



# SUNeVISION Holdings Ltd.

*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code : 8008)

Annual Report **2007/08**





## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This report (the "Report"), for which the directors (the "Directors") of SUNeVision Holdings Ltd. (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this Report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this Report misleading; and (iii) all opinions expressed in this Report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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## FINANCIAL HIGHLIGHTS & SUMMARY

### FINANCIAL HIGHLIGHTS

For the quarter ended	30 Jun 08	31 Mar 08	31 Dec 07	30 Sep 07
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<b>111,095</b>	105,699	97,037	92,566
Cost of sales	<b>(60,164)</b>	(56,480)	(52,409)	(48,652)
Gross profit	<b>50,931</b>	49,219	44,628	43,914
Other income	<b>4,668</b>	3,820	5,098	5,812
Operating expenditures *	<b>(10,529)</b>	(9,335)	(10,863)	(10,444)
Profit from operations	<b>45,070</b>	43,704	38,863	39,282

\* Selling, general and administrative expenses

### FINANCIAL SUMMARY

Results	Year ended 30 June				
	2008	2007	2006	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<b>406,397</b>	323,133	276,332	248,068	227,822
Profit for the year	<b>267,118</b>	203,766	357,423	146,231	107,247

Assets and Liabilities	As at 30 June				
	2008	2007	2006	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	<b>2,605,355</b>	2,346,906	3,470,618	3,270,736	3,105,714
Total liabilities	<b>(335,805)</b>	(220,439)	(156,197)	(163,085)	(143,347)
Net assets	<b>2,269,550</b>	2,126,467	3,314,421	3,107,651	2,962,367

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Kwok Ping-luen, Raymond (*Chairman*)  
Kwok Ping-sheung, Walter  
Kwok Ping-kwong, Thomas  
Tsim Wing-kit, Alfred (*Acting Chief Executive Officer  
and Chief Financial Officer*)  
Chan Kui-yuen, Thomas  
Wong Yick-kam, Michael  
So Chung-keung, Alfred  
Tung Chi-ho, Eric  
Wong Chin-wah

#### Non-Executive Director

Cheung Wing-yui

#### Independent Non-Executive Directors

Li On-kwok, Victor  
King Yeo-chi, Ambrose  
Wong Kai-man

### COMPANY SECRETARY

Chan Kin-chu, Harry

### QUALIFIED ACCOUNTANT

Tsim Wing-kit, Alfred

### COMPLIANCE OFFICER

Wong Yick-kam, Michael

### AUDIT COMMITTEE

Wong Kai-man (*Chairman*)  
Li On-kwok, Victor  
King Yeo-chi, Ambrose  
Cheung Wing-yui

### REMUNERATION COMMITTEE

King Yeo-chi, Ambrose (*Chairman*)  
Li On-kwok, Victor  
Wong Kai-man  
Cheung Wing-yui  
Tsim Wing-kit, Alfred

### NOMINATION COMMITTEE

Li On-kwok, Victor (*Chairman*)  
King Yeo-chi, Ambrose  
Wong Kai-man  
Cheung Wing-yui  
Tsim Wing-kit, Alfred

### AUTHORISED REPRESENTATIVES

Tsim Wing-kit, Alfred  
Chan Kin-chu, Harry

### REGISTERED OFFICE

P.O. Box 309, Ugland House  
Grand Cayman, KY1-1104  
Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

MEGATOP, MEGA-iAdvantage  
399 Chai Wan Road, Chai Wan, Hong Kong

### BEIJING REPRESENTATIVE OFFICE

Room 822, 8th Floor, Office Tower 2  
Sun Dong An Plaza  
138 Wangfujing Avenue  
Dongcheng District  
Beijing

### LEGAL ADVISERS

#### As to Hong Kong Law

Woo, Kwan, Lee & Lo

#### As to Cayman Islands Law

Maples and Calder

### AUDITORS

Deloitte Touche Tohmatsu

### PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited  
Butterfield House, 68 Fort Street  
P.O. Box 705  
Grand Cayman, KY1-1107  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Rooms 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Standard Chartered Bank (Hong Kong) Limited  
The Bank of East Asia, Limited  
Industrial and Commercial Bank of China (Asia) Limited  
Sumitomo Mitsui Banking Corporation

### STOCK CODE

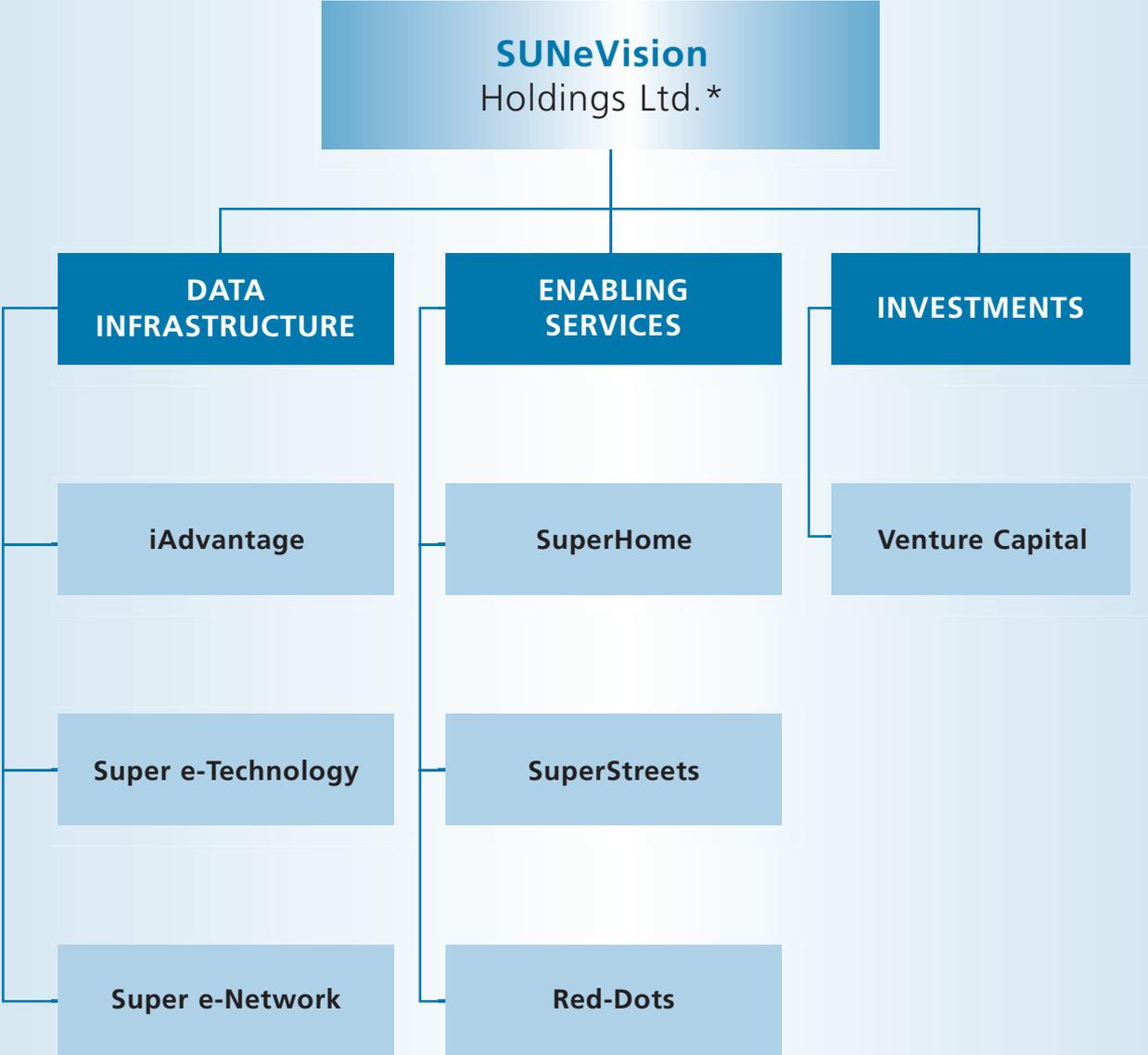
8008

### WEBSITE

[www.sunevision.com](http://www.sunevision.com)

# BUSINESS PORTFOLIO

The business portfolio of the Group as at 30 June 2008 is set out as follows:



\* To be referred to as the "Company" or "SUNeVision". "Group" in this annual report means SUNeVision and its subsidiaries.

## CHAIRMAN'S STATEMENT

SUNeVision continued profitable during the financial year 2007-2008, recording a profit attributable to equity holders of the Company of HK\$261.6 million.

### FINANCIAL HIGHLIGHTS

Revenue was HK\$406.4 million, a twenty-five percent increase over that in the previous financial year. Higher revenues from the Group's data centre and last mile connectivity businesses have contributed to the increase. The year's gross profit of HK\$188.7 million was also higher than for the financial year 2006-2007, reflecting increase in revenue and improvements in cost of sales. Gross margin for the year was 46 percent, two percentage points higher than that in the last financial year.

Other income, being income in addition to revenue from operations, was HK\$19.4 million. This was substantially lower than that for the last financial year, due largely to the lower level of interest income after the payment of the one-off special dividend in November 2006 and lower interest rates.

Continued cost control measures brought operating expenditures down to HK\$41.2 million, moderately below those of the last financial year. Profit from operations was HK\$166.9 million.

Following normal practice, the Group's investment properties were independently revalued as of 30 June 2008 on an open market value basis, leading to a one time valuation surplus of HK\$119.0 million, which reflected prevailing market conditions.

During the financial year, the Group reviewed its equity technology investments and no impairments were made. Distributions of HK\$14.1 million were received from certain of these investments during the year, and this compares to HK\$7.2 million for last financial year. Consistent with previous year's practice, the value of listed equity technology investments was marked to market. As of 30 June 2008, the carrying value of the Group's equity technology investments stood at HK\$47.2 million.

After these adjustments, and allowing for taxation and minority interests, profit attributable to equity holders of the Company was HK\$261.6 million. Shareholders' funds as of 30 June 2008 stood at HK\$2,256.4 million, or HK\$1.11 per share. The Group's financial position remained strong with approximately HK\$426 million of cash and interest bearing securities on hand.

As a result of the Group's profitability, the directors recommend the payment of a final dividend of HK\$0.05 per share for the year ended 30 June 2008.

### BUSINESS REVIEW

iAdvantage continued to invest in its infrastructure and strengthen its market position in carrier neutral data centre facilities and services in Hong Kong and the Mainland. Its world class facilities and services have kept the business very well aligned with the increasingly stringent requirements and needs of global financial services firms, telecommunications providers, IT service providers, multinational corporations, and government authorities. Overall data centre occupancy was approximately 85 percent.

During the year, the Group's consumer enabling and property related technology businesses continued to deliver value added services to their customers.

### PROSPECTS

SUNeVision's portfolio of data infrastructure and service provision businesses positions it well for sustained profitability and continued growth. iAdvantage will seek to fill vacancies remaining in its current data centres as well as explore new opportunities for growth, while the Group's consumer enabling and property related technology businesses will continue to leverage the parent company's significant relationships.

SUNeVision continues to maintain high standards of corporate governance. The full array of Audit, Remuneration, and Nomination Committees, chaired by independent directors, has effectively supported the board in carrying out its responsibilities. The Group believes that by conducting its business in a well-governed and socially responsible manner its own long term interests and those of its shareholders will be maximized.

I would like to close by thanking the board, management, and every member of staff for their ongoing dedication and hard work, and our shareholders for their continued confidence and support.

**Kwok Ping-luen, Raymond**  
*Chairman*

Hong Kong, 4 September 2008



## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

SUNeVision achieved its fifth consecutive year of profit, generating HK\$261.6 million profit attributable to equity holders of the Company in the financial year 2007-2008. Revenues of the Group's business units have generally increased year on year as a result of improvements in both demand and pricing. Costs have been managed vigilantly at both Group and business unit levels.

### BUSINESS REVIEW

#### Data Infrastructure

##### iAdvantage

iAdvantage continued to strengthen its market position in carrier neutral data centre services in Hong Kong and the Mainland. The company's world class facilities and services enabled it to satisfy customers' stringent requirements for outsourcing, business continuity and other mission critical operations. During the year, iAdvantage managed to win new businesses and renew existing relationships with multinational and local corporations. Overall occupancy was up and reached 85 percent.

iAdvantage continues to attract and meet demand for carrier neutral data centre facilities and services from the financial services, telecommunications, high-tech, general industry and public sectors. Demand for iAdvantage's facilities and services is anticipated to grow and the company continues to seek new opportunities to meet market demand.

##### Super e-Technology

Super e-Technology continues to bid for tenders, for the installation of ELV and Satellite Master Antenna Television (SMATV) systems, and has been successfully awarded 6 new contracts.

Contracts to upgrade Communal Aerial Broadcast Distribution (CABD) systems to receive Digital Terrestrial Television signals (DTT) were being awarded to Super e-Technology in the financial year. Additional income has been generated as the number of systems being completed increases along with the extending DTT coverage as well as the approach of the 2008 Beijing Olympics.

##### Super e-Network

Super e-Network has increased its valued-added business for the existing wireless LAN infrastructure in shopping malls, by providing limited free WIFI service for visitors. Super e-Network has successfully deployed new broadband network and service provision in a prestigious residential development, contributing to an increase in revenue. Super e-Network continues to actively explore new opportunities to expand broadband deployment and related services.

#### Enabling Services

##### SuperHome and SuperStreets

SuperHome continued to provide convenient and diversified online services to residential estates while SuperStreets continued to offer competitive mortgage referrals and other property-related services to home buyers.

##### Red-dots

Red-dots Hong Kong continued to serve its user community with its trusted e-commerce and e-auction platform. As noted in the last two quarterly reports, the prospects of Red-dots China were reviewed and the business was restructured as a result of persistent and increasing challenges in market conditions.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Investments

#### Venture Capital

The venture capital group maintained its prudent and conservative approach to investing and continues to evaluate investment opportunities carefully. Funds will only be committed where returns can be reasonably expected and are demonstrably attractive. No further provisions were made to the existing investment portfolio during the current financial year.

### OTHER FINANCIAL DISCUSSION AND ANALYSIS

The Group practices prudent financial management and has a strong balance sheet, with ample liquidity and financial resources. As of 30 June 2008, the Group had cash and interest-bearing securities of approximately HK\$426 million. The Group's gearing ratio as of the same date (calculated on the basis of net debt to shareholders' funds) was zero.

As of 30 June 2008, the Company had contingent liabilities in respect of guarantees for general banking facilities utilized by group subsidiaries and other guarantees in the aggregate amount of HK\$105 million. The Group's core operations are based in Hong Kong and its assets are primarily in Hong Kong or US dollars. It had no significant exposure to foreign exchange rate fluctuations. As of 30 June 2008, the Group had not pledged any of its assets, and there were no material acquisitions or disposals of subsidiaries or affiliated companies during the year under review.

### EMPLOYEES

As of 30 June 2008, the Group had 183 full-time employees. The Group is keen to retain and motivates talent and continues to make adjustments in compensation, where appropriate, to recognize employees' contributions and to respond to changes in the employment market. Payroll costs remained stable during the year, and bonuses were paid to selected employees to recognize outstanding performance. Other remuneration and benefits, including medical coverage and provident fund contributions, remained at appropriate levels. Various training and development opportunities continue to be offered to enhance employees' knowledge and skills.

### OUTLOOK

Building on its track record, SUNeVision is well positioned for sustained profitability and continued growth. iAdvantage will seek to fill vacancies remaining in its current data centres as well as explore new opportunities for growth. The Group's consumer enabling and property-related technology business will continue to leverage the parent company's significant relationships, and seek new ways to grow.



## DIRECTORS AND SENIOR MANAGEMENT PROFILE

### EXECUTIVE DIRECTORS

#### **KWOK Ping-luen, Raymond** (Age: 55)

*Chairman*

Mr. Kwok was appointed the Chairman and an Executive Director of the Company on 29 January 2000. He holds a Master of Arts degree in Law from Cambridge University, a Master degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong.

He is a Vice Chairman and Managing Director of Sun Hung Kai Properties Limited ("SHKP"), a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He is also Chairman of SmarTone Telecommunications Holdings Limited ("SmarTone"), a Non-Executive Director of Transport International Holdings Limited ("TIH") and USI Holdings Limited ("USI"), and an Independent Non-Executive Director of Standard Chartered Bank (Hong Kong) Limited.

