution to those payable under Extra Management Services.

The annual cap for the Property Management Arrangement under the Original Waiver was HK\$10,000,000. During the Original Waiver Period, the aggregate amount of property management fees paid by the Group to the SHKP Group pursuant to the Property Management Arrangement for the years ended 30 June 2000, 30 June 2001, 30 June 2002 and for the period from 1 July 2002 to 17 March 2003 amounted to approximately HK\$4,310,000, HK\$9,541,000, HK\$9,298,000 and HK\$6,643,000 respectively. The aggregate amount of property management fees paid by the Group to SHKP Group pursuant to the Property Management Arrangement for the period from 18 March to 30 April 2003 was approximately HK\$784,000. It is expected that the aggregate amount of property management fees payable by the Group will not exceed HK\$750,000 for the month of June 2003 and HK\$9,100,000 for each of the two subsequent financial years ending 30 June 2005. The proposed annual caps are determined with reference to (1) the management fees in respect of the Building Management Services (which is fixed by the owners of the buildings concerned in accordance with the respective deeds of mutual covenants and management agreements), which is not expected to have any material changes during the period to which the caps relate and; (2) an expected increase in the level of Extra Management Services required which is expected to bring about an increase in service fee at a rate of 3% per annum.

The Property Management Arrangement has been and will continue to be conducted on normal commercial terms and in the ordinary and usual course of business of the Group. As mentioned above, the property management fees payable by the relevant members of the Group for the Building Management Services have been and will continue to be

on the same basis as those payable by the other owners of the buildings. The transactions in relation to the provision of the Extra Management Services have been and will continue to be on normal commercial terms and the fees payable to the SHKP Group is and will continue to be at market rates.

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

Members of the SHKP Group has been providing retrofitting services to members of the Group for the data centres and other premises owned by the Group (the “**Retrofitting Arrangement**”) since the financial year ended 30 June 2002. Retrofitting services include reinstating, upgrading and renovating certain structure and systems inside the Group’s data centres and other premises for letting. Such works will be required after the vacation of data centres/premises by ex-tenants and . In addition, the retrofitting works may facilitate the Group in letting its data centers and other premises and/or enable the Group to let its data centres and other premises at a relatively favourable rate in light of the prevailing market conditions. As IT facilities have to be placed in a controlled environment with specified and constant temperature, humidity and with uninterrupted electricity supply to enable them function properly, the cost required for retrofitting the Group’s data centre is much higher than the cost required for retrofitting the Group’s premises for other uses.

On 6 May 2003, the Company and SHKP entered into an agreement, whereby SHKP has agreed to procure the relevant members of SHKP Group to provide retrofitting services to members of the Group. The agreement shall be conditional upon the obtaining of, and shall commence from the date of, the Independent Shareholders’ Approval to 30 June 2005. This is a master agreement which sets out the principles upon which detailed terms are to be determined in relation to the Retrofitting Arrangement. Relevant members of the Group and SHKP Group have entered into and will enter into separate and definitive agreements with detailed terms with respect to the services required from time to time pursuant to such arrangement. Such principles include the service to be provided by the SHKP Group to the Group under the Retrofitting Arrangement shall be on normal commercial terms and the fees payable by the relevant members of the Group to the relevant members of the SHKP Group shall be at comparable rates charged by third party service providers. The Group usually invites for submission of quotations by potential service provides, including SHKP Group for the retrofitting work required. The Group will choose service providers based on the competitiveness of their quotation, taking into account the price, the quality of work and schedule of completion offered by them. Members of the Group may or may not accept the bids offered by the SHKP Group.

The aggregate amount of fees paid by the Group pursuant to the Retrofitting Arrangement for the year ended 30 June 2002 and the ten months ended 30 April 2003 amounted to approximately HK\$518,000 and HK\$65,000 respectively. Since the data centres are completed during the financial year ended 30 June 2001, all the required facilities and structures for the proper functioning of IT facilities have been installed at the completion stage of the relevant properties concerned. Therefore the level of services required under the Retrofitting Arrangement and the consideration payable by the Group thereunder was not significant prior to the financial year ending 30 June 2003. However, as some of the tenants shall start moving out of the premises at the expiry of the respective leases, the turnover rate of tenants is expected to increase. It is also necessary to retrofit the Group’s data centres and other premises with landlord provisions of better quality in order to maintain competitive in the market. As such, the frequency as well as the extent of retrofitting work that is required are expected to increase considerably in the near future which is then expected to become stable. Accordingly, it is expected that the scale of the Retrofitting Arrangement under the Retrofitting Arrangement will increase significantly in the next financial year when compared to the past.

The Directors expect that the fees payable by the Group pursuant to the Retrofitting Arrangement will not exceed HK\$6,400,000 for each of the two subsequent financial years ending 30 June 2005. Such annual caps are determined on the basis that (1) there

will be approximately 30,000 square feet of the Group's data centres and other premises requiring retrofitting in each financial year; (2) an average retrofitting cost of approximately HK\$400 per square foot; and (3) an estimation that the SHKP Group will be able to successfully bid for retrofitting work in respect of half of the total expected area requiring retrofitting.

The Retrofitting Arrangement has been and will be conducted in the ordinary and usual course of business of the Group. The Directors confirmed that in view of the fact that the Group will conduct a bidding process in determining which service providers to be engaged, the Retrofitting Arrangement has been and will continue to be negotiated on an arm's length basis, on normal commercial terms and the fees payable to members of SHKP Group under such arrangement has been and will continue to be at comparable rates charged by third party service providers.

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

Members of the SHKP Group started to provide various technical and technical-related services to members of the Group regarding the properties owned, leased or operated by the Group in year 2002. Such services include, among other things, mechanical and engineering services and miscellaneous labour services in connection with broadband interconnection (the "**Technical Services Arrangement**"). Members of the Group pay service fees to the relevant member of SHKP Group for such services. Similar to the Retrofitting Arrangement, the Group asks for quotation or invites for bids service required from service providers, including members of SHKP Group. The Group will appoint the bidders that the Group considers are able to offer the most attractive terms, taking into account the price, the quality of work and schedule of completion offered by the bidders. Members of the Group may or may not accept the bids offered by the SHKP Group.

The aggregate amount of services fees for the Technical Services Arrangement for the years ended 30 June 2002 and for the ten months ended 30 April 2003 amounted to approximately HK\$285,000 and HK\$982,000 respectively. The Company and SHKP entered into an agreement on 6 May 2003 whereby SHKP has agreed to procure the relevant members of the SHKP Group to provide such technical and technical-related services to members of the Group. This agreement shall be conditional upon the obtaining of, and shall commence from the date of, the Independent Shareholders' Approval to 30 June 2005. This agreement is a master agreement which sets out the principles upon which detailed terms are to be determined in relation to the Technical Services Arrangement. Such principles include the service to be provided by the SHKP Group to the Group under the Technical Services Arrangement shall be on normal commercial terms and the fees payable by the relevant members of the Group to the relevant members of the SHKP Group shall be at rates comparable to the prevailing market rates chargeable by other third party service providers. Relevant members of the Group and SHKP Group have entered into and will enter into separate and definitive agreements with detailed terms with respect to the services required from time to time pursuant to such arrangement. The Group will refer to available market rates for each type of services required from the SHKP Group prior to entering into such transactions.

The Directors expect that the fees payable by the Group pursuant to the Technical Services Arrangement during the term of the aforesaid agreement will not exceed HK\$90,000 for the month of June 2003 and HK\$1,400,000 for each of the two subsequent financial years ending 30 June 2005. Such caps are determined by reference to the historical value of such transactions, projected demand of such services by the Group and anticipated level of fees for such services. In particular, of the increase in the amount of annual cap sought as compared to the historical amounts, (1) approximately 90% is attributable to an anticipated increased in the level of demand of the services required under such arrangement; and (2) approximately 10% is attributable to an anticipated increase in the level of service fees.

The Technical Services Arrangement has been and will be conducted in the ordinary

and usual course of business of the Group. The Directors confirmed that in view of the fact the Group has to conduct a bidding process to determine which service providers to be engaged, the Technical Services Arrangement has been and will continue to be negotiated on an arm's length basis, on normal commercial terms and the fees payable to members of SHKP Group under such arrangement have been and will continue to be at rates comparable to the prevailing market rates chargeable by other third party service providers.