In civic activities, Mr. Kwok is a Director of The Real Estate Developers Association of Hong Kong ("REDA"), a Member of the General Committee of The Hong Kong General Chamber of Commerce, a Member of the Hong Kong Port Development Council and Vice-Chairman of the Council of The Chinese University of Hong Kong. Mr. Kwok is the younger brother of Mr. Kwok Ping-sheung, Walter and Mr. Kwok Ping-kwong, Thomas, both being Executive Directors of the Company.

#### **KWOK Ping-sheung, Walter** (Age: 58)

Mr. Kwok was appointed an Executive Director of the Company on 29 January 2000. He holds an Honorary Doctor of Science degree and a Master of Science degree in Civil Engineering from the Imperial College of Science and Technology, University of London, and is a Member of the Institution of Civil Engineers, U.K. and a Member of the Hong Kong Institution of Engineers. He is a Non-Executive Director of SHKP and TIH and Director of Wilson Parking (Holdings) Limited and Hung Cheong Import & Export Co., Ltd.

He is also a Director of REDA and Tsimshatsui East Property Developers' Association Ltd. and Honorary Treasurer of the Federation of Hong Kong Hotel Owners. On the community front, he is the Past Chairman of the Former Directors Committee of the Hong Kong Community Chest. He is also a Member of MBA Programmes Committee of The Chinese University of Hong Kong and an Honorary Member of The Court of The Hong Kong University of Science & Technology.

Mr. Kwok is an Honorary Citizen of Beijing & Guangzhou and a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. Mr. Kwok is the elder brother of Mr. Kwok Ping-kwong, Thomas and Mr. Kwok Ping-luen, Raymond.

## DIRECTORS AND SENIOR MANAGEMENT PROFILE

### **KWOK Ping-kwong, Thomas** (Age: 56)

Mr. Kwok Ping-kwong, Thomas was appointed an Executive Director of the Company on 29 January 2000. Mr. Kwok is a Vice Chairman and Managing Director of SHKP. He is also Chairman of Route 3 (CPS) Company Limited, Joint Chairman of IFC Development Limited and an Independent Non-Executive Director of The Bank of East Asia, Limited. Mr. Kwok holds a master's degree in Business Administration from The London Business School, University of London, and a bachelor's degree in Civil Engineering from Imperial College, University of London.

He is Chairman of the Board of Directors of the Faculty of Business and Economics, The University of Hong Kong, and Executive Vice President of REDA. He also serves as a government appointed Member of the Exchange Fund Advisory Committee, Construction Industry Council, the Council for Sustainable Development, and the Commission on Strategic Development. In July 2007, the Government of the Hong Kong Special Administrative Region awarded Mr. Kwok the Silver Bauhinia Star for his distinguished community service.

In the past, Mr. Kwok served as a member of the Economic and Employment Council, the Business Advisory Group, the Land & Building Advisory Committee, the Registered Contractors' Disciplinary Board, the General Chamber of Commerce Industrial Affairs Committee and Business Facilitation Advisory Committee. He was also Chairman of the Property Management Committee of the Building Contractors' Association and a Council Member of the Hong Kong Construction Association.

He previously served as a Board member of the Community Chest of Hong Kong, as a member of the Social Welfare Policies & Services Committee, and on the Council of The Open University of Hong Kong.

Mr. Kwok is an Honorary Citizen of Guangzhou and a Standing Committee Member of the Ninth Chinese People's Political Consultative Conference Shanghai Committee.

Mr. Kwok is the younger brother of Mr. Kwok Ping-sheung, Walter and the elder brother of Mr. Kwok Ping-luen, Raymond.

### **TSIM Wing-kit, Alfred** (Age: 45)

*Acting Chief Executive Officer, Chief Financial Officer, Qualified Accountant and Authorised Representative*

Mr. Tsim was appointed an Executive Director and the Chief Financial Officer of the Company on 12 July 2006 and is responsible for the overall financial planning and management of the Company. He has been appointed as the Acting Chief Executive Officer of the Company since 1 June 2008 and is responsible for overseeing the various businesses of the Group. Prior to joining the Group in February 2000, he worked with international accounting firms, financial institution and major telecommunication operators in Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, United Kingdom, CPA Australia and CMA Canada. Mr. Tsim holds a Bachelor of Arts degree from the City University of Hong Kong, a Master of Business Administration degree from The University of Sydney and a Diploma in Management Accounting from The Chinese University of Hong Kong.

### **SO Sing-tak, Andrew** (Age: 43) <sup>(Note)</sup>

Mr. So was appointed an Executive Director of the Company on 26 March 2002. He was appointed as the Managing Director of the Company on 4 December 2004 and was re-designated as the Chief Executive Officer of the Company since 9 September 2005 until his resignation on 1 June 2008. He has been with SHKP group since July 2001, as Special Assistant to Vice Chairman and Managing Director of SHKP, and was involved in developing SHKP group's IT-related businesses and formulating growth strategies for the Company. Mr. So was also a Non-Executive Director of SmarTone and RoadShow Holdings Limited ("RoadShow").

Mr. So holds both a BA from Harvard University and an MBA from Harvard Business School, and he has over seventeen years' experience in management and consulting, having worked extensively in the USA, UK, Hong Kong and elsewhere in Asia, formulating and executing strategies for companies in diverse industries.

Note: Resigned as Executive Director on 1 July 2008



## DIRECTORS AND SENIOR MANAGEMENT PROFILE

Prior to joining SHKP group, Mr. So was Senior Vice President and Managing Director (Greater China) with Digitas Asia Limited, subsidiary of a Nasdaq-listed systems integrator and web solutions provider headquartered in Boston, Massachusetts. He set up Digitas' first office in Asia to serve global and local clients. Before that, Mr. So held the position of Managing Director, Telecommunications with Scient, a technology solutions provider based in San Francisco, where he led business development and solution delivery for Asian Telecom and Internet clients. He has also worked for the international consulting and systems integration firms Accenture and Cap Gemini, in the USA and Europe.

### **CHAN Kui-yuen, Thomas** (Age: 62)

Mr. Chan was appointed an Executive Director of the Company on 29 January 2000 and is an Executive Director of SHKP. Mr. Chan graduated from the United College, The Chinese University of Hong Kong. He joined the SHKP group in 1973 and is now responsible for land acquisitions and project planning matters. He was awarded as Honorary University Fellowship of The Open University of Hong Kong in 2007.

### **WONG Yick-kam, Michael** (Age: 56)

#### *Compliance Officer*

Mr. Wong was appointed an Executive Director of the Company on 29 January 2000. He obtained his Bachelor of Business Administration and Master of Business Administration degrees from The Chinese University of Hong Kong. He has been an Executive Director of SHKP since 1996 and is currently responsible for the SHKP group's strategic planning, corporate development, infrastructure projects, financial investments and investor relations.

Mr. Wong is Deputy Chairman of RoadShow and a Non-Executive Director of SmarTone and USI.

In community service, Mr. Wong is Chairman of the Hong Kong Youth Hostels Association. He is a member of the Steering Committee on Promotion of Volunteer Service and a member of the Steering Committee on Child Development Fund of the Hong Kong Government. He is also a member of the Board of Trustees of New Asia College, The Chinese University of Hong Kong, and a member of the Council of The Open University of Hong Kong.

### **SO Chung-keung, Alfred** (Age: 59)

Mr. So was appointed an Executive Director of the Company on 29 January 2000 and joined the SHKP group in 1978. He is currently an Executive Director of Sun Hung Kai Real Estate Agency Limited ("SHKREA"), a subsidiary of SHKP. He is also a Director of Sunco Resources Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He obtained his Estate Agent's Licence (Individual) in 1999. Mr. So received a Master of Science degree in Mathematics from the University of Toronto.

### **TUNG Chi-ho, Eric** (Age: 49)

Mr. Tung was appointed an Executive Director of the Company on 29 January 2000 and has been with the SHKP group for 21 years. He served as Project Director for various large-scale residential, commercial and mixed developments and oversaw the completion of data centres for major tenants such as JP Morgan and ING Barings. He is an Executive Director of SHKREA and is also the Chairman of iAdvantage Limited ("iAdvantage"). Mr. Tung is a member of the Hong Kong Institute of Architects and is a Registered Architect in Hong Kong and an Authorised Person (List One) with the Building Department. He is a graduate of the Architectural Programme of The University of Hong Kong.

### **WONG Chin-wah** (Age: 59)

Mr. Wong was appointed an Executive Director of the Company on 29 January 2000 and is the Chief Executive Officer of Sunevision Super e-Technology Services Limited ("Super e-Tech"). His experience in infrastructure network technology commenced in early 1993 when he was appointed as Chief Executive Officer of Super e-Tech. In July 1999, then as the Managing Director of Sunevision Red-Dots Limited, he led a team of IT professionals to develop the SHKP group's first e-commerce site in Hong Kong which was launched in October 1999. He is an Executive Director of SHKREA and had held senior management positions in the DBS Bank and MTR Corporation Limited. Mr. Wong received a Bachelor of Science (Estate Management) degree in 1976 from the National University of Singapore and is a Registered Professional Surveyor and a Registered Professional Housing Manager in Hong Kong. He is also a member of the Singapore Institute of Surveyors and Valuers.

## DIRECTORS AND SENIOR MANAGEMENT PROFILE

### NON-EXECUTIVE DIRECTOR

#### **CHEUNG Wing-yui** (Age: 58)

Mr. Cheung was appointed a Non-Executive Director of the Company on 29 January 2000. Mr. Cheung is also Non-Executive Director of four other publicly listed companies and an Independent Non-Executive Director of two other publicly listed companies. He is a member of the Board of Review (Inland Revenue Ordinance), Co-Chairman of The Community Chest Corporate Challenge Organising Committee and a member of Campaign Committee of The Community Chest, Vice Chairman of the Council of The Open University of Hong Kong and a Fellow member of the Institute of Directors. He was also the Vice Chairman of the Mainland Legal Affairs Committee of the Law Society of Hong Kong until January 2006 and was a Director of Po Leung Kuk. Mr. Cheung received a Bachelor of Commerce Degree in accountancy from the University of New South Wales, Australia and is a member of the Australian Society of CPAs. He has been a practising solicitor in Hong Kong since 1979 and is a Consultant of the law firm Woo, Kwan, Lee & Lo. He was also admitted as a solicitor in the United Kingdom as an advocate and solicitor in Singapore.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

#### **LI On-kwok, Victor** (Age: 54)

Professor Li was appointed an Independent Non-Executive Director of the Company on 29 January 2000. He was also appointed an Independent Non-Executive Director of China.com. Inc. with effect from 28 August 2008. He is Associate Dean of Engineering, and the Chair Professor of Information Engineering of the Electrical and Electronic Engineering Department at The University of Hong Kong (HKU). Prior to joining HKU, Professor Li was Professor of Electrical Engineering at the University of Southern California (USC) and Director of the USC Communication Sciences Institute. Professor Li has chaired various committees of international professional organisations such as the Technical Committee on Computer Communications of the Institute of Electrical and Electronic Engineers (IEEE). Professor Li received his bachelor's, master's, engineer's and doctoral degrees in Electrical Engineering and Computer Science from the Massachusetts Institute of Technology in 1977, 1979, 1980 and 1981 respectively. He was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2002.

#### **KING Yeo-chi, Ambrose** (Age: 73)

Professor King was appointed as an Independent Non-Executive Director of the Company on 1 January 2007. He is the Emeritus Professor of Sociology at The Chinese University of Hong Kong.

He has been the head of New Asia College (1977-1985), Chair Professor of Sociology (1983-2004), Pro-Vice-Chancellor (1989-2002) and Vice-Chancellor (2002-2004) at The Chinese University of Hong Kong. In addition, he has been the Visiting Fellow at the Centre of International Studies, MIT (1976) and Visiting Professor at University of Heidelberg (1985) and University of Wisconsin (1986). He was elected as Academician, Academia Sinica, Taipei (1994).



## DIRECTORS AND SENIOR MANAGEMENT PROFILE

Professor King received his BA from National Taiwan University (1957), MA from National Cheng Chi University (1959), and PhD from the University of Pittsburgh (1970).

Professor King has held many advisory positions to the Hong Kong Government such as Independent Commission Against Corruption, The Law Reform Commission, Central Policy Unit, University Grants Committee – Research Grants Council. He is a member of the Board of Directors of Chiang Ching-kuo Foundation for International Scholarly Exchange. Professor King was appointed the Non-Official Justice of Peace in 1994. He was awarded the Silver Bauhinia Star of the Hong Kong Special Administrative Region and the Doctor of Literature, *honoris causa* of the Hong Kong University of Science and Technology in 1998 and the Doctor of Laws, *honoris causa* of The Chinese University of Hong Kong in 2005.

### **WONG Kai-man** (Age: 58)

Mr. Wong was appointed as Independent Non-Executive Director of the Company on 16 January 2007. He is an accountant with 32 years of audit, Initial Public Offer and computer audit experience. He was a member of the Growth Enterprise Market Listing Committee of The Stock Exchange of Hong Kong Limited from 1999 to 2003. Mr. Wong was an audit partner of PricewaterhouseCoopers, Hong Kong before his retirement on 30 June 2005 and is currently a director of two charity foundations: Victor & William Fung Foundation Limited and Li & Fung (1906) Foundation Limited. He is an Independent Non-Executive Director of Shangri-La Asia Ltd., SCMP Group Ltd. and China Construction Bank Corporation. He serves in a number of government committees and the boards of certain non-government organisations.

Mr. Wong obtained his Bachelor of Science in Physics from The University of Hong Kong and Master of Business Administration from The Chinese University of Hong Kong and is a fellow of the Association of Chartered Certified Accountants, United Kingdom and a fellow of the Hong Kong Institute of Certified Public Accountants.

Mr. Wong was appointed as a Justice of the Peace in 2002 and was awarded Bronze Bauhinia Star in 2007 by the Government of the Hong Kong Special Administrative Region.

## SENIOR MANAGEMENT

### **WONG-sing, Samuel** (Age: 41)

*Chief Operating Officer of iAdvantage*

Mr. Wong is responsible for providing overall leadership to the internet infrastructure services of the Group. He has over 18 years experience in telecommunication and information technologies industries. Before joining iAdvantage in January 2001, he worked for PCCW Limited in various disciplines holding management and professional positions there. Mr. Wong is a Chartered Engineer, and received his Bachelor of Science in Electronics and Computer Science in the Chinese University of Hong Kong, and Master of Business Administration degree from the Hong Kong University of Science and Technology.

## DIRECTORS' REPORT

The Directors present their Report together with the audited financial statements for the year ended 30 June 2008.

### PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be holding investments in various subsidiaries. Particulars of the Company's principal subsidiaries, including their respective activities, are set out in note 34 to the financial statements.

Revenue and contributions to operating results from overseas activities are immaterial. Segment information about the businesses of the Group for the year ended 30 June 2008 is set out in note 7 to the financial statements.

### GROUP RESULTS

The results of the Group for the year ended 30 June 2008 are set out in the consolidated income statement on page 48 of this Report.

### DIVIDENDS

The Board of Directors recommended a final dividend of HK\$0.05 per share (2007: HK\$0.045 per share) to the shareholders registered in the Company's Register of Members as at the close of business on 20 November 2008, making a total dividend of HK\$0.05 per share for the full year ended 30 June 2008 (2007: HK\$0.045 per share).

### GROUP FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 30 June 2008 is set out on page 3 of this Report.

### RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out on page 51 of this Report and in note 27 to the financial statements respectively.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 17 to the financial statements.

### PROPERTIES

Particulars of properties held by the Group at 30 June 2008 are set out on page 92 of this Report.

### INVESTMENT PROPERTIES

The investment properties were revalued at 30 June 2008 and the resulting fair value change of HK\$119,000,000 has been credited to the consolidated income statement.

Details of the movements during the year in the investment properties of the Group are set out in note 16 to the financial statements.

### BANK BORROWINGS

The Group did not have any bank borrowings during the year.

### INTEREST CAPITALISED

The Group has not capitalised any interest during the year.