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

iAdvantage has been providing certain IT value added services, which are not the core businesses of the Group, to members of the SHKP Group (the “**Non-core Services Arrangement**”) since the financial year ended 30 June 2002. Such services include, among others, dataline application hosting services, web traffic report services, domain name registration, equipment procurement and report on xerox plotter meter charges services and the Group charged the relevant members of the SHKP Group fees for such services.

The aggregate amount of service fees received by the Group pursuant to the Non-core Services Arrangement for the year ended 30 June 2002 and for the ten months ended 30 April 2003 amounted to approximately HK\$937,000 and approximately HK\$571,000 respectively. The Company and SHKP entered into an agreement on 6 May 2003 whereby the Group has agreed to procure the relevant members of the Group to provide such supporting services to members of the SHKP Group. This agreement shall be conditional upon the obtaining of, and shall commence on the date of, the Independent Shareholders' Approval to 30 June 2005. This is a master agreement which sets out the principles upon which detailed terms are to be determined in relation to the Non-core Services Arrangement. Members of the Group and the SHKP Group respectively have entered into and will enter into separate and definitive agreements with detailed terms for the service required from time to time pursuant to such arrangement. Such principles include the service to be provided by the Group to the SHKP Group under the Non-core Services Arrangement shall be on normal commercial terms and the fees payable by the relevant members of the SHKP Group shall be at rates comparable to the rates at which the Group charges other independent third party customers. The Group will refer to available market rates in determining the rates of service fees chargeable to the SHKP Group under the Non-core Services Arrangement prior to entering into such transactions. In particular, of the anticipated increase in the amount of annual cap sought as compared to the historical figures: (1) approximately 95% is expected to be attributable to the anticipated increase in the value-added services required by SHKP Group; and (2) approximately 5% is expected to be attributable to an anticipated increase in the rate of service fees chargeable to the SHKP Group.

The Directors expect that the fees receivable by the Group pursuant to the Non-core Services Arrangement during the term of the aforesaid agreement will not exceed HK\$160,000 for the month of June 2003 and HK\$1,400,000 for each of two subsequent financial years ending 30 June 2005. Such cap was determined by reference to the historical value of such transactions, projected level of demand of such services by members of the SHKP Group and the anticipated level of fees which the Group may charge in respect of such services.

The Non-core Services Arrangement has been and will be conducted in the ordinary and usual course of business of the Group. The Directors confirmed that the Non-core Services Arrangement has been and will continue to be on normal commercial terms and the fees which the Group has charged/will charge members of SHKP Group for services provided under such arrangement were and will continue to be at rates comparable to rates at which the Group charges other independent third party customers.

K. Space and rack rental arrangement

Members of the SHKP Group and certain other associates of SHKP has been renting spaces and racks located in the Group's data centres ("**Space and Rack Rental Arrangement**") since the first half of 2002. The Group charges the relevant members of the SHKP Group and associates of SHKP rent at rates no less favourable to the Group than the rates at which the Group charges other independent third party customers of the Group taking into account the area of space and/or number of racks rented and the rental term.

The aggregate amount of rent received by the Group pursuant to the Space and Rack Rental Arrangement for the year ended 30 June 2002 and the ten months ended 30 April 2003 amounted to approximately HK\$987,000 and approximately HK\$952,000 respectively. The Company and SHKP entered into an agreement on 6 May 2003, whereby the Company agrees to procure relevant members of the Group to let space and racks at the Group's data centres to members of the SHKP Group and associates of SHKP and such agreement. This agreement shall be conditional upon the obtaining of, and shall commence from the date of, the Independent Shareholders' Approval to 30 June 2005. This is a master agreement which sets out principles between the Company and SHKP in relation to the Space and Rack Rental Arrangement. Such principles include the transactions under the Space and Rack Rental Arrangement shall be on normal commercial terms and the rental payable by the relevant members of SHKP Group shall be comparable with the rates at which the Group charges independent third party customers of the Group taking into account the area of space and/or number of racks rented and the rental term. Relevant members of SHKP Group/associates of SHKP have entered into and will enter into separate lease agreements with members of the Group to provide the detailed terms with respect to the leasing of space/rack pursuant to the arrangement. Members of the Group will refer to the then available market rates when transactions under the Space and Rack Rental Arrangement are entered into with the SHKP Group from time to time.