## DIRECTORS' REPORT

### DIRECTORS

The Directors of the Company during the year and up to the date of this Report were:

#### Executive Directors:

Kwok Ping-luen, Raymond  
Kwok Ping-sheung, Walter  
Kwok Ping-kwong, Thomas  
Tsim Wing-kit, Alfred  
So Sing-tak, Andrew (Resigned on 1 July 2008)  
Chan Kui-yuen, Thomas  
Wong Yick-kam, Michael  
So Chung-keung, Alfred  
Tung Chi-ho, Eric  
Wong Chin-wah

#### Non-Executive Director:

Cheung Wing-yui

#### Independent Non-Executive Directors:

Li On-kwok, Victor  
King Yeo-chi, Ambrose  
Wong Kai-man

In accordance with Article 116 of the Company's Articles of Association, Mr. Kwok Ping-luen, Raymond, Mr. Kwok Ping-sheung, Walter, Mr. Tsim Wing-kit, Alfred, Mr. Wong Chin-wah and Professor Li On-kwok, Victor will retire at the forthcoming annual general meeting (the "Annual General Meeting") and, being eligible, would offer themselves for re-election.

### 1. Directors' Service Contracts

#### Executive Directors

Other than Mr. Tsim Wing-kit, Alfred, each of the Executive Directors has entered into a service agreement with the Company. Each agreement is for a period of three years commencing on 1 March 2003 and shall continue thereafter until terminated by either party giving to the other not less than six months' prior written notice.

#### Non-Executive Directors

The term of office of each of Professor Li On-kwok, Victor and Mr. Cheung Wing-yui is for a period not exceeding three years up to 31 December 2008. The term of office of each of Professor King Yeo-chi, Ambrose and Mr. Wong Kai-man is for a period not exceeding three years up to 31 December 2009.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### 2. Directors' Interests In Contracts

During the year, the Group had certain transactions with Sun Hung Kai Properties Limited ("SHKP") and its affiliates other than members of the Group. Details of these transactions are set out in note 29 "related party transactions and balances" to the financial statements. Messrs. Kwok Ping-luen, Raymond, Kwok Ping-sheung, Walter and Kwok Ping-kwong, Thomas have a trust interest in SHKP.

In addition, Mr. Cheung Wing-yui is a consultant of Woo, Kwan, Lee & Lo, a solicitors firm which provided professional services to the Group and charged usual professional fees during the year.

## DIRECTORS' REPORT

Despite the interests as stated above, there was no contract of significance to which the Company or its subsidiaries, or its holding companies or any of its fellow subsidiaries was a party, and in which a Director of the Company was material interested, whether directly or indirectly, subsisting during or at the end of the year.

### 3. Independent Non-Executive Directors

#### Confirmation of Independence

The Company has received from each of Professor Li On-kyok, Victor, Professor King Yeo-chi, Ambrose and Mr. Wong Kai-man an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and the Company still considers the Independent Non-Executive Directors to be independent.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2008, the interests or short positions of Directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required, pursuant to the required standard of dealings by Directors as referred to in GEM Listing Rules 5.49 to 5.67, to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Director	Number of shares held			Total	Number of underlying shares held under equity derivatives	Total	% of shares in issue
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Other interests				
Kwok Ping-luen, Raymond	–	–	1,742,500 <sup>1</sup>	1,742,500	–	1,742,500	0.08
Kwok Ping-sheung, Walter	–	–	1,070,000 <sup>1</sup>	1,070,000	–	1,070,000	0.05
Kwok Ping-kwong, Thomas	–	–	1,070,000 <sup>1</sup>	1,070,000	–	1,070,000	0.05
Tsim Wing-kit, Alfred	–	–	–	–	50,000 <sup>3</sup>	50,000	0
So Sing-tak, Andrew <sup>2</sup>	326,667	–	–	326,667	133,333 <sup>3</sup>	460,000	0.02
Wong Yick-kam, Michael	100,000	–	–	100,000	–	100,000	0
So Chung-keung, Alfred	–	543	–	543	67,000 <sup>3</sup>	67,543	0
Wong Chin-wah	–	–	–	–	70,000 <sup>3</sup>	70,000	0
King Yeo-chi, Ambrose	500	–	–	500	–	500	0

Notes:

- Of these shares in the Company, Messrs. Kwok Ping-luen, Raymond, Kwok Ping-sheung, Walter and Kwok Ping-kwong, Thomas were deemed to be interested in 1,070,000 shares by virtue of being beneficiaries of a certain discretionary trust, which represented the same interests and were therefore duplicated amongst these three Directors for the purpose of the SFO.
- Resigned as Executive Director on 1 July 2008.
- These represented the interests in the underlying shares of the Company in respect of the share options (being regarded for the time being as unlisted physically settled equity derivatives) granted by the Company. Details of the share options are set out in the section entitled "Share Option Schemes".

## DIRECTORS' REPORT

### 2. Long positions in shares and underlying shares of the associated corporations of the Company

#### (a) SHKP

Name of Director	Number of shares held				Total	Number of underlying shares held under equity derivatives	Total	% of shares in issue
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Other interests				
Kwok Ping-luen, Raymond	75,000	–	–	1,089,794,895 <sup>1</sup>	1,089,869,895	–	1,089,869,895	42.50
Kwok Ping-sheung, Walter	75,000	–	–	1,088,601,522 <sup>1</sup>	1,088,676,522	–	1,088,676,522	42.45
Kwok Ping-kwong, Thomas	1,976,281	304,065	–	1,086,651,214 <sup>1</sup>	1,088,931,560	–	1,088,931,560	42.46
Chan Kui-yuen, Thomas	–	66,000	126,500 <sup>2</sup>	–	192,500	–	192,500	0
Wong Yick-kam, Michael	145,904	–	–	–	145,904	–	145,904	0
So Chung-keung, Alfred	189,985	6,500	–	–	196,485	–	196,485	0
Wong Kai-man	–	–	–	–	–	9,135 <sup>3</sup>	9,135	0

Notes:

- Of these shares in SHKP, Messrs. Kwok Ping-luen, Raymond, Kwok Ping-sheung, Walter and Kwok Ping-kwong, Thomas were deemed to be interested in 1,066,617,347 shares by virtue of being beneficiaries of certain discretionary trusts, which represented the same interests and were therefore duplicated amongst these three Directors for the purpose of the SFO.
- These shares were held by a company which obliged to act in accordance with the instructions of Mr. Chan Kui-yuen, Thomas.
- Mr. Wong Kai-man was deemed to be interested in these underlying shares of SHKP by virtue of having a security interest in unlisted and physically settled equity derivatives for the purpose of the SFO.

#### (b) SmarTone Telecommunications Holdings Limited ("SmarTone")

Name of Director	Number of shares held			Total	Number of underlying shares held under equity derivatives	Total	% of shares in issue
	Family interests (interests of spouse or child under 18)	Other interests					
Kwok Ping-luen, Raymond	–	2,237,767 <sup>1</sup>		2,237,767	–	2,237,767	0.39
Li On-kwok, Victor	5,000	–		5,000	–	5,000	0

Note:

- Mr. Kwok Ping-luen, Raymond was deemed to be interested in these shares in SmarTone by virtue of being a beneficiary of a certain discretionary trust for the purpose of the SFO.

## DIRECTORS' REPORT

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

Name of associated corporation	Attributable holding through corporation	Attributable % of shares in issue through corporation	Actual holding through corporation	Actual % interests in issued shares
Splendid Kai Limited	2,500	25	1,500 <sup>1</sup>	15
Hung Carom Company Limited	25	25	15 <sup>1</sup>	15
Tinyau Company Limited	1	50	1 <sup>1</sup>	50
Open Step Limited	8	80	4 <sup>1</sup>	40

Note:

1. Messrs. Kwok Ping-luen, Raymond, Kwok Ping-sheung, Walter and Kwok Ping-kwong, Thomas were deemed to be interested in these shares, which represented the same interests and were therefore duplicated amongst these three Directors for the purpose of the SFO. These shares were held by corporations under a certain discretionary trust, in which Messrs. Kwok Ping-luen, Raymond, Kwok Ping-sheung, Walter and Kwok Ping-kwong, Thomas were deemed to be interested by virtue of being beneficiaries for the purpose of the SFO.

Save as disclosed above, as at 30 June 2008, none of the Directors or chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required, pursuant to the required standard of dealings by Directors as referred to in GEM Listing Rules 5.49 to 5.67, to be notified to the Company and the Stock Exchange.

## SHARE OPTION SCHEMES

### 1. Share Option Schemes of the Company

The Company had adopted a share option scheme (the "Old Share Option Scheme"), the principal terms of which were summarised in the section headed "Statutory and General Information Share Option Schemes" in Appendix 5 to the Company's prospectus dated 6 March 2000. By ordinary shareholders' resolutions passed at the annual general meeting held on 3 December 2002, the Company had adopted another share option scheme (the "New Share Option Scheme") and terminated the Old Share Option Scheme. These have become effective on 5 December 2002 as a result of the passing of ordinary resolutions approving the same by the shareholders of SHKP, the Company's holding company, at its general meeting held on the same day.

#### (A) Old Share Option Scheme

Since the adoption of the Old Share Option Scheme, the Company had granted four lots of share options, of which the options at the exercise prices of HK\$10.38 per share, HK\$3.885 per share and HK\$2.34 per share expired at the close of business on 30 December 2005, 14 November 2006 and 19 March 2007 respectively. No further options may be offered under the Old Share Option Scheme. However, the outstanding options granted under the Old Share Option Scheme shall continue to be subject to the provisions of the Old Share Option Scheme and the provisions of Chapter 23 of the GEM Listing Rules.

## DIRECTORS' REPORT

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

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

### (B) New Share Option Scheme

The Company had granted two lots of share options under the New Share Option Scheme since its adoption.

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

- (a) an amount up to one-third of the grant within three years commencing on 29 November 2004;
- (b) the remaining amount but up to two-thirds of the grant within three years commencing on 29 November 2005; and
- (c) the remaining amount within three years commencing on 29 November 2006.

The options will expire at the close of business on 28 November 2009.

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

During the year ended 30 June 2008, no share options were granted under the New Share Option Scheme.

### (C) Share options granted to the Directors

The following shows the outstanding positions of the Directors as at 30 June 2008 with respect to their share options granted under the Old Share Option Scheme and the New Share Option Scheme:

Name of Director	Date of grant	Exercise price HK\$	Number of share options				Balance as at 30.6.2008
			Balance as at 1.7.2007	Granted during the year	Exercised during the year	Cancelled/Lapsed during the year	
Tsim Wing-kit, Alfred	29.11.2003	1.59	50,000	-	-	-	50,000
So Sing-tak, Andrew <sup>(Note)</sup>	29.11.2003	1.59	133,333	-	-	-	133,333
So Chung-keung, Alfred	29.11.2003	1.59	67,000	-	-	-	67,000
Wong Chin-wah	29.11.2003	1.59	70,000	-	-	-	70,000

Note: Resigned as Executive Director on 1 July 2008

## DIRECTORS' REPORT

### (D) Share options granted to the employees of the Company

A summary of the movements during the year ended 30 June 2008 of the share options granted under the Old Share Option Scheme and the New Share Option Scheme to the employees of the Company working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance, other than the Directors and chief executive of the Company as disclosed above, is set out below:

Date of grant	Exercise Price HK\$	Number of share options				Balance as at 30.6.2008
		Balance as at 1.7.2007	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	
29.11.2003	1.59	316,667	–	–	100,000	216,667

Other than the participants as stated above, the Company has not granted since the adoption of the Old Share Option Scheme and the New Share Option Scheme any share options to any other persons as required to be disclosed under GEM Listing Rule 23.07.

### 2. Share Option Schemes of iAdvantage Limited ("iAdvantage")

In addition to the Old Share Option Scheme and the New Share Option Scheme, the Group operates another share option scheme which was approved for iAdvantage, a wholly-owned subsidiary of the Company, allowing the Board of Directors of the Company the right to grant to the full-time employees and executive directors of iAdvantage or any of its subsidiary options to subscribe for shares of iAdvantage in aggregate up to 10% of its issued capital from time to time (the "iAdvantage Share Option Scheme"). The exercise period of any options granted under the iAdvantage Share Option Scheme shall commence on the date of grant of the option and expire on such date as determined by the board of directors of iAdvantage or 28 February 2010, whichever is the earlier, and subject to the provisions for early termination contained therein. No share options have been granted to any person under the iAdvantage Share Option Scheme since its adoption.

### 3. Major terms of share options schemes

The major terms of the Old Share Option Scheme, the New Share Option Scheme and the iAdvantage Share Option Scheme (collectively the "Schemes") are summarised as follows:

- (i) Upon the passing of an ordinary resolution by the shareholders of the Company approving the adoption of the New Share Option Scheme and the termination of the Old Share Option Scheme at the general meeting on 3 December 2002 and the approval of the shareholders of SHKP on 5 December 2002, no further options may be offered under the Old Share Option Scheme.
- (ii) The purposes of the Schemes are to provide incentives to their respective participants.



## DIRECTORS' REPORT

- (iii) The participants of the New Share Option Scheme include (i) executive or non-executive directors (or any persons proposed to be appointed as such) or any employees (whether full-time or part-time) of each member of the Group; (ii) any consultants, professional and other advisers to each member of the Group (or persons, firms or companies proposed to be appointed for providing such services); (iii) any chief executives or substantial shareholders of the Company; (iv) any associates of a director, chief executive or substantial shareholder of the Company; and (v) any employees of substantial shareholder of the Company, as absolutely determined by the Board.

The participants of the Old Share Option Scheme include full-time employees of the Company or its subsidiaries including executive directors of the Company or its subsidiaries.

The participants of the iAdvantage Share Option Scheme include full-time employees of iAdvantage or its subsidiaries including executive directors of iAdvantage or its subsidiaries.

- (iv) The total number of shares which may be issued upon exercise of all options to be granted under the Old Share Option Scheme and the New Share Option Scheme shall not in aggregate exceed 10% of the total number of shares in issue of the Company as at the date of approval of the New Share Option Scheme. The 10% limit may be refreshed with the approval by ordinary resolution of the shareholders of the Company. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Old Share Option Scheme and New Share Option Scheme must not exceed 30% of the issued share capital of the Company from time to time (or such higher percentage as may be allowed under the GEM Listing Rules). As at 4 September 2008, the number of shares available for issue in respect thereof was 203,148,383, representing approximately 10% of the issued share capital of the Company.

The maximum number of shares in respect of which options may be granted under the iAdvantage Share Option Scheme must not exceed 10% of the total number of shares in issue of iAdvantage from time to time. The issued share capital of iAdvantage as at 4 September 2008 is HK\$4. No share options have been granted to any person under the iAdvantage Share Option Scheme since its adoption.

- (v) Pursuant to New Share Option Scheme, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue of the Company. As at 4 September 2008, the total number of shares in issue of the Company was 2,031,483,833.

Pursuant to the Old Share Option Scheme and the iAdvantage Share Option Scheme, no participant shall be granted an option which, if exercised in full, would result in such participant's maximum entitlement exceeding 25% of the aggregate number of the shares of the Company for the time being issued and issuable under the respective schemes.

## DIRECTORS' REPORT

- (vi) An option granted under the New Share Option Scheme may be exercised at any time during the option period after the option has been granted by the Board. An option period is a period to be determined by the Board at its absolute discretion and notified by the Board to each grantee as being the period during which an option may be exercised, such period shall not be longer than ten years from the grant date of the Option.

The exercise period of any option granted under the Old Share Option Scheme must not be less than three years to be notified by the Board of the Company to each grantee which period of time shall commence on the date of grant of the option and expire on such date as determined by the Board or 28 February 2010, whichever is the earlier, and subject to the provisions for early termination contained in the scheme.

The exercise period of any option granted under the iAdvantage Share Option Scheme must not be less than three years to be notified by the board of iAdvantage to each grantee which period of time shall commence on the date of grant of the option and expire on such date as determined by the board of iAdvantage or 28 February 2010, whichever is the earlier, and subject to the provisions for early termination contained in the scheme.

- (vii) Pursuant to the New Share Option Scheme, there are neither any performance targets that need to be achieved by the grantee before an option can be exercised nor any minimum period for which an option must be held before the option can be exercised.

Pursuant to each of the Old Share Option Scheme and the iAdvantage Share Option Scheme, an option may be exercised in accordance with the terms of the respective schemes at any time during a period to be notified by the respective boards to each grantee.

- (viii) Pursuant to each of the Schemes, the acceptance of an offer of the grant of the respective options must be made within 28 days from the date of grant with a non-refundable payment of HK\$1 from the grantee.

- (ix) The exercise price of an option to subscribe for shares granted pursuant to each of the New Share Option Scheme and the Old Share Option Scheme shall be the highest of:

- the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made to a participant, which must be a business day;
- the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an offer is made; and
- the nominal value of the shares of the Company.

The exercise price of an option to subscribe for shares granted pursuant to the iAdvantage Share Option Scheme shall be determined by the Board of the Company and notified to the grantee and shall not be less than the nominal value of the shares of iAdvantage provided that in the case of a grantee which is a director of any holding company of iAdvantage which is also listed on the GEM or the Main Board of the Stock Exchange or his or her associate, the subscription price shall be determined on a fair and reasonable basis and shall not be less than the latest audited net tangible assets per share of iAdvantage.

- (x) The New Share Option Scheme shall be valid and effective till 3 December 2012. The iAdvantage Share Option Scheme shall be valid and effective till 28 February 2010.



## DIRECTORS' REPORT

### 4. Arrangement to purchase shares or debentures

Other than the 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.

## GROUP'S EMOLUMENT POLICY

### 1. General description of the emolument policy and long term incentive schemes of the Group

#### (a) Emolument Policy

The philosophy of the emolument policy of the Company is summarised as follows:

- The Company will benchmark periodically with the market to ensure the competitiveness of the overall package
- The Company adopts a performance driven policy so that each individual is motivated to perform to the best he can
- Individual competence, contribution and responsibility are taken into account when considering the remuneration level for each staff
- Different remuneration elements are adopted for different functions, such as commission schemes for sales and special allowances for staff working on shift, to meet the special characteristics of each function
- The Company also offers provident fund, medical insurance and leave benefits to provide basic coverage to staff for sickness, retirement, rest and relaxation reasons
- Share option grants are made from time to time to better link the corporate performance as reflected in the share price performance and the contributions made by the senior staff in the intermediate to longer time frame
- The economic factors and the affordability of the Company are taken into account in coming up with the overall remuneration budget for the Company

#### (b) Incentive Scheme

To enhance the performance culture, the Company also has adopted a discretionary bonus scheme. A couple of factors, such as the overall financial performance, the affordability of the Company and individual performance, have been taken into account before determining the payout for each individual. The payout of the bonus still remains at the sole discretion of the Company.

### 2. Basis of determining emolument to Directors

The remuneration philosophy of the Company also applies to the Directors. Apart from benchmarking against the market, the Company also looks into individual competence and contributions and the affordability of the Company in determining the exact level of remuneration for each Director. Provision in medical, provident fund and leave are made to ensure that the Directors could have basic coverage in sickness and retirement as well as for rest and relaxation. Share options are also granted to gain a better line of sight between the overall performance of the Company in terms of share price and the contributions made by the Directors.

## DIRECTORS' REPORT

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, the long positions of every person, other than a Director or chief executive of the Company, in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name	Total number of shares	% of shares in issue
Sunco Resources Limited <sup>1</sup> ("Sunco")	1,713,613,500	84.35
SHKP <sup>2</sup>	1,713,613,500	84.35
HSBC International Trustee Limited <sup>3</sup> ("HSBCIT")	1,717,623,249	84.55

Notes:

1. Sunco is the beneficial owner of the 1,713,613,500 shares.
2. As Sunco is a wholly-owned subsidiary of SHKP, SHKP is deemed to have interest in the 1,713,613,500 shares of the Company held by Sunco by virtue of the SFO.
3. HSBCIT is deemed to have interest in the 1,713,613,500 shares of the Company held by SHKP for the purpose of the SFO. Of the shares in SHKP in which HSBCIT was interested, 1,066,617,347 shares were the shares referred to in Note 1 to sub-section 2(a) of the section entitled "Directors' and Chief Executive's Interests".

Save as disclosed above, as at 30 June 2008, no other shareholders or other persons had interest or short positions in the shares, underlying shares and debentures of the Company which are required to be entered into the register kept by the Company pursuant to section 336 of the SFO or, was directly or indirectly, interested in 5% or more of the shares then in issue and was able, as a practical matter, to direct or influence the management of the Company.

### INTERESTS IN COMPETING BUSINESS

Professor Li On-kwok, Victor, an Independent Non-Executive Director of the Company, is a well recognised leader in the field of information technology development and has been appointed to various positions including consultants and directors to institutions and business entities which are engaged in research, development and business. These institutions and business entities may be in competition with the Group.

Save as disclosed in this section, none of the Directors or the management shareholders of the Company or their respective associates as defined in the GEM Listing Rules have any interest in any business which competes or may compete with the business of the Group.

### CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 30 June 2008 are disclosed in note 29 to the financial statements.

#### I. Expired Continuing Connected Transactions

On 23 May 2005, the Company renewed the agreements governing the Transactions Requiring Approval and the Transactions Exempt from Approval (all as defined and in more particularly described in the announcement of the Company dated 23 May 2005 (the "2005 Announcement")), with SHKP each for a term of three years commencing 1 July 2005 and ending on 30 June 2008. It was also expected that the Lease Arrangements (as defined and in more particularly described in the 2005 Announcement) might continue for the period from 1 July 2005 to 30 June 2008.



## DIRECTORS' REPORT

Details of the Transactions Requiring Approval, the Transactions Exempt from Approval and the Lease Arrangements (all as defined and in more particularly described in the 2005 Announcement) (together "the Expired Continuing Connected Transactions") for the year ended 30 June 2008 are as follows:–

### 1. Transactions Requiring Approval

At the extraordinary general meeting of the Company held on 23 June 2005, the Ordinary Resolution approving the Transactions Requiring Approval (as defined and in more particularly described in the Circular of the Company to its shareholders dated 7 June 2005) was duly passed by the Independent Shareholders, in respect of the following Expired Continuing Connected Transactions subject to the caps for the respective periods as stated below.

- (a) Installation, operation and provision of cable networking by the Group for buildings owned and/or managed by the SHKP group

Sunevision Super e-Network Limited ("Super e-Network") and Sunevision Super e-Technology Services Limited ("Super e-Tech"), both being the wholly-owned subsidiaries of the Company, have been providing and will continue to provide, and other members of the Group may in the future provide, 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, building services access, and power supply), optical fiber network, broadband network and other IT infrastructure network in buildings owned and/or managed by the SHKP group (the "Networking Arrangement"). The Group charges and will continue to charge the relevant members of the SHKP group service fees for the provision of such services.

The annual cap for service fees in respect of the Networking Arrangement to be received by the Group during the three financial years ending 30 June 2008 is HK\$45,000,000.

During the year ended 30 June 2008, the aggregate service fees in respect of the Network Arrangement received by the Group from the SHKP group was approximately HK\$30,054,000.

- (b) Maintenance and repair of network infrastructure and security systems by the Group for buildings owned and/or managed by the SHKP group

Super e-Network and Super e-Tech have been engaged and will continue to be engaged, and other members of the Group may in the future be engaged, by certain members of the SHKP group to carry out maintenance and repair works for SMATV/CABD and other security systems and cabling systems (such as voice and data network, building services access, and power supply), optical fiber network, broadband network, computer systems and other IT infrastructure networks in buildings owned and/or managed by the SHKP group (the "Maintenance Arrangement"). The Group charges and will continue to charge 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.

The annual cap for service fees in respect of the Maintenance Arrangement to be received by the Group during the three financial years ending 30 June 2008 is HK\$56,000,000.

During the year ended 30 June 2008, the aggregate service fees in respect of the Maintenance Arrangement received by the Group from the SHKP group was approximately HK\$46,124,000.

## DIRECTORS' REPORT

### 2. Transactions Exempt from Approval

Transactions of each category of the Transactions Exempt from Approval and the Lease Arrangements constitute non-exempt continuing connected transactions of the Company and are subject to the reporting and announcement requirements under the GEM Listing Rules. The relevant announcement was published on 23 May 2005.

- (a) e-Commerce transactions, advertising, and internet-related services provided by the Group to the SHKP group

Members of the SHKP group have been using, and will continue to use, 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, and will continue to 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" and together with the Advertising Transactions are collectively referred to as the "Advertising and e-Commerce Transactions"). The Group charges, and will continue to charge, the relevant members of the SHKP group service fees for the provision of such services.

The annual cap for the aggregate service fees in respect of the Advertising Transactions and e-Commerce Transactions receivable by the Group during the three financial years ending 30 June 2008 is HK\$7,000,000.

During the year ended 30 June 2008, the aggregate service fees in respect of the Advertising Transactions and e-Commerce Transactions received by the Group from the SHKP group was approximately HK\$2,370,000.

- (b) Space and rack rental

Members of the SHKP group has been renting and will continue to rent spaces and racks located in the Group's data centres (the "Space and Rack Rental Arrangement"). The Group charges and will continue to charge the relevant members of the SHKP group 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 annual cap for rental in respect of the Space and Rack Rental Arrangement to be received by the Group during the three financial years ending 30 June 2008 is HK\$3,700,000.

During the year ended 30 June 2008, the aggregate rental in respect of the Space and Rack Rental Arrangement received by the Group from the SHKP group was approximately HK\$1,366,000.



## DIRECTORS' REPORT

- (c) Provision of property management services by the SHKP group to the Group

Kai Shing Management Services Limited ("Kai Shing Management"), 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 covenant. 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 in accordance with the relevant deeds of mutual covenant (the "Building Management Services").

Members of the SHKP group also provide and will continue to 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, a wholly-owned subsidiary of the Company. Such data centres include ONE-iAdvantage in Millennium City at Kwun Tong, Kowloon, Jumbo-iAdvantage at Tsuen Wan, New Territories and Mega-iAdvantage at Chai Wan, Hong Kong. iAdvantage pays monthly service fee to the 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 (the "Extra Management Services" and arrangements under the Building Management Services are collectively referred to as the "Property Management Arrangement").

The annual cap for service fees in respect of the Property Management Arrangement payable by the Group to the SHKP group during the three financial years ending 30 June 2008 is HK\$9,000,000.

During the year ended 30 June 2008, the aggregate service fees paid by the Group to the SHKP group was approximately HK\$8,900,000.

### 3. The Lease Arrangements

CST iAdvantage Co. Ltd. ("CST iAdvantage"), a subsidiary of the Company, had been leasing and would continue to lease from members of the SHKP group certain premises in the PRC (the "Lease Arrangements"). Information regarding such leases is set out below.

- (a) Units 809 to 817, 8th Floor, Tower 1, Sun Dong An Plaza, 138 Wangfujing Avenue, Dongcheng District, Beijing, the People's Republic of China ("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 wholly-owned subsidiary of SHKP
Tenant:	CST iAdvantage
Term:	Six years commencing on 1 May 2000 (with five renewal options for a term of three years each)

## DIRECTORS' REPORT

Rental:	<p>The rental was US\$9,273 per month for the period from 9 June 2003 to 30 April 2004, US\$10,116 per month for the period from 1 May 2004 to 30 June 2005; and</p> <p>in relation to the remainder of the term, the rental is US\$10,116 per month for the period from 1 July 2005 to 30 April 2006; if the option to renew is exercised, the rental for the period from 1 May 2006 to 30 April 2009 will be at open market rent (subject to a cap of <math>\pm 35\%</math> of the rent of the sixth year of the term), and will be at open market rent for the period from 1 May 2009 to 30 April 2021 (four renewal options for a term of three years each (subject to government regulation)); and</p> <p>all rental being exclusive of air-conditioning, management fees and other outgoings</p>
Rent free periods:	<p>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</p>
Air-conditioning and property management charges:	<p>RMB26,976 per month for the period up to 30 April 2006 (during the rent free periods, 50% of the aforesaid monthly charges), and the charges after 30 April 2006 will be determined by the parties in accordance with the agreement</p>
User:	<p>This property is used by the Group as its office premises and data centre</p>
Remarks:	<p>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 from 1 November 2002 to 30 April 2004 has been reduced from US\$12,199 to US\$9,273 and from 1 May 2004 to 30 April 2006 has been reduced from US\$13,308 to US\$10,116</p>



## DIRECTORS' REPORT

- (b) 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 80% interest
Tenant:	CST iAdvantage
Term:	Six years commencing on 1 April 2000 (with five renewal options for a term of three years each)
Rental:	<p>The rental is US\$20,542.15 per month from 9 June 2003 to 30 June 2005, and</p> <p>in relation to the remainder of the term, the rental will be US\$20,542.15 per month from 1 July 2005 to 31 March 2006; and if the option to renew is exercised, the rental for the period from 1 April 2006 to 31 March 2009 will be at open market rent subject to a cap of <math>\pm 35\%</math> of the rental for the sixth year, and if any of the four further options to renew are exercised, the rental for the period from 1 April 2009 to 31 March 2021 will be at an open market rent; and</p> <p>all rental being exclusive of air-conditioning, management fees and other outgoings</p>
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 up to 31 March 2006 and the charges after 31 March 2006 will be determined by the parties in accordance with the agreement
User:	This property is used by the Group as its office premises and data centre

During the year ended 30 June 2008, the aggregate rental and air-conditioning and property management charges paid to the SHKP group pursuant to the Lease Arrangement was approximately HK\$4,782,000.

The Expired Continuing Connected Transactions have been reviewed by the Independent Non-Executive Directors of the Company. The Independent Non-Executive Directors have confirmed that the Expired Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## DIRECTORS' REPORT

The Auditors of the Company have confirmed that the Expired Continuing Connected Transactions (a) were approved by the Board; (b) were in accordance with the pricing policies of the Company, if any; (c) were entered into in accordance with the relevant agreement governing the transactions; and (d) did not exceed the cap disclosed in the 2005 Announcement.

The Company confirms that the Expired Continuing Connected Transactions as disclosed above fall under the definition of continuing connected transactions in Chapter 20 of the GEM Listing Rules and that the Company has complied with the relevant disclosure requirements.

### II. Renewed and New Continuing Connected Transactions

On 16 May 2008, the Company renewed the agreements and entered into new agreements governing the Transactions Requiring Approval and the Transactions Exempt from Approval (both as defined and in more particularly described in the announcement of the Company dated 16 May 2008 (the "2008 Announcement")), with SHKP or Sun Hung Kai Properties Insurance Limited ("SHKI") (as the case may be) each for a term of three years commencing from 1 July 2008 and ending on 30 June 2011. It is also expected that the Lease Arrangements (as defined and in more particularly described in the 2008 Announcement) may continue for the period from 1 July 2008 to the respective expiry dates of the next renewal term.

Details of the Transactions Requiring Approval, the Lease Arrangements and the Transactions Exempt from Approval (together "the Continuing Connected Transactions") are as follows.

#### 1. Transactions Requiring Approval

At the extraordinary general meeting of the Company held on 26 June 2008, the Ordinary Resolution approving the Transactions Requiring Approval (as defined and in more particularly described in the Circular of the Company to its shareholders dated 6 June 2008) was duly passed by the independent shareholders, in respect of the following renewed and new continuing connected transactions subject to the caps for the respective periods as stated below.

- (a) Installation, operation and provision of cable networking on a project basis by the Group for buildings owned and/or managed by the SHKP group

Super e-Network and Super e-Tech have been providing and they will continue to provide, and other members of the Group may in the future provide, services to members of the SHKP group in connection with the design, installation, operation and provision of SMATV/CABD, access control and other security systems and laying of network cabling system (such as voice and data network, building services access, and power supply), optical fiber network, broadband network and other IT infrastructure network in buildings owned and/or managed by the SHKP group on a project basis (the "Networking Arrangement"). The Group has charged and will continue to charge the relevant members of the SHKP group service fees for the provision of such services.

The annual cap for service fees in respect of the Networking Arrangement to be received by the Group during each of the three financial years ending 30 June 2011 is HK\$61,000,000.