The Directors expect that the fees receivable by the Group pursuant to the Space and Racks Rental Arrangement during the term of the said agreement will not exceed HK\$11,400 for the month of June 2003 and HK\$2,800,000 for each of the two subsequent financial years ending 30 June 2005. The SHKP Group has indicated that it may require additional space and racks. The expected increase in the amount of fees receivable is on the assumption that the SHKP Group does lease such additional space and racks from the Group in addition to the space and racks they currently rent from the Group and further on the assumption that the rates of rental will be similar to the existing rates.

The Space and Rack Rental Arrangement is and will continue to be conducted in the ordinary and usual course of business of the Group. The Directors confirmed that the Space and Rack Rental Arrangement is and will continue to be on normal commercial terms and the rent at which the Group has charged/will charge members of SHKP Group and associates of SHKP under such arrangement is and will continue to be at rates comparable with the rates at which the Group charges other independent third party customers taking into account the area of space and/or number of racks rented and the rental term.

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

The Group currently has investments in listed and unlisted debt securities such as bonds. In order to leverage on the strength and expertise of the SHKP Group in investment management and with an aim to improve the management of the Group's investments, the Group's investments in debt securities has been and will continue to be managed by members of the SHKP Group ("**Investment Management Service Arrangement**") As disclosed in the Company's annual report, the Group began investing in debt securities in the financial year ended 30 June 2001 at which time, the investment size amounted to approximately HK\$208 million. At the start of the Investment Management Service Arrangement, SHKP Group has not charged any fee for their management services as the size of such investment of the Group is not that significant.

However, the Group's investment in debt securities has since then been increased substantially. The size of such investment amounted to approximately HK\$1,100 million as at 31 December 2002. In order to continue providing the Group with the investment management services for an increased size of investment, more manpower, time and costs will be required.

In view of the aforesaid, the Company and SHKP intend to enter into the Investment Management Agreement to formalise the arrangement. Pursuant to the Investment Management Agreement, SHKP will agree to procure its relevant members to provide the investment management services to the Group as contemplated under the Investment Management Service Arrangement in return for a management fee and the management fee payable by the Group to the SHKP Group shall be calculated with reference to the market value of the Group's investment portfolio under the management of the SHKP Group at the end of the relevant financial year of the Group, such fee shall be payable in arrears at the end of the relevant financial year as follows :-

- (a) for investment portfolio with a market value exceeding HK\$800 million, at a rate of 0.25%;
- (b) for investment portfolio with a market value exceeding HK\$500 million but not exceeding HK\$800 million, at a rate of 0.3%; and
- (c) for investment portfolio with a market value not exceeding HK\$500 million, at a rate of 0.4%.

The Directors confirm that the above rates chargeable by the SHKP Group are not higher than the prevailing market rates charged by independent third parties providing similar services with respect to the relevant size of investment portfolio. The Investment Management Agreement will be entered into after the Independent Shareholders' Approval is obtained and for a term from the date of signing of the Investment Management Agreement to 30 June 2005.

The Directors expected that the aggregate amount of management fees payable by the Group pursuant to the Investment Management Service Arrangement will not exceed HK\$2,500,000 for each of the two financial years ending 30 June 2005. Such annual cap is determined on the basis that the market value of Group's investment to be managed by the SHKP Group is approximately HK\$1,000 million and the contract rate of commission of 0.25% applicable to such size of investment.

The Directors confirmed that the Investment Management Service Arrangement will be conducted in the ordinary and usual course of the investment activities of the Group and on normal commercial terms and the management fees payable to the SHKP Group will be at rates not higher than the prevailing market rates chargeable by other independent third party service providers.

M. Rental of cable and network systems from SHKP Group

The Group has been renting from members of the SHKP Group the cable and data network systems and accessories installed in certain property developments owned and/or managed by the SHKP Group (the "Systems") and the Group uses and operates the Systems for the provision of its broadband communication services to residents of the property developments concerned ("**Cable and Network Rental Arrangement**"). The Group pays SHKP Group a fee for the renting of the Systems which represents 3% yield by SHKP Group on the investment in the building and installation of the relevant part of the Systems leased to the Group. On 6 May 2003, the Company and SHKP entered into an agreement in relation to the Cable and Network Rental Arrangement. This agreement is conditional upon the obtaining of, and shall commence from the date of, the Independent Shareholders' Approval to 30 June 2005. This is a master agreement which sets out the principles upon which detailed terms are to be determined between the Company and SHKP in relation to the Cable and Network Rental Arrangement. Such principles include the terms of the transactions under the Cable and

Network Rental Arrangement shall be on normal commercial terms and the fees payable for renting of the Systems shall be at such rates which are fair and reasonable so far as the shareholders of the Company as a whole are concerned. Relevant members of the Group and SHKP Group have entered and will enter into separate and definitive agreements to provide for the detailed terms of each single transaction pursuant to the arrangement from time to time.