## DIRECTORS' REPORT

- (b) Maintenance and repair of network infrastructure and security systems on a project basis by the Group for buildings owned and/or managed by the SHKP group

Super e-Network and Super e-Tech have been engaged and they will continue to be engaged, and other members of the Group may in the future be engaged, by certain members of the SHKP group to carry out maintenance and repair works for SMATV/CABD, access control and other security systems and cabling systems (such as voice and data network, building services access, and power supply), optical fiber network, broadband network, computer systems and other IT infrastructure networks in buildings owned and/or managed by the SHKP group on a project basis (the "Maintenance Arrangement"). The Group has charged and will continue to charge fees for services provided under the Maintenance Arrangement.

The annual cap for the service fees in respect of the Maintenance Arrangement to be received by the Group during each of the three financial years ending 30 June 2011 is HK\$74,000,000.

- (c) Sub-contracting of works in connection with the Networking Arrangement

In connection with the Networking Arrangement for which the Group was engaged as the main contractor by the SHKP group on a project basis, not all of the works involved are performed by members of the Group directly and the Group will need to sub-contract part of the works involved in the individual projects to other sub-contractors. Such arrangement of sub-contracting works of the main contractors is a normal and common market practice, and it happens that these sub-contractors include certain members of the SHKP group. Since January 2007, the Group has from time to time engaged members of the SHKP group to perform part of the works in connection with the Networking Arrangement that the Group needs to sub-contract to others (the "Networking Sub-contracting Arrangement") and it is expected that the Group will continue to engage the relevant members of the SHKP group to perform such works. In this connection, since the requirements of certain parts of work pursuant to the Networking Arrangement have been specified in the main contractor agreement and only certain members of the SHKP group (which are different from those members of the SHKP group which engage the Group to provide services as the main contractor) are qualified to provide such services, the Group cannot engage other independent third party service providers for those parts of services. For example, where the main contractor agreement specifies that only a particular parking system should be used for the relevant building and such parking system is only available from the SHKP group, the Group will have to engage the relevant member of the SHKP group to provide that specific parking system for the relevant building. For the remaining parts of work pursuant to the Networking Sub-contracting Arrangement, relevant members of the SHKP group are chosen as the service providers by the Group through a tendering process. The relevant members of the SHKP group have charged and will continue to charge the relevant members of Group fees for the provision of such services.

The annual cap for service fees in respect of the Networking Sub-contracting Arrangement payable by the Group to the SHKP group during each of the three financial years ending 30 June 2011 is HK\$9,400,000.

## DIRECTORS' REPORT

(d) Sub-contracting of works in connection with Maintenance Arrangement

In connection with the Maintenance Arrangement for which the Group was engaged as the main contractor by the SHKP group on a project basis, not all of the maintenance and repair works involved are performed by members of the Group directly and the Group will need to sub-contract part of the works involved in the individual projects to other sub-contractors. Such arrangement of sub-contracting works of the main contractors is a normal and common market practice, and it happens that these sub-contractors include certain members of the SHKP group. Since January 2007, the Group has from time to time engaged members of the SHKP group to perform part of the works in connection with the Maintenance Arrangement that the Group needs to sub-contract to others (the "Maintenance Sub-contracting Arrangement") and it is expected that the Group will continue to engage the relevant members of the SHKP group to perform such works. In this connection, since the requirements of certain parts of work pursuant to the Maintenance Arrangement have been specified in the main contractor agreement and only certain members of the SHKP group (which are different from those members of the SHKP group which engage the Group to provide services as the main contractor) are qualified to provide such services, the Group cannot engage other independent third party service providers for those parts of services. For example, similar to that of the Networking Sub-contracting Arrangement, where the main contractor agreement specifies that only a particular parking system (including its maintenance services) should be used for the relevant building and such parking system (including its maintenance services) is only available from the SHKP group, the Group will have to engage the relevant member of the SHKP group to provide the maintenance and repair services for such parking system for the relevant building. For the remaining parts of work pursuant to the Maintenance Sub-contracting Arrangement, relevant members of the SHKP group are chosen as the service providers by the Group through quotations. The relevant members of the SHKP group have charged and will continue to charge the relevant members of Group fees for the provision of such services.

The annual cap for service fees in respect of the Maintenance Sub-contracting Arrangement payable by the Group to the SHKP group during each of the three financial years ending 30 June 2011 is HK\$4,600,000.



## DIRECTORS' REPORT

### 2. The Lease Arrangements

CST iAdvantage has been leasing and will continue to lease from members of the SHKP group certain premises in the PRC (the "Lease Arrangements"). Set out below is information regarding the Beijing Lease and the Shanghai Lease.

#### A. Beijing Lease

Date of agreements and term: 30 June 2000 – original lease agreement, for the initial term from 1 July 2000 to 30 April 2006

6 November 2002 – surrender agreement

9 June 2006 – renewal agreement, for the term from 1 May 2006 to 30 April 2009 (being the current term), with four renewal options for a term of three years each

The next renewal term is from 1 May 2009 to 30 April 2012

Premises: Portion of Unit 809 and Units 811 to 817, 8th Floor, Tower 1, Sun Dong An Plaza, 138 Wangfujing Avenue, Dongcheng District, Beijing, the PRC

Landlord: Beijing Sun Dong An Company Limited, a wholly-owned subsidiary of SHKP

Tenant: CST iAdvantage

Rental: In relation to the three years ending 30 June 2008, the rental was US\$10,116 per month for the period from 1 July 2005 to 30 April 2006 and US\$12,645 per month for the period from 1 May 2006 to 30 June 2008;

in relation to the period from 1 July 2008 to 30 April 2009 (i.e. the date on which the current term will end), the rental will be US\$12,645 per month;

(if the four further options to renew are exercised) the rental for each three-year renewal term (i.e. from 1 May 2009 to 30 April 2012, from 1 May 2012 to 30 April 2015, from 1 May 2015 to 30 April 2018 and from 1 May 2018 to 30 April 2021) will be at open market rent; and

all rental being exclusive of air-conditioning, management fees and other outgoings

Air-conditioning and property management charges: The charges after 30 April 2006 are to be determined by the parties in accordance with the agreement and the aggregate amount of charges at present is RMB26,976 per month

User: This property is partly used as the Group's office premises and mostly as data centre sub-leased to independent third parties

## DIRECTORS' REPORT

### B. Shanghai Lease

Date of agreements and term:	1 April 2000 – original lease agreement, for the initial term from 1 April 2000 to 31 March 2006  23 March 2006 – renewal agreement, for the term from 1 April 2006 to 31 March 2009 (being the current term), with three renewal options for a term of three years each, subject to laws and regulations  The next renewal term is from 1 April 2009 to 31 March 2012
Premises:	Level 37, Shanghai Central Plaza, 381 Huihai Central Road, Luwan District, Shanghai, the PRC
Landlord:	Shanghai Central Plaza Property Co. Limited, a subsidiary of SHKP in which SHKP has a 80% interest
Tenant:	CST iAdvantage
Rental:	In relation to the three years ending 30 June 2008, the rental was US\$20,542.15 per month from 1 July 2005 to 31 March 2006 and US\$27,739 per month from 1 April 2006 to 30 June 2008;  in relation to the period from 1 July 2008 to 31 March 2009, the rental will be US\$27,739 per month  (if the three further options to renew are exercised) the rental for each three-year renewal term (i.e. from 1 April 2009 to 31 March 2012, from 1 April 2012 to 31 March 2015 and from 1 April 2015 to 31 March 2018) will be at open market rent; and  all rental being exclusive of air-conditioning, management fees and other outgoings
Air-conditioning and property management charges:	The charges after 31 March 2006 are to be determined by the parties in accordance with the agreement and the aggregate amount of charges at present is RMB24,372.90 per month
User:	This property is partly used as the Group's office premises and mostly as data centre sub-leased to independent third parties

## DIRECTORS' REPORT

If the Beijing Lease is renewed for the term from 1 May 2009 to 30 April 2012 and the Shanghai Lease is renewed for the term from 1 April 2009 to 31 March 2012, it is expected that the aggregate rental and air-conditioning and property management charges payable by the Group pursuant to the Lease Arrangements for the period from the respective commencement dates of the next renewal term to 30 June 2009, the two financial years ending 30 June 2011 and the period from 1 July 2011 to the respective expiry dates of the next renewal term will not exceed the following amounts:

	<b>Approximate amount of rental and air-conditioning and property management charges payable</b>			
	<b>From the respective commencement dates of the next renewal term to 30 June 2009 <i>HK\$</i></b>	<b>For the financial year ending 30 June 2010 <i>HK\$</i></b>	<b>For the financial year ending 30 June 2011 <i>HK\$</i></b>	
Beijing Lease	475,000	2,989,000	3,138,000	2,746,000
Shanghai Lease	1,871,000	7,860,000	8,253,000	6,499,000
Total	2,346,000	10,849,000	11,391,000	9,245,000

The amounts payable in respect of the renewal terms of the Beijing Lease and the Shanghai Lease set out in the above table have been arrived at based on the present level of rental and air-conditioning and property management charges of the Beijing Lease and the Shanghai Lease, the anticipated increase in the amount of rental and the air-conditioning and property management charges upon renewal of the lease term based on the current and anticipated rental market in Beijing and Shanghai respectively and after taking into account the effect of the anticipated appreciation in RMB.

As disclosed above, the properties under the Lease Arrangements are mostly used for sub-leasing to independent third parties as data centres. Because of the limited market supply of leases of similar data centre, which are distinct from leases for office or residential purposes, several months' time is usually necessary for the sub-tenants to locate other data centre if and when the relevant sub-lease is terminated. In view of the special nature of the Lease Arrangements which the Group requires at least several months' time for negotiation and arrangement of renewal or termination of the sub-leases, disclosure by this announcement is made and the Independent Shareholders' approval will be sought sufficiently in advance of the next renewal dates of the Beijing Lease and the Shanghai Lease which fall in May and April 2009 respectively.

## DIRECTORS' REPORT

### 3. Transactions Exempt from Approval

- (a) e-Commerce transactions, advertising, and internet-related services provided by the Group to the SHKP group

Members of the SHKP group have been using, and will continue to use, 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, and will continue to 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" and together with the Advertising Transactions are collectively referred to as the "Advertising and e-Commerce Transactions"). The Group has charged, and will continue to charge, the relevant members of SHKP group service fees for the provision of such services.

The annual cap for the aggregate services in respect of the Advertising and e-Commerce Transactions receivable by the Group during each of the three financial years ending 30 June 2011 is HK\$5,100,000.

- (b) Space and rack rental

Members of the SHKP group have been renting and will continue to rent space and racks located in the Group's data centres (the "Space and Rack Rental Arrangement"). The Group has charged and will continue to charge the relevant members of the SHKP group rental 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.

The annual cap for the rental in respect of the Space and Rental Arrangement to be received by the Group during each of the three financial years ending 30 June 2011 is HK\$2,900,000.

- (c) Provision of property management services by the SHKP group to the Group

Kai Shing Management, 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 relevant buildings, and performs duties for the benefit of all owners of the relevant buildings in accordance with the terms of the relevant deeds of mutual covenant. 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 relevant buildings in accordance with the relevant deeds of mutual covenant (the "Building Management Services").



## DIRECTORS' REPORT

Members of the SHKP group have also provided and will continue to 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 at Tsuen Wan, New Territories and MEGA-iAdvantage at Chai Wan, Hong Kong. iAdvantage pays monthly service fee to the SHKP group for the services provided at the same rates as those charged by the SHKP group to other owners/tenants requesting for the same types of services (the "Extra Management Services" and arrangements under the Building Management Services are collectively referred to as the "Property Management Arrangement").

The annual cap for service fees in respect of the Property Management Arrangement payable by the Group to SHKP group during each of the three financial years ending 30 June 2011 is HK\$9,930,000.

(d) Estate agency services provided by members of the SHKP group to the Group

The Group has been leasing certain properties owned by the Group, including units of Kodak House II at North Point, Hong Kong and of Millennium City at Kwun Tong, Kowloon, to independent tenants. In connection therewith, the Group has engaged and will continue to engage Sun Hung Kai Real Estate Agency Limited, Hong Yip Properties Agency Limited and/or Kai Shing (REA) Limited, all being wholly-owned subsidiaries of SHKP, in providing estate agency, lease administration, billing and rent collection services to relevant members of the SHKP group (the "Estate Agency Arrangement"). The Group pays commission to Sun Hung Kai Real Estate Agency Limited, Hong Yip Properties Agency Limited and/or Kai Shing (REA) Limited for leases procured and concluded on behalf of the relevant members of the Group and the provision of the lease administration, billing and rent collection services in respect of the leases. 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.

The annual cap for service fees in respect of the Estate Agency Arrangement payable by the Group to SHKP group during each of the three financial years ending 30 June 2011 is HK\$2,700,000.

(e) Provision of insurance services by SHKI to the Group

Various members of the Group currently maintain insurance cover with or through SHKI for members of the Group and certain independent third party sub-contractors engaged by them (the "Insurance Arrangement"). Due to the stringent requirements in the engineering/construction industry and the increasing insurance premium, it may be difficult for some sub-contractors to arrange by themselves adequate insurance cover to meet the requirements in respect of the sub-contracting works and in those circumstances, the Group may assist them by procuring the extension of the necessary insurance cover to them. The Directors confirm that such arrangement for insurance cover for sub-contractors is not uncommon in the engineering/construction industry.

The annual cap for insurance premiums in respect of the Insurance Arrangement payable by the Group to SHKI during each of the three financial years ending 30 June 2011 is HK\$2,810,000.

## DIRECTORS' REPORT

- (f) Provision of technical services by the SHKP group to the Group

Incidental to the provision of broadband services by the Group to certain housing estate customers, the Group also provides repair and maintenance thereof to such customers. In this regard, the Group used and will continue to use certain staff employed by members of the SHKP group to provide such repair and maintenance services to these customers of the Group, including, but not limited to, dealing with enquiries and carrying out onsite stationing in connection with broadband interconnection (the "Technical Services Arrangement"). Service fees were paid and will continue to be paid by the Group to the SHKP group for the provision of such services.

The annual cap for service fees in respect of the Technical Services Arrangement payable by the Group to SHKP group during each of the three financial years ending 30 June 2011 is HK\$1,800,000.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

### SIGNIFICANT CONTRACTS

During the year, the Group had certain transactions with SHKP and its affiliates other than members of the Group. Details of these transactions are set out in note 29 "related party transactions and balances" to the financial statements. There was no contract of significance between the Company or its subsidiaries and a controlling shareholder or any of its subsidiaries subsisting during or at the end of the year. Furthermore, there was no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest suppliers of the Group accounted for about 28% of its operating costs and the largest suppliers, being SHKP group, accounted for about 17% of the total operating costs.

During the year, the five largest customers of the Group accounted for about 39% of the turnover of the Group and the largest customer, being SHKP group, accounted for about 20% of the total turnover.

As at 30 June 2008, Messrs. Kwok Ping-luen, Raymond, Kwok Ping-sheung, Walter and Kwok Ping-kwong, Thomas had maintained equity interests in SHKP group as stated in detail in the Directors' and Chief Executive's Interests section.

Save as disclosed above, none of the Directors, their respective associates and shareholders of the Company (which to the knowledge of the Directors own more than 5% of the issued capital of the Company) had any interest in any of the five largest customers of the Group for the financial year ended 30 June 2008.

### AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors.



## DIRECTORS' REPORT

### PENSION SCHEME

With effect from 1 December 2000, the Group has participated in a Mandatory Provident Fund Scheme (the "MPF Scheme") for all its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Pursuant to the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the scheme at 5% of their monthly relevant income, up to HK\$1,000 per month.

On top of the mandatory contributions, employees may elect to make voluntary contribution at 5% on their salaries less the amount of mandatory contribution. For employees making such an election, the Group will match an equal amount of contribution. Contributions of the Group to the MPF Scheme are charged to income statement as incurred. During the year, the retirement benefit scheme contributions borne by the Group amounted to HK\$1,590,269 (2007: HK\$1,552,707).

All Executive Directors of the Company participate in a retirement benefit scheme which is operated by the SHKP group for all qualified employees. The assets of this scheme are held separately from those of the SHKP group in independently managed and administered funds. Contributions to this scheme are made by both the employer and employees at rates ranging from 5% to 10% on the employees' salaries.

Forfeited contributions for the year 2008 amounted to HK\$158,562 and is used to offset future contributions during 2008. There is no forfeited contributions available at the balance sheet date to reduce the contributions payable in the future years.

### CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out from pages 40 to 46 of this Report.

On behalf of the Board

**KWOK Ping-luen, Raymond**  
*Chairman*

Hong Kong, 4 September 2008

## CORPORATE GOVERNANCE REPORT

### INTRODUCTION

Maintaining high standards of business ethics and corporate governance practices has always been one of the Group's goals. The Group believes that by conducting its business in a socially responsible and honest manner, the long-term interests of the Group can be best achieved and the shareholders' interests can be maximised.

### CORPORATE GOVERNANCE PRACTICES

By applying rigorous corporate governance practices, the Group believes that its accountability and transparency will be improved and further instill confidence of shareholders and the public in the Group. Throughout the financial year ended 30 June 2008, the Group has complied with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The Board of Directors has continued to monitor and review the Group's progress in respect of corporate governance practices to ensure compliance.

### THE BOARD OF DIRECTORS

#### Composition

The Board of Directors is responsible for supervising the Management of the Group. All Directors give sufficient time and attention to the affairs of the Group.

As at 30 June 2008, the Board comprised fourteen Directors, including the Chairman, nine Executive Directors<sup>(Note)</sup>, one Non-Executive Director and three Independent Non-Executive Directors. Biographical details of the Directors are set out in the Directors and Senior Management Section on pages 9 to 13.

The presence of four Non-Executive Directors, of whom three are independent, is considered by the Board to be a reasonable balance between Executive Directors and Non-Executive Directors, and the Board is of the opinion that such balance has and shall continue to provide adequate checks and balances for safeguarding the interests of shareholders and the Group. The Non-Executive Directors provide to the Group a wide range of expertise and experience and play an important role in the work of the Board of Directors, as well as ensure that the interests of all shareholders are taken into account. They contribute to the development of the Group's strategy and policies through their informed comments and criticism. They are also responsible for participating in Board meetings, dealing with potential conflicts of interest, serving on Audit, Remuneration and Nomination Committees, and scrutinising the Group's performance and reporting. Through their participation, they give to the Board (and the Committees they serve on) the benefit of their skills, expertise and background experience, and the management process can be critically reviewed and controlled.

In full compliance with GEM Listing Rules 5.05(1) and (2), the Company has appointed three Independent Non-Executive Directors, at least one of whom has appropriate professional qualifications or accounting or related financial management expertise. The Group has received from each Independent Non-Executive Director an annual confirmation of his independence, and the Group considers such Directors to be independent in accordance with each and every guideline set out in GEM Listing Rule 5.09. No Independent Non-Executive Director has served the Group for more than nine years.

All Independent Non-Executive Directors are identified as such in all corporate communications containing the names of the Directors.

Mr. Kwok Ping-luen, Raymond (the Chairman of the Group), Mr. Kwok Ping-sheung, Walter (Executive Director of the Group) and Mr. Kwok Ping-kwong, Thomas (Executive Director of the Group) are brothers. Besides the above, there is no family or other material relationship among members of the Board.

Note: Mr. So Sing-tak, Andrew resigned as Executive Director on 1 July 2008.



## CORPORATE GOVERNANCE REPORT

### Board Meetings

The full Board regularly meets in person and met four times for the financial year ended 30 June 2008. At least 14 days notice of regular Board Meetings were given to all Directors, who were all given an opportunity to include matters in the agenda for discussion. The Company Secretary assists the Chairman in preparing the agenda for the meeting, and ensures that all applicable rules and regulations regarding the meetings are observed. The finalised agenda and accompanying Board papers are then sent to all Directors at least three days prior to the meeting.

For the financial year ended 30 June 2008, four regular Board meetings were held and the following is an attendance record of the meetings by each Director:

<b>Directors</b>	<b>Number of meeting(s) Attended/Total</b>
<b>Executive Directors</b>	
Kwok Ping-luen, Raymond	4/4
Kwok Ping-sheung, Walter	0/4
Kwok Ping-kwong, Thomas	0/4
Tsim Wing-kit, Alfred	4/4
So Sing-tak, Andrew <sup>(Note)</sup>	4/4
Chan Kui-yuen, Thomas	0/4
Wong Yick-kam, Michael	2/4
So Chung-keung, Alfred	4/4
Tung Chi-ho, Eric	3/4
Wong Chin-wah	3/4
<b>Non-Executive Director</b>	
Cheung Wing-yui	4/4
<b>Independent Non-Executive Directors</b>	
Li On-kwok, Victor	4/4
King Yeo-chi, Ambrose	4/4
Wong Kai-man	4/4

During regular meetings of the Board, the Directors discuss and formulate the overall strategies of the Group, monitor financial performances and discuss the annual, interim and quarterly results, set annual budgets, as well as discuss and decide on other significant matters. Execution of daily operational matters is delegated to management.

The Company Secretary records the proceedings of each Board meeting in detail by keeping detailed minutes. Drafts of Board minutes are circulated to all Directors for comment as soon as practicable after the meeting. All minutes are open for inspection at any reasonable time on request by any Director.

All Directors have access to relevant and timely information at all times as the Chairman will ensure that management will supply the Board and its Committees (the "Board Committees" as mentioned herein below) with all relevant information in a timely manner. They may make further enquiries if in their opinion it is necessary or appropriate to request for further information. They also have unrestricted access to the advice and services of the Company Secretary, who is responsible to the Board of Directors for providing Directors with Board papers and related materials, and ensuring that all proper Board procedures are followed and that all applicable laws and regulations are complied with. If considered to be necessary and appropriate by the Directors, they may retain independent professional advice at the Group's expense.

Note: Resigned as Executive Director on 1 July 2008

## CORPORATE GOVERNANCE REPORT

In case where a conflict of interest may arise involving a substantial shareholder or a Director, such matter will be discussed through an actual meeting and will not be dealt with by written resolutions. Independent Non-Executive Directors with no conflict of interest will be present at meetings dealing with such conflict issues.

### **Chairman of the Group**

The Chairman of the Group is Mr. Kwok Ping-luen, Raymond and the Acting Chief Executive Officer of the Group is Mr. Tsim Wing-kit, Alfred (appointed on 1 June 2008 to replace Mr. So Sing-tak, Andrew (Chief Executive Officer)) respectively. The roles of Chairman and Chief Executive Officer are separate and not performed by the same individual to avoid power being concentrated in any one individual. The Chairman of the Group is primarily responsible for management of the Board, whereas the role of Chief Executive Officer is primarily responsible for overseeing the various businesses of the Group.

The Chairman is responsible for leading the Board and ensuring the Board functions effectively and smoothly. In doing so, the Chairman will ensure that good corporate governance practices and procedures are established and followed, and that all Directors are properly briefed and received all relevant information prior to each meeting.

The Chairman will also encourage all Directors, including the Independent Non-Executive Directors, to actively participate in all Board and the Board Committees' meetings.

### **Training and Support for Directors**

All Directors, including Non-Executive Director and Independent Non-Executive Directors, should keep abreast of their collective responsibilities as Directors and of the business and activities of the Group. As such, the Group provides briefings and other training to develop and refresh the Directors' knowledge and skills. The Group also continuously updates all Directors on latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance practices.

### **Compliance with the required standard for dealings in Securities Transactions by Directors of Listed Issuers**

The Group adopted the required standard of dealings set out in GEM Listing Rules 5.48 to 5.67 as the code of conduct regarding Directors' securities transactions in securities of the Company. Upon the Group's specific enquiry, each Director has confirmed that during the year ended 30 June 2008, he has fully complied with the required standard of dealings and there is no event of non-compliance.

## **DELEGATION BY THE BOARD**

The Board is responsible for decision in relation to the overall strategic development of the Group's business. Due to the diversity and volume of the Group's business, responsibility in relation to the daily operations and execution of the strategic business plans are delegated to Management. The Board gives clear directions as to the powers of Management, and periodically reviews all delegations to Management to ensure that such delegations are appropriate and continue to be beneficial to the Group as a whole.

The Board has established the Board Committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee (all chaired by non-executive Directors), with specific terms of reference clearly defining the powers and responsibilities of the respective Committees. All Committees are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any actions. All Committees have adopted the applicable practices and procedures used in Board meetings for the respective Committees' meetings.



## CORPORATE GOVERNANCE REPORT

### AUDIT COMMITTEE AND ACCOUNTABILITY

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's performance and prospects. The Directors acknowledged their responsibility for preparing the accounts of the Company, which give a true and fair view of the financial position of the Group on a going concern basis, and other price-sensitive announcements and other financial disclosures. Management provides all relevant information and record to the Board enabling the Board to make the above assessment and to prepare the accounts and other financial disclosures.

In full compliance with GEM Listing Rules 5.28, the Audit Committee, established in 2000, is currently chaired by Mr. Wong Kai-man, an Independent Non-Executive Director, and the other members are Professor Li On-kwok Victor, Professor King Yeo-chi, Ambrose and Mr. Cheung Wing-yui, with the majority being Independent Non-Executive Directors of the Company.

There is no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

The Audit Committee's primary duties include reviewing the Group's financial reports, internal control and risk management systems in order to ensure presenting a true and balanced assessment of the Group's financial position and corporate governance; making recommendation to the Board; and reviewing financial and accounting policies and practices adopted by the Group. Other duties of the Audit Committee are set out in its specific terms of reference, which is posted on the Group's website. The Audit Committee is provided with sufficient resources enabling it to discharge its duties.

The Company Secretary keeps minutes of all Audit Committee meetings. In line with practices consistent with Board meetings and meetings of the Remuneration Committee and the Nomination Committee, draft and final versions of Audit Committee meeting minutes are circulated to all members of the Audit Committee as soon as practicable after each meeting.

For the financial year ended 30 June 2008, the Audit Committee held four meetings. The individual attendance record of each member is as follows:

<b>Committee Members</b>	<b>Number of meeting(s) Attended/Total</b>
Wong Kai-man ( <i>Chairman</i> )	4/4
Li On-kwok, Victor	4/4
King Yeo-chi, Ambrose	4/4
Cheung Wing-yui	2/4

During the year ended 30 June 2008, the Audit Committee reviewed the final, first quarterly, interim and third quarterly results of the Group as well as discussed and approved financial and other reports for the year. The Committee also reviewed and discussed the Group's internal audit activities and audit plans for the upcoming year.

The level of fees provided by the external auditors to the Company for the year ended 30 June 2008 is set out on page 71 of this annual report.

## CORPORATE GOVERNANCE REPORT

### REMUNERATION COMMITTEE

The Remuneration Committee was established in 2005. The Chairman of the Committee is Professor King Yeo-chi, Ambrose, an Independent Non-Executive Director of the Company, and other members include Professor Li On-kwok, Victor, Mr. Wong Kai-man, Mr. Cheung Wing-yui and Mr. So Sing-tak, Andrew<sup>(Note)</sup>, the majority also being Independent Non-Executive Directors of the Company.

The Remuneration Committee is responsible for formulating and recommending to the Board the remuneration policy, determining the remuneration of Executive Directors and members of senior management of the Group, as well as reviewing and making recommendations on the Company's share option scheme, bonus structure, provident fund and other compensation-related issues. The Committee will consult with the Chairman and/or the Chief Executive Officer on its proposals and recommendations, and also have access to professional advice if deemed necessary by the Remuneration Committee. The Committee is also provided with other resources enabling it to discharge its duties. The specific terms of reference of the Remuneration Committee is posted on the Group's website.

For the financial year ended 30 June 2008, the Remuneration Committee held one meeting. The individual attendance record of each member is as follows:

<b>Committee Members</b>	<b>Number of meeting(s) Attended/Total</b>
King Yeo-chi, Ambrose ( <i>Chairman</i> )	1/1
Li On-kwok, Victor	1/1
Wong Kai-man	1/1
Cheung Wing-yui	0/1
So Sing-tak, Andrew <sup>(Note)</sup>	1/1

In the year ended 30 June 2008, the Remuneration Committee reviewed matters relating to remuneration packages and directors' fees emoluments for Directors and senior management as well as discussed the remuneration policy of the Group. The Group's emoluments policy is set out in the Directors' Report on page 23. Directors' fees for the financial year commencing 1 July 2007 have been adjusted – HK\$40,000 per annum for the Chairman, HK\$35,000 per annum for the Chief Executive Officer, and HK\$30,000 per annum for each of the other Executive Directors.

### NOMINATION COMMITTEE AND APPOINTMENT OF DIRECTORS

The Nomination Committee was established in 2005. The Chairman of the Committee is Professor Li On-kwok, Victor, an Independent Non-Executive Director of the Company, and other members include Professor King Yeo-chi, Ambrose, Mr. Wong Kai-man, Mr. Cheung Wing-yui and Mr. So Sing-tak, Andrew<sup>(Note)</sup>, the majority also being Independent Non-Executive Directors of the Company.

The Nomination Committee is responsible for formulating nomination policy, and making recommendations to the Board on nomination and appointment of Directors and Board succession. The Committee develops selection procedures of candidates for nomination, reviews the size, structure and composition of the Board, as well as assesses the independence of Independent Non-Executive Directors. The Committee is provided with sufficient resources enabling it to discharge its duties. The specific terms of reference of the Nomination Committee is posted on the Group's website.

Note: Replaced by Mr. Tsim Wing-kit, Alfred on 1 July 2008



## CORPORATE GOVERNANCE REPORT

Nomination procedures include identification and nomination of qualified individuals by the Nomination Committee, and review and approval of such nominations by the Board. The Nomination Committee will evaluate potential candidates considering factors such as professional expertise, relevant experience, personal ethics and integrity.

For the financial year ended 30 June 2008, the Nomination Committee held one meeting. The individual attendance record of each member is as follows:

<b>Committee Members</b>	<b>Number of meeting(s) Attended/Total</b>
Li On-kwok, Victor ( <i>Chairman</i> )	1/1
King Yeo-chi, Ambrose	1/1
Wong Kai-man	1/1
Cheung Wing-yui	0/1
So Sing-tak, Andrew <sup>(Note)</sup>	1/1

In the year ended 30 June 2008, the Nomination Committee discussed and reviewed the structure, size and composition of the Board as well as other related matters, among other things, making recommendation to the Board with respect to the retirement and re-election of Directors at general meeting.

### **Term of Appointment and Re-election**

All Non-Executive Directors are appointed for a specific term of not more than three years. All Directors, including the Executive Directors and Non-Executive Directors, would retire from office by rotation and are subject to re-election at annual general meeting at least once every three years.

According to the Company's Articles of Association, Directors appointed to fill casual vacancy shall hold office only until the next following general meeting after their appointment, and shall be subject to re-election by shareholders.

### **INTERNAL CONTROL**

The Board is responsible for maintaining sound and effective internal control systems for the Group to safeguard the Group's assets and shareholders' interests, as well as for reviewing such systems' effectiveness. Such systems are designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems.

The systems include a well-established organisational structure with clearly defined lines of responsibility and authority, which is designed to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations.

For the year ended 30 June 2008, the Board has, through the Audit Committee with the assistance of the Internal Auditor, conducted a review of the Group's internal control system, including without limitation financial control, operational control, compliance control and risk management functions. The Board is of the view that the internal control systems are effective and there are no irregularities, improprieties, fraud or other deficiencies that suggest material deficiency in the effectiveness of the Group's internal control system.

Note: Replaced by Mr. Tsim Wing-kit, Alfred on 1 July 2008

## CORPORATE GOVERNANCE REPORT

The Board assesses the effectiveness of internal controls by considering reviews performed by the Audit Committee, executive management and both internal and external auditors.

The Internal Auditor follows a risk-and-control-based approach. An audit plan would be formulated in a risk-weighted manner so that priorities and appropriate audit frequency could be given to areas with higher risks. He performs regular financial and operational reviews on the Group. Summaries of major audit findings and control weaknesses, if any, are reviewed by the Audit Committee. He monitors the follow-up actions agreed upon in response to its recommendations.

### SHAREHOLDERS RELATIONS

The Company is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its shareholders. This commitment to fair disclosure and comprehensive and transparent reporting of the Group's activities can be reflected in many aspects.

The Board strives to encourage and maintain constant dialogue with its shareholders through various means. The general meetings of the Company provides an excellent opportunity for the Board to meet and communicate with the Company's shareholders. All the Directors of the Company make a special effort to attend the general meetings so that they may answer any questions from the Company's shareholders. Members of the Audit Committee, the Remuneration Committee and the Nomination Committee also attend the general meetings to answer questions that shareholders may have.