The aggregate amount of fees paid by the Group in relation to the Cable and Network Rental Arrangement for the ten months ended 30 April 2003 amounted to HK\$818,000. Such amount represented less than the de minimus threshold provided in Rule 20.25 of the GEM Listing Rules. Due to (1) an anticipated increase in the number of occupants moving into the premises developed by the SHKP Group in which the Group leases the Systems; and (2) the Group's anticipation that more and more occupants will start/shift to using the broadband services, the annual amount of fees which may become payable by the Group to SHKP Group pursuant to the Cable and Network Rental Arrangement is likely to exceed the de minimus threshold under Rule 20.25 of the GEM Listing Rules. As such, unless the Company obtains the Independent Shareholders' approval in respect of the Cable and Network Rental Arrangement, the Company will be required to comply with the reporting, announcement and shareholders' approval requirements with respect to non-exempt continuing connected transactions under the GEM Listing Rules.

The Directors anticipated that the fees in respect of the Cable and Network Rental Arrangement payable by the Group will not exceed HK\$2,600,000 in each of the subsequent two financial years ending 30 June 2005 during the term of the agreement governing the same as mentioned above. Such annual cap was determined by reference to (a) the historical value of such transactions; (b) the projected level of demand of the broadband interconnection services in the property developments concerned; and (c) the rate of service fee payable by the Group to SHKP Group being calculated on the basis of 3% of the yield on the SHKP Group's investment in the building and installation attributable to the relevant Systems leased to the Group. The Directors consider that such rate is fair and reasonable to the shareholders of the Company as a whole.

The Cable and Network Rental Arrangement is and will be conducted in the ordinary and usual course of business of the Group. The Directors confirmed that the Cable and Network Rental Arrangement has been and will continue to be on normal commercial terms and the rental payable by the Group pursuant to such arrangement has been and will continue to be at such rates which are fair and reasonable so far as the shareholders of the Company as a whole are concerned.

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

The Group has been engaging members of SHKP Group to provide promotion services to promote the broadband communication services operated by the Group to the residents in certain residential property developments owned and/or managed by the SHKP Group. Members of SHKP Group place promotion booths and utilise its manpower and resources at the property developments during the key-handover periods and at such times as reasonably requested by the Group ("**Promotion Services Arrangement**"). The Group pays service fees for the Promotion Services Arrangement which comprised of the following :-

- (a) the rental chargeable in relation to the area occupied for the provision of services under the arrangement; the rates of rental chargeable by the SHKP Group to the Group will be comparable to the rates at which by the SHKP Group charges other independent third parties; and
- (b) reimbursement for costs and expenses for the provision of the services incurred by the SHKP Group, including costs and expenses for manpower, labour, facilities and publicity materials etc.

On 6 May 2003, the Company and SHKP entered into an agreement in relation to, inter alia, the Promotion Services Arrangement. The agreement shall be conditional upon the obtaining of, and shall commence from the date of, the Independent Shareholders' Approval to 30 June 2005. This is master agreement which sets out the principles upon which detailed terms are to be determined between the Company and SHKP in relation to the Promotion Services Arrangement. Such principles include the terms under the Promotion Services Arrangement will be on normal commercial terms and on such terms which are fair and reasonable to the shareholders of the Company as a whole are concerned save and except for costs and expenses for the provision of the services incurred by the SHKP Group (including costs and expenses for manpower, labour, facilities and publicity materials etc) to which the SHKP Group will charge at a reimbursement basis. Relevant members of the Group and SHKP Group have entered and will enter into separate and definitive agreements to provide for the detailed terms of each single transaction pursuant to the arrangement from time to time.

The aggregate amount of service fees paid by the Group in relation to the Promotion Services Arrangement for the ten months ended 30 April 2003 amounted to HK\$818,000. Such amount represented less than the de minimus threshold provided in Rule 20.25 of the GEM Listing Rules. Due to an expected increase in the number of users using the broadband services (as explained under the paragraph headed "M. Rental of cable and network systems from SHKP Group"), it is anticipated that there will be an increase in the level of demand for the services under the Promotion Services Arrangement, the annual amount of the service fees which may become payable by the Group to SHKP Group pursuant to the Promotion Services Arrangement is likely to exceed the de minimus threshold under Rule 20.25 of the GEM Listing Rules. As such, unless the Company obtains the Independent Shareholders' Approval, the Company will be required to comply with the reporting, announcement and shareholders' approval requirements with respect to non-exempt continuing connected transactions under the GEM Listing Rules.

The Directors anticipated that the service fees in respect of the Promotion Services Arrangement payable by the Group will not exceed HK\$1,600,000 in each of the two subsequent financial years ending 30 June 2005 during the term of the agreement governing the same as mentioned above. Such annual caps are determined by reference to (a) the historical value of such transactions; and (b) the bases in arriving at the service fees payable by the Group to the SHKP Group as disclosed above, which the Directors also confirm that such bases are fair and reasonable to the shareholders of the Company as a whole. Of the increase in the amount of cap sought as compared to the historical amount, (i) approximately 40% is expected to be brought about by an increase in the number of property sites of SHKP Group at which the Group will conduct such promotional activities; and (ii) approximately 60% is expected to be brought about by the need to increase the scale of promotional activities to be carried out in the existing property sites of SHKP Group due to the need to maintain the Group's competitiveness and to increase its market share as a result of the expected increase in competition in the broadband interconnection services.

The Promotion Services Arrangement has been and will be conducted in the ordinary and usual course of business of the Group. The Directors confirmed that the Promotion Services Arrangement has been and will continue to be on normal commercial terms and the service fees payable by the Group pursuant to such arrangement has been and will continue to be at such rates which are fair and reasonable so far as the shareholders of the Company as a whole are concerned.

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

The Group intends to provide design, construction and renovation services in relation to the showflats and units of properties developed by the SHKP Group (the "**Construction Services Arrangement**") whereby members of the Group will receive

fees for the services provided. The Group possesses a database of contractors which provide design, construction and renovation services. To make use of the database to generate additional revenue to the Group, the Group intends to obtain the relevant works from the SHKP Group and then subcontract them to outside contractors. As at the date of this announcement, the Group has not yet provided any service to the SHKP Group under the Construction Services Arrangement nor any other parties. Accordingly, on 6 May 2003, the Company and SHKP entered into an agreement in relation to the Construction Services Arrangement. The agreement shall be conditional upon the obtaining of, and shall commence from the date of, the Independent Shareholders' Approval to 30 June 2005. This is a master agreement which sets out the principles upon which detailed terms are to be determined between the Company and SHKP in relation to the Construction Services Arrangement. Such principles include the terms of the transactions under the Construction Services Arrangement shall be on normal commercial terms and the amounts payable to the Group shall be at comparable rates charged by other third party service providers to SHKP Group. Relevant members of the Group and SHKP Group shall enter into separate and definitive agreements to provide for the detailed terms of each single transaction pursuant to the arrangement from time to time. The fees chargeable to the SHKP Group are according to such definitive agreements concluded between the Group and SHKP Group after the Group has successfully bid the relevant project. It is the understanding of the Group that SHKP Group will select bidders whom it considers are able to offer the most attractive terms taking into account the price, the quality of work and the schedule of completion offered by them. In making the relevant bids, the Group will make references to the prices charged by other service providers for similar work and take into account its costs in providing the services and then determine the price and the terms that the Group considers to be competitive and in the interest of the Group.

The Directors expect that the fees receivable by the Group pursuant to the Construction Services Arrangement during the term of the aforesaid agreement will not exceed HK\$13,000,000 for each of the two financial years ending 30 June 2005. Such cap is determined based on (a) the number of units of the properties to be developed by SHKP Group that the Group expects it will be able to successfully bid for the provision of services under the Construction Services Arrangement; and (b) the estimated average fee that the Group expects it will charge for the provision of the services required for each unit.

The Construction Services Arrangement is and will be conducted in the ordinary and usual course of business of the Group. The Directors confirmed that the Construction Services Arrangement is and will continue to be on normal commercial terms and the fees receivable by the Group will be at comparable rates at which other third party service providers charged to SHKP Group.

3. REASONS FOR ENTERING INTO THE ONGOING CONNECTED TRANSACTIONS

The Directors (including the independent non-executive Directors) consider that the Ongoing Connected Transactions have been and will be conducted in the ordinary and usual course of business of the Group and on an arm's length basis, on normal commercial terms or on terms no less favourable than those available from or to independent third parties (as the case may be), and are fair and reasonable as far as the Shareholders as a whole is concerned.

4. INDEPENDENT SHAREHOLDERS' APPROVAL

Approval sought

Under the GEM Listing Rules, the Ongoing Connected Transactions are subject to reporting, announcement and/or prior independent shareholders' approval requirements. Given the Ongoing Connected Transactions will occur on a regular and continuing basis, the Directors consider that it would not be practicable and unduly

onerous on the part of the Company to announce, or if necessary, obtain Independent Shareholders' prior approval on each occasion such transaction arises. Accordingly, the Company seeks the approval of the Independent Shareholders (by way of poll) for the Group to conduct the Ongoing Connected Transactions for a period up to 30 June 2005 governing such transactions subject to the conditions mentioned below.

Conditions of the approval

The approval of the Independent Shareholders for the Ongoing Connected Transactions will be on the following conditions: -

- (i) details of the Ongoing Connected Transactions will be disclosed in the Company's annual report in the manner described in Rule 20.34(1) to (5) of the GEM Listing Rules;
- (ii) the aggregate consideration in respect of each category of connected transactions shall not exceed the amounts set out in the respective columns shown in the table below in respect of the relevant periods: -

	Category of Ongoing Connected Transactions	Proposed Caps for the periods (HK\$)	
		For the month of June 2003	For each of the two subsequent financial years ending 30 June 2005
(a)	Lease Arrangement	the amount determined according to the terms of the relevant lease agreements	the amount determined according to terms of the relevant lease agreements
(b)	Advertising and E-Commerce Transactions	450,000	15,000,000
(c)	Networking Arrangement	10,000,000	39,000,000
(d)	Maintenance Arrangement	10,000,000	42,000,000
(e)	Estate Agency Arrangement	100,000	1,200,000
(f)	Insurance Arrangement	150,000	3,600,000
(g)	Property Management Arrangement	750,000	9,100,000
(h)	Retrofitting Arrangement	--	6,400,000
(i)	Technical Services Arrangement	90,000	1,400,000
(j)	Non-core Services Arrangement	160,000	1,400,000
(k)	Space and Rack Rental Arrangement	20,000	2,800,000
(l)	Investment Management Service Arrangement	--	2,500,000
(m)	Cable and Network Rental Arrangement	--	2,600,000
(n)	Promotion Services Arrangement	--	1,600,000
(o)	Construction Services Arrangement	--	13,000,000

- (iii) the independent non-executive Directors will review the Ongoing Connected Transactions annually and confirm in the Company's annual report for the year in question that the Ongoing Connected Transactions have been entered into: -
 - (a) in the ordinary and usual course of the business of the Group;
 - (b) either on normal commercial terms or where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than those available from or to independent third parties; and
 - (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable so far as the Shareholders as a whole are concerned;

- (iv) 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 the relevant Ongoing Connected Transaction: -
 - (a) has received the approval of the Board;
 - (b) has been entered into in accordance with the terms of the relevant agreement governing such transaction; and
 - (c) has not exceeded the relevant cap amount as set out in paragraph (ii) above;
- (v) 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 of the Company will not be able to confirm that the matters set out in Rules 20.27 and/or 20.28 of the GEM Listing Rules respectively; and
- (vi) where the cap for any of the Advertising and e-Commerce Transactions, the Networking Arrangement, the Maintenance Arrangement and the Construction Services Arrangement in any financial year is to be greater than 3% of the net tangible assets of the Group as at the end of that financial year, the relevant transaction(s) and the cap are subject to review and re-approval by the Independent Shareholders at the annual general meeting so long as such transaction(s) continue(s) and the independent non-executive Directors will be required to opine in the annual report in respect of that financial year whether or not the Group should continue with the agreement(s) for the relevant transaction(s).

If there are changes or updates in any terms of the agreements for the Ongoing Connected Transactions mentioned above or the relevant caps stated in (ii) above are exceeded or that the Company and any connected persons (as defined under the GEM Listing Rules) reach any new arrangements, the Company will have to comply with the relevant provisions of Chapter 20 of the GEM Listing Rules, unless the Company reports to the Stock Exchange and is granted an exemption.

5. EGM

An EGM will be convened at which the Ordinary Resolution will be proposed to approve the Ongoing Connected Transactions. SHKP and its associates will abstain from voting at the EGM in respect of the Ordinary Resolution.

The Independent Board Committee has been appointed to advise the Independent Shareholders on whether or not the terms of the Ongoing Connected Transactions are in the interest of the Company and are fair and reasonable so far as the Independent Shareholders are concerned. An independent financial adviser will be appointed to advise the Independent Board Committee in respect of the terms of the Ongoing Connected Transactions.

A circular containing, among other things, further information on the Ongoing Connected Transactions, the recommendation of the Independent Board Committee to the Independent Shareholders, the letter of advice from the independent financial adviser to the Independent Board Committee in relation to the Ongoing Connected Transactions and the notice to convene the EGM will be sent to the Shareholders as soon as practicable.

6. GENERAL

The principal activity of the Company is investment holding. The principal activities of the Group include IT infrastructure, Internet services and IT investments.

7. TERMS USED IN THIS ANNOUNCEMENT

“associate(s)”	has the meaning ascribed under the GEM Listing Rules (as may be amended from time to time)
“Board”	the Board of directors of the Company
“CABD”	Communal Aerial Broadcasting Distribution, the traditional means of receiving free-to-air programming via a roof-top aerial
“Company”	SUNeVision Holdings Ltd. 新意網集團有限公司, shares of which are listed on GEM
“CST iAdvantage”	CST iAdvantage Co. Ltd., a sino-foreign enterprise in which iAdvantage has a 75% equity interest and 中國科學院計算機網絡信息中心 (China Science and Computer Network Information Centre), an independent party not connected with any connected persons of the Company within the meaning of the GEM Listing Rules, has the remaining 25% interest
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to approve, inter alia, the Ongoing Connected Transactions
“Existing Ongoing Connected Transactions”	the ongoing connected transactions entered into between members of the Group and SHKP Group, details of which were disclosed in the Prospectus
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“iAdvantage”	iAdvantage Limited, a wholly-owned subsidiary of the Company
“Independent Board Committee”	an independent committee of the board of Directors consisting of the independent non-executive Directors
“Independent Shareholders”	Shareholders other than SHKP and its associates
“Independent Shareholders’ Approval”	the approval of the Ongoing Connected Transaction by the Independent Shareholders at the EGM
“Investment Management Agreement”	the agreement proposed to be entered into between SHKP and the Company in relation to the Investment Management Arrangement
“IT”	information technology incorporating Internet related services and business

“Listing”	the listing of Shares on the GEM of the Stock Exchange
“Ongoing Connected Transactions”	the ongoing connected transactions and future continuing connected transactions between members of the Group and members of SHKP Group and/or associates of SHKP, details of which are set out in section 2 of this announcement
“Ordinary Resolution”	the ordinary resolution to be proposed at the EGM to approve the Ongoing Connected Transactions and all matters contemplated thereunder
“Original Waiver”	the waiver granted by the Stock Exchange to the Company in respect of the Existing Ongoing Connected Transactions
“Original Waiver Period”	the period from 17 March 2000 to 17 March 2003
“PRC”	the People's Republic of China
“Prospectus”	the prospectus of the Company dated 6 March 2000 in relation to the listing of Shares on GEM
“Shareholders”	holders of Shares
“Shares”	shares of HK\$0.10 each in the capital of the Company (or such other nominal value as a result of any sub-division, consolidation, re-classification or reconstruction of the share capital of the Company from time to time)
“SHKP”	Sun Hung Kai Properties Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the main board of the Stock Exchange
“SHKP Group”	SHKP and its subsidiaries, but excluding the Group
“SMATV”	Satellite Master Antenna Television System
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
William TAM Sai-ming
Company Secretary

Hong Kong, 6 May 2003

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page at least 7 days from the day of its posting.