The proceedings of the general meetings are reviewed from time to time to ensure the Company conforms to the best practices regarding corporate governance. The circular, which is circulated to all shareholders at least 21 days prior to the general meetings, sets out details in relation to each resolution proposed, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. The procedures for demanding and conducting a poll are clearly explained at the general meetings.

In the year ended 30 June 2008, the 2007 annual general meeting and a special general meeting of the Company were held on 1 November 2007 and 26 June 2008 respectively. All resolutions put to shareholders at those meetings were passed.

The Company also communicates to its shareholders through its annual, interim and quarterly reports. All such reports can also be accessed via the Company's website. The Directors, Company Secretary or other appropriate members of senior management also respond to inquiries from shareholders and investors promptly.

### INVESTOR RELATIONS

The Group continues to promote and strengthen its relationship with investors and potential investors. The Group meets regularly with analysts and participates in investor conferences and making corporate presentations during the conferences.

As a channel to further enhance communications, the Company shall disseminate announcements, corporate notice, and other financial and non-financial information through the Company's website in a timely manner.



## INDEPENDENT AUDITOR'S REPORT

# Deloitte.

# 德勤

### TO THE SHAREHOLDERS OF SUNEVISION HOLDINGS LTD.

新意網集團有限公司

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

We have audited the consolidated financial statements of SUNeVision Holdings Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 48 to 91, which comprise the consolidated and Company balance sheets as at 30 June 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2008 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong, 4 September 2008

## CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Revenue	6	<b>406,397</b>	323,133
Cost of sales		<b>(217,705)</b>	(182,483)
Gross profit		<b>188,692</b>	140,650
Other income	8	<b>19,398</b>	44,097
Selling expenses		<b>(6,952)</b>	(10,066)
Administrative expenses		<b>(34,219)</b>	(36,166)
Equity technology investment income		<b>14,069</b>	7,170
Increase in fair value of investment properties		<b>119,000</b>	99,000
Impairment loss on equity technology investments		<b>–</b>	(15,868)
Profit before tax		<b>299,988</b>	228,817
Deferred tax expense	9	<b>(32,870)</b>	(25,051)
Profit for the year	10	<b>267,118</b>	203,766
Attributable to:			
Equity holders of the Company		<b>261,568</b>	204,019
Minority interests		<b>5,550</b>	(253)
		<b>267,118</b>	203,766
Dividends:	12		
Final dividend proposed		<b>101,574</b>	91,417
Earnings per share	13		
– Basic		<b>12.88 cents</b>	10.05 cents

## CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Notes	2008 HK\$'000	2007 HK\$'000
<b>Non-current assets</b>			
Investment properties	16	932,000	813,000
Property, plant and equipment	17	1,118,449	1,019,979
Investments	18	106,576	185,272
		<b>2,157,025</b>	2,018,251
<b>Current assets</b>			
Investments	18	38,803	–
Inventories	19	6,738	3,685
Trade and other receivables	20	65,367	57,781
Amounts due from customers for contract work	21	9,116	10,438
Bank balances and deposits	22	328,306	256,751
		<b>448,330</b>	328,655
<b>Current liabilities</b>			
Trade and other payables	23	142,850	120,346
Deferred revenue		19,740	8,034
Amounts due to customers for contract work	21	–	197
		<b>162,590</b>	128,577
Net current assets		<b>285,740</b>	200,078
Total assets less current liabilities		<b>2,442,765</b>	2,218,329
<b>Non-current liabilities</b>			
Deferred tax liabilities	24	89,986	57,116
Deferred revenue		77,808	29,325
Amounts due to minority shareholders of subsidiaries	25	5,421	5,421
		<b>173,215</b>	91,862
		<b>2,269,550</b>	2,126,467
<b>Capital and reserves</b>			
Share capital	26	203,148	203,148
Reserves		2,053,231	1,916,528
Equity attributable to equity holders of the Company		<b>2,256,379</b>	2,119,676
Minority interests		13,171	6,791
Total equity		<b>2,269,550</b>	2,126,467

Directors:

**Kwok Ping-luen, Raymond**  
**Tsim Wing-kit, Alfred**

## BALANCE SHEET

At 30 June 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Investments in subsidiaries	14	208,572	104,286
Amounts due from subsidiaries	14	2,085,714	2,085,714
		<b>2,294,286</b>	2,190,000
Current assets			
Amounts due from subsidiaries	14	116,714	105,948
Bank balance		43	44
		<b>116,757</b>	105,992
Current liabilities			
Accruals		1,906	527
Amounts due to fellow subsidiaries	15	–	1,353
		<b>1,906</b>	1,880
Net current assets			
		<b>114,851</b>	104,112
		<b>2,409,137</b>	2,294,112
Capital and reserves			
Share capital	26	203,148	203,148
Reserves	27	2,205,989	2,090,964
Total equity			
		<b>2,409,137</b>	2,294,112

*Directors:*

**Kwok Ping-luen, Raymond**

**Tsim Wing-kit, Alfred**

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2008

	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Property revaluation reserve HK\$'000	Investments revaluation reserve HK\$'000	Share-based payment transactions reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 July 2006	202,673	3,869,076	424	98	(361)	1,964	(766,080)	3,307,794	6,627	3,314,421
Change in fair value of investments	-	-	-	-	31,900	-	-	31,900	-	31,900
Exchange differences arising from translation of operations outside Hong Kong	-	-	506	-	-	-	-	506	417	923
Net income recognised directly in equity	-	-	506	-	31,900	-	-	32,406	417	32,823
Release upon redemption of investments	-	-	-	-	1,086	-	(403)	683	-	683
Profit (loss) for the year	-	-	-	-	-	-	204,019	204,019	(253)	203,766
Total recognised income for the year	-	-	506	-	32,986	-	203,616	237,108	164	237,272
Recognition of equity settled share-based payment	-	-	-	-	-	8	-	8	-	8
Special dividend paid	-	(1,340,779)	-	-	-	-	(1,340,779)	-	-	(1,340,779)
Final dividend paid	-	-	-	-	-	-	(91,417)	(91,417)	-	(91,417)
Issue of new shares upon exercise of share options	475	6,487	-	-	-	-	-	6,962	-	6,962
Transfer to share premium upon exercise of share options	-	1,249	-	-	-	(1,249)	-	-	-	-
Cancellation of share options	-	-	-	-	-	(236)	236	-	-	-
At 30 June 2007 and 1 July 2007	203,148	2,536,033	930	98	32,625	487	(653,645)	2,119,676	6,791	2,126,467
Change in fair value of investments	-	-	-	-	(33,460)	-	-	(33,460)	-	(33,460)
Exchange differences arising from translation of operations outside Hong Kong	-	-	971	-	-	-	-	971	830	1,801
Net income and expense recognised directly in equity	-	-	971	-	(33,460)	-	-	(32,489)	830	(31,659)
Release upon disposal of investments	-	-	-	-	(959)	-	-	(959)	-	(959)
Profit for the year	-	-	-	-	-	-	261,568	261,568	5,550	267,118
Total recognised income and expense for the year	-	-	971	-	(34,419)	-	261,568	228,120	6,380	234,500
Cancellation of share options	-	-	-	-	-	(75)	75	-	-	-
Final dividend paid	-	-	-	-	-	-	(91,417)	(91,417)	-	(91,417)
At 30 June 2008	203,148	2,536,033	1,901	98	(1,794)	412	(483,419)	2,256,379	13,171	2,269,550

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2008

	2008 HK\$'000	2007 HK\$'000
Operating activities		
Profit before tax	<b>299,988</b>	228,817
Adjustments for:		
Interest income	<b>(16,383)</b>	(40,303)
Loss (gain) on disposal of property, plant and equipment	<b>120</b>	(21)
Increase in fair value of investment properties	<b>(119,000)</b>	(99,000)
(Gain) loss on disposal/redemption of investments	<b>(940)</b>	683
Equity technology investment income	<b>(14,069)</b>	(7,170)
Impairment loss on equity technology investments	–	15,868
Depreciation of property, plant and equipment	<b>60,705</b>	44,565
Share-based payment expense	–	8
Operating cash flows before movements in working capital	<b>210,421</b>	143,447
Increase in inventories	<b>(3,053)</b>	(823)
Increase in trade and other receivables	<b>(6,406)</b>	(13,058)
Decrease (increase) in amounts due from customers for contract work	<b>1,322</b>	(3,363)
Increase in trade and other payables	<b>22,089</b>	19,561
Increase in deferred revenue	<b>60,189</b>	19,602
(Decrease) increase in amounts due to customers for contract work	<b>(197)</b>	28
Cash generated from operations and net cash from operating activities	<b>284,365</b>	165,394
Investing activities		
Purchase of property, plant and equipment	<b>(157,954)</b>	(72,130)
Interest received	<b>15,597</b>	45,324
Proceeds from disposal/redemption of investments	<b>6,414</b>	23,302
Proceeds from disposal of property, plant and equipment	<b>31</b>	56
Equity technology investment income received	<b>14,069</b>	7,170
Net cash (used in) from investing activities	<b>(121,843)</b>	3,722
Financing activities		
Dividends paid	<b>(91,417)</b>	(1,432,196)
Proceeds from issue of shares	–	6,962
Net cash used in financing activities	<b>(91,417)</b>	(1,425,234)
Net increase (decrease) in cash and cash equivalents	<b>71,105</b>	(1,256,118)
Cash and cash equivalents at beginning of the year	<b>256,751</b>	1,512,719
Effect of foreign exchange rate changes	<b>450</b>	150
Cash and cash equivalents at end of the year, represented by bank balances and deposits	<b>328,306</b>	256,751



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Sun Hung Kai Properties Limited ("SHKP"), a company incorporated in Hong Kong with its shares listed on the main board of the Stock Exchange and the immediate holding company is Sunco Resources Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report. SHKP together with its subsidiaries, other than members of the Group, are hereinafter referred to as the "SHKP Group".

The consolidated financial statements are presented in Hong Kong Dollar ("HKD"), which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 34.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group and the Company have applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's and Company's financial year beginning 1 July 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group and the Company have applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

The Group and the Company have not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 12	Service Concession Arrangements <sup>3</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>3</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>5</sup> Effective for annual periods beginning on or after 1 October 2008

The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group and the Company.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Basis of consolidation** (Continued)

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's share in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business net of discounts and related taxes. Revenue is recognised in the income statement as follows:

##### **(i) Use of Internet services centre and IT facilities**

Revenue from customers' use of Internet services centre and IT facilities under operating leases is recognised ratably over the terms of the agreement while other service income is recognised when such services are rendered.

##### **(ii) Installation and maintenance fee of satellite master antenna television system ("SMATV"), communal aerial broadcast distribution ("CABD"), structural cabling and security systems**

Installation revenue is recognised using the percentage of completion method, measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Income from maintenance contracts is recognised on a straight line basis over the duration of the contract.

##### **(iii) Rental income**

Rental income under operating leases is recognised on a straight line basis over the terms of the relevant lease.

##### **(iv) Building management service income**

Building management service income is recognised when the services are rendered.

##### **(v) Interest income**

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

#### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Taxation** (Continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### **Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in income statement in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollar) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in income statement in the period in which the foreign operation is disposed of.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses at the balance sheet date.

Depreciation is provided to write off the cost of items of property, plant and equipment, over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold properties	Over the prevailing lease term
Internet services centre facilities	2% – 20%
SMATV equipment	10%
Computers, networks and related equipment	20% – 33 $\frac{1}{3}$ %
Office equipment, furniture and fixtures	20% – 33 $\frac{1}{3}$ %
Motor vehicles	30% – 33 $\frac{1}{3}$ %

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

#### Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gain or losses arising from changes in fair value of investment property are included in the income statement for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the differences between the net proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

#### Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Construction contracts (Continued)

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade and other receivables.

#### Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when an entity of the Group becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### Financial assets

The Group's and the Company's financial assets are classified into two categories, loans and receivables and available-for-sale financial assets. The accounting policies adopted in respect of each category of financial assets are set out below.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from subsidiaries and bank balances and deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as loans and receivable. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in the income statement.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

#### Financial assets (Continued)

##### (c) *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables and amounts due from subsidiaries, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement. When trade and other receivables and amounts due from subsidiaries are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the income statement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

#### Financial assets (Continued)

##### (c) Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the income statement to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in the income statement in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

#### Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group and the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

##### *Financial liabilities*

Financial liabilities (including trade and other payables, amounts due to minority shareholders of subsidiaries and amounts due to fellow subsidiaries) are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

##### *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in the income statement.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Deferred revenue

Lump sum amounts for the set-up of facilities in respect of operating leases of Internet services centre and IT facilities are treated as deferred revenue which is taken to the income statement over the lease terms.

#### Equity settled share-based payment transactions

##### Share options granted to directors and employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period with a corresponding increase in equity (share-based payment transactions reserve). At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in income statement with a corresponding adjustment to share-based payment transactions reserve.

At the time when the share options are exercised, the amount previously recognised in share-based payment transactions reserve will be transferred to share premium. When the share options are forfeited, lapsed or cancelled, the amount previously recognised in share-based payment transactions reserve will be transferred to accumulated losses.

#### Investments in subsidiaries

Investments in subsidiaries are included in the Company's balances sheet at cost less any identified impairment losses.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

#### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight line basis over the term of the relevant lease.

##### The Group as lessee

Rentals payable under operating leases are charged to the consolidated income statement on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expenses over the lease term on a straight line basis.

#### Impairment losses

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Retirement benefit costs

Payments to defined contribution retirement benefit schemes and the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as expenses when employees have rendered service entitling them to the contributions.

### 4. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group mainly consists of equity attributable to equity holders of the Company, comprising share capital and reserves.

The Company's management reviews the capital structure regularly. As part of this review, management considers the cost of capital and risks associated with each class of capital. Based on management's recommendations, the Group will balance its overall capital structure.

### 5. FINANCIAL INSTRUMENTS

#### 5a. Categories of financial instruments

	2008 HK\$'000	2007 HK\$'000
<b>THE GROUP</b>		
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	374,809	290,188
Available-for-sale investments	145,379	185,272
<b>Financial liabilities</b>		
Amortised cost	17,646	26,856
<b>THE COMPANY</b>		
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	2,202,471	2,191,706
<b>Financial liabilities</b>		
Amortised cost	–	1,353

#### 5b. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade receivables, trade and other payables, bank balances and deposits, investments, amounts due from subsidiaries, amounts due to fellow subsidiaries and amounts due to minority shareholders of subsidiaries. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 5. FINANCIAL INSTRUMENTS (Continued)

#### 5b. Financial risk management objectives and policies (Continued)

##### Market risk

##### Currency risk

Several subsidiaries of the Company have foreign currency bank balances and deposits, trade receivables, trade and other payables, listed debt securities and listed equity technology investments, which expose the Group to foreign currency risk. Management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rate.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date are as follows:

	2008 HK\$'000	2007 HK\$'000
<b>THE GROUP</b>		
<b>Assets</b>		
United States Dollars ("USD")		
– Investments	127,748	147,012
– Trade receivables	3,131	1,908
– Bank balances and deposits	200,281	167,942
	<b>331,160</b>	316,862
<b>Liabilities</b>		
USD		
– Trade and other payables	1,374	1,212
– Amounts due to minority shareholders of subsidiaries	2,843	2,843
	<b>4,217</b>	4,055

#### THE COMPANY

The Company has no material foreign currency denominated monetary assets and monetary liabilities at the balance sheet date.

As most of the Group's foreign currency denominated monetary assets and monetary liabilities are denominated in USD and HKD is pegged to the USD under the Linked Exchange Rate System, the Group's foreign currency risk exposure is not considered to be significant.

##### Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate debt securities (see note 18 for details of these debt securities). No sensitivity analysis was prepared since the management of the Group considers the amount involved is not significant.

The Group is exposed to cash flow interest rate risk in relation to interest bearing bank balances and deposits (see note 22 for details of bank balances and deposits). No sensitivity analysis was prepared since the management of the Group considers the amount involved is not significant.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 5. FINANCIAL INSTRUMENTS (Continued)

#### 5b. Financial risk management objectives and policies (Continued)

##### Market risk (Continued)

###### *Other price risk*

The Group is exposed to price risk through its investments in listed equity technology investments and listed debt securities. The Group's investments are mainly concentrated in companies operating in information technology sector.

###### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to price risks at the balance sheet date.

If the prices of the respective investments had been 5% higher/lower, investment revaluation reserves would increase/decrease by HK\$6,868,000 (2007: increase/decrease by HK\$8,863,000) for the Group as a result of the changes in fair value of investments. The Group's sensitivity to price risk has decreased during the current year due to the decrease in fair value of certain investments during the year.

##### Credit risk

###### THE GROUP

As at 30 June 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, management of the Group has formulated policies for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and the credit ratings of available-for-sale debt investments at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on Group's bank balances and deposits is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries.

###### THE COMPANY

As at 30 June 2008, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the Company's balance sheet.

Management of the Company considers that the credit risk is not significant.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 5. FINANCIAL INSTRUMENTS (Continued)

#### 5b. Financial risk management objectives and policies (Continued)

##### Liquidity risk

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

*Liquidity risk tables*

##### THE GROUP

	Weighted average effective interest rate %	Less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	More than 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 30.6.2008 HK\$'000
<b>2008</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	-	10,319	1,898	8	-	12,225	12,225
Amounts due to minority shareholders of subsidiaries	-	-	-	-	5,421	5,421	5,421
		10,319	1,898	8	5,421	17,646	17,646

	Weighted average effective interest rate %	Less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	More than 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 30.6.2007 HK\$'000
<b>2007</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	-	17,667	3,763	5	-	21,435	21,435
Amounts due to minority shareholders of subsidiaries	-	-	-	-	5,421	5,421	5,421
		17,667	3,763	5	5,421	26,856	26,856

##### THE COMPANY

	Weighted average effective interest rate %	Less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	More than 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 30.6.2007 HK\$'000
<b>2007</b>							
<b>Non-derivative financial liabilities</b>							
Amounts due to fellow subsidiaries	-	-	1,353	-	-	1,353	1,353

The Company has no financial liabilities as at 30 June 2008.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 5. FINANCIAL INSTRUMENTS (Continued)

#### 5c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

### 6. REVENUE

Revenue represents revenue generated from the following activities:

	2008 HK\$'000	2007 HK\$'000
Income from Internet services centre and IT facilities (including service income of HK\$58,083,000 (2007: HK\$42,530,000))	280,600	204,718
Installation and maintenance fee of SMATV, CABD, structural cabling and security systems (including installation fee of HK\$31,185,000 (2007: HK\$30,580,000))	81,938	79,448
Property rentals and building management services	43,859	38,967
	<b>406,397</b>	323,133

### 7. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### Business segments

Business segment information is chosen as the primary reporting segment format. The principal activities of the main business segments of the Group are as follows:

Internet services centre and IT facilities cover the provision of data centre, facilities management, web applications and value added services.

SMATV, CABD, structural cabling and security systems comprise installation and maintenance services for the respective systems.

Properties holding refers to the Group's interests in investment properties which generate rental and other related income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 7. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Business segments (Continued)

Segment information about these businesses is presented below:

For the year ended 30 June 2008

	Internet services centre and IT facilities HK\$'000	SMATV, CABD, structural cabling and security systems HK\$'000	Properties holding HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
REVENUE					
External	280,600	81,938	43,859	–	406,397
Inter-segment	9,247	1,086	2,135	(12,468)	–
Total	289,847	83,024	45,994	(12,468)	406,397
RESULTS					
Segment results	109,924	18,935	154,926	–	283,785
Unallocated corporate expenses					(15,189)
Interest income					16,383
Gain on disposal of investments					940
Equity technology investment income					14,069
Profit before tax					299,988
Deferred tax expense					(32,870)
Profit for the year					267,118

Inter-segment sales are charged at prevailing market rates.

At 30 June 2008

	Internet services centre and IT facilities HK\$'000	SMATV, CABD, structural cabling and security systems HK\$'000	Properties holding HK\$'000	Others HK\$'000	Consolidated HK\$'000
ASSETS					
Segment assets	1,176,984	44,719	936,362	–	2,158,065
Unallocated corporate assets					447,290
Consolidated total assets					2,605,355
LIABILITIES					
Segment liabilities	204,105	15,725	15,238	–	235,068
Unallocated corporate liabilities					10,751
Deferred tax liabilities					89,986
Consolidated total liabilities					335,805
Other information:					
Capital additions	157,435	499	–	20	157,954
Depreciation of property, plant and equipment	59,550	1,128	–	27	60,705
Increase in fair value of investment properties	–	–	119,000	–	119,000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 7. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Business segments (Continued)

For the year ended 30 June 2007

	Internet services centre and IT facilities HK\$'000	SMATV, CABD, structural cabling and security systems HK\$'000	Properties holding HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>					
External	204,718	79,448	38,967	–	323,133
Inter-segment	8,774	784	2,288	(11,846)	–
<b>Total</b>	<b>213,492</b>	<b>80,232</b>	<b>41,255</b>	<b>(11,846)</b>	<b>323,133</b>
<b>RESULTS</b>					
Segment results	61,761	16,517	129,752	–	208,030
Unallocated corporate expenses					(12,754)
Interest income					40,303
Impairment loss on equity technology investments					(15,868)
Loss on redemption of investments					(683)
Equity technology investment income					7,170
Other income					2,619
Profit before tax					228,817
Deferred tax expense					(25,051)
Profit for the year					203,766

Inter-segment sales are charged at prevailing market rates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 7. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### Business segments (Continued)

At 30 June 2007

	Internet services centre and IT facilities HK\$'000	SMATV, CABD, structural cabling and security systems HK\$'000	Properties holding HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>					
Segment assets	1,083,228	36,674	817,522	–	1,937,424
Unallocated corporate assets					409,482
Consolidated total assets					2,346,906
<b>LIABILITIES</b>					
Segment liabilities	125,004	11,363	14,850	–	151,217
Unallocated corporate liabilities					12,106
Deferred tax liabilities					57,116
Consolidated total liabilities					220,439
Other information:					
Capital additions	71,245	866	–	19	72,130
Depreciation of property, plant and equipment	43,308	1,236	–	21	44,565
Share-based payment expense	37	12	–	(41)	8
Increase in fair value of investment properties	–	–	99,000	–	99,000

#### Geographical segments

The Group's revenue and results are substantially derived from Hong Kong and the Group's operating assets are substantially located in Hong Kong. Accordingly, no analysis by geographical segment is presented.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 8. OTHER INCOME

	2008 HK\$'000	2007 HK\$'000
Interest income	16,383	40,303
Gain (loss) on disposal/redemption of investments	940	(683)
Miscellaneous	2,075	4,477
	<b>19,398</b>	44,097

### 9. DEFERRED TAX EXPENSE

	2008 HK\$'000	2007 HK\$'000
Deferred tax		
Current year	36,134	25,051
Effect of changes in tax rates	(3,264)	–
	<b>32,870</b>	25,051

No tax is payable on the profit for both years arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the year ended 30 June 2008.

The deferred tax expense can be reconciled to the profit per the income statement as follows:

	2008 HK\$'000	2007 HK\$'000
Profit before tax	299,988	228,817
Tax at Hong Kong Profits Tax rate of 16.5% (2007:17.5%)	49,498	40,043
Tax effect of expenses not deductible for tax purpose	1,895	1,260
Tax effect of income not taxable for tax purpose	(9,597)	(11,468)
Tax effect of utilisation of deferred tax assets previously not recognised	(5,662)	(4,784)
Decrease in opening deferred tax resulting from a decrease in applicable tax rate	(3,264)	–
Deferred tax expense for the year	<b>32,870</b>	25,051

Details of deferred tax liabilities are set out in note 24.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 10. PROFIT FOR THE YEAR

	2008 HK\$'000	2007 HK\$'000
Profit for the year has been arrived at after charging:		
Retirement benefit scheme contributions	<b>1,590</b>	1,553
Staff costs including directors' emoluments (note 11)	<b>48,734</b>	49,392
Total staff costs	<b>50,324</b>	50,945
Auditors' remuneration	<b>987</b>	1,005
Depreciation of property, plant and equipment	<b>60,705</b>	44,565
Minimum lease payments paid under operating leases in respect of land and buildings	<b>5,337</b>	5,045
Loss on disposal of property, plant and equipment	<b>120</b>	–
and after crediting:		
Property rental income, net of outgoings of HK\$2,250,000 (2007: HK\$2,294,000)	<b>35,132</b>	30,138
Gain on disposal of property, plant and equipment	–	21

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 11. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

#### Directors' emoluments

The emoluments, pension and compensation arrangements paid/payable to the directors and past directors of the Company for their services for the year ended 30 June 2008 and 2007 were as follows:

Name of director	Fees HK\$'000	Basic salaries and allowances HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	Share-based compensation costs HK\$'000	Total emoluments for the year ended 30 June 2008	Total emoluments for the year ended 30 June 2007
						HK\$'000	HK\$'000
<b>Executive Directors</b>							
Kwok Ping-luen, Raymond	40	-	-	-	-	40	30
Kwok Ping-sheung, Walter	30	-	-	-	-	30	20
Kwok Ping-kwong, Thomas	30	-	-	-	-	30	20
So Sing-tak, Andrew	35	1,892	822	11	-	2,760	2,458
Chan Kui-yuen, Thomas	30	12	-	-	-	42	32
Wong Yick-kam, Michael	30	12	-	-	-	42	32
So Chung-keung, Alfred	30	12	-	-	-	42	39
Tung Chi-ho, Eric	30	12	-	-	-	42	32
Wong Chin-wah	30	12	-	-	-	42	39
Tsim Wing-kit, Alfred (Appointed on 12 July 2006)	30	1,594	264	79	-	1,967	1,860
Tung Yiu-kwan, Stephen (Resigned on 26 October 2006)	-	-	-	-	-	-	1,880
<b>Non-Executive Director</b>							
Cheung Wing-yui	120	-	-	-	-	120	120
<b>Independent Non-Executive Directors</b>							
Li On-kwok, Victor	120	-	-	-	-	120	120
King Yeo-chi, Ambrose (Appointed on 1 January 2007)	120	-	-	-	-	120	60
Wong Kai-man (Appointed on 16 January 2007)	120	-	-	-	-	120	55
Kao Kuen, Charles (Resigned on 1 January 2007)	-	-	-	-	-	-	60
Fong Ching, Eddy (Resigned on 27 October 2006)	-	-	-	-	-	-	38
<b>Total 2008</b>	<b>795</b>	<b>3,546</b>	<b>1,086</b>	<b>90</b>	<b>-</b>	<b>5,517</b>	<b>6,895</b>
Total 2007	674	5,056	1,041	84	40	6,895	

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 11. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

#### Employees' emoluments

Of the five individuals with the highest emoluments in the Group, 2 (2007: 3) were directors of the Company whose emoluments are included above. The emoluments of the remaining 3 (2007: 2) individuals were as follows:

	2008 HK\$'000	2007 HK\$'000
Salaries and allowances	2,665	2,377
Retirement benefit scheme contributions	128	119
Discretionary bonus	689	581
Share-based compensation costs	–	7
	<b>3,482</b>	<b>3,084</b>

Their emoluments were within the following bands:

	2008 Number of employees	2007 Number of employees
Less than HK\$1,000,000	2	–
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	1	1
	<b>3</b>	<b>2</b>

### 12. DIVIDENDS

	2008 HK\$'000	2007 HK\$'000
Dividend paid and recognised as distribution during the year in respect of the previous financial year		
Final dividend of HK\$0.045 (2007: HK\$0.045) per share	91,417	91,417
Special dividend (2007: HK\$0.66 per share)	–	1,340,779
	<b>91,417</b>	<b>1,432,196</b>
Dividend proposed in respect of the current financial year		
Final dividend of HK\$0.05 (2007: HK\$0.045) per share	<b>101,574</b>	91,417

At a meeting held on 4 September 2008, the Directors recommend the declaration of a final dividend of HK\$0.05 per share for the year ended 30 June 2008. This proposed dividend is not included as a dividend payable in the consolidated balance sheet as at 30 June 2008.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary shareholders of the Company is based on the following data:

	<b>2008</b> HK\$'000	2007 HK\$'000
Earnings for the purpose of basic and diluted earnings per share	<b>261,568</b>	204,019

	<b>2008</b> Number of shares	2007 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,031,483,833</b>	2,030,423,725

No diluted earnings per share has been presented for both years because the exercise price of the Company's share options was higher than the average market price of the shares of the Company during the years.

### 14. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2008</b> HK\$'000	2007 HK\$'000
Unlisted shares, at cost	–	–
Deemed capital contribution	<b>208,572</b>	104,286
	<b>208,572</b>	104,286
Amounts due from subsidiaries		
– Non-current assets	<b>2,085,714</b>	2,085,714
– Current assets	<b>116,714</b>	105,948
	<b>2,202,428</b>	2,191,662

At 30 June 2008, the amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors, HK\$2,085,714,000 (2007: HK\$2,085,714,000) will not be repaid within twelve months of the balance sheet date and they are therefore shown as non-current.

Certain amounts due from subsidiaries which is not repayable within 12 months are adjusted to its fair value using effective interest method at the prevailing market rates.

Particulars of the Company's principal subsidiaries at 30 June 2008 are set out in note 34.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 15. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts due to fellow subsidiaries were unsecured, interest-free and repayable on demand.

### 16. INVESTMENT PROPERTIES

	<b>THE GROUP</b> HK\$'000
At 1 July 2006	714,000
Fair value changes recognised in income statement	99,000
	<hr/>
At 30 June 2007 and 1 July 2007	813,000
Fair value changes recognised in income statement	119,000
	<hr/>
<b>At 30 June 2008</b>	<b>932,000</b>

The fair value of the Group's investment properties at 30 June 2008 has been determined with reference to a valuation on market value basis carried out by DTZ Debenham Tie Leung Limited, independent qualified professional surveyors not connected with the Group. The valuation was arrived at by reference to market evidence of recent transaction prices for similar properties and/or on the basis of capitalising the rental incomes derived from the existing tenancies with due provision for any reversionary income potential of the properties.

All of the Group's property interests that are held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The carrying amount of investment properties is as follows:

	<b>THE GROUP</b>	
	<b>2008</b> HK\$'000	2007 HK\$'000
Properties in Hong Kong held under:		
– long leases	<b>472,000</b>	391,000
– medium-term leases	<b>460,000</b>	422,000
	<hr/>	<hr/>
	<b>932,000</b>	813,000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties HK\$'000	Internet services centre facilities HK\$'000	SMATV equipment HK\$'000	Computers, networks and related equipment HK\$'000	Office equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>							
<b>COST</b>							
At 1 July 2006	675,461	664,034	21,680	29,565	15,866	1,869	1,408,475
Additions	–	71,007	–	691	270	162	72,130
Disposals	–	(2,024)	(2,292)	(54)	(42)	(51)	(4,463)
Exchange re-alignment	–	1,520	–	17	2	–	1,539
At 30 June 2007 and 1 July 2007	675,461	734,537	19,388	30,219	16,096	1,980	1,477,681
Additions	–	157,133	–	282	326	213	157,954
Disposals	–	(1,261)	(394)	(497)	(406)	(156)	(2,714)
Exchange re-alignment	–	3,086	–	13	8	–	3,107
<b>At 30 June 2008</b>	<b>675,461</b>	<b>893,495</b>	<b>18,994</b>	<b>30,017</b>	<b>16,024</b>	<b>2,037</b>	<b>1,636,028</b>
<b>DEPRECIATION AND IMPAIRMENT LOSS</b>							
At 1 July 2006	201,613	149,961	20,258	27,992	15,217	1,758	416,799
Provided for the year	14,027	28,876	340	925	311	86	44,565
Eliminated on disposals	–	(1,993)	(2,292)	(54)	(38)	(51)	(4,428)
Exchange re-alignment	–	760	–	6	–	–	766
At 30 June 2007 and 1 July 2007	215,640	177,604	18,306	28,869	15,490	1,793	457,702
Provided for the year	14,027	45,161	328	692	353	144	60,705
Eliminated on disposals	–	(1,261)	(394)	(348)	(404)	(156)	(2,563)
Exchange re-alignment	–	1,720	–	12	3	–	1,735
<b>At 30 June 2008</b>	<b>229,667</b>	<b>223,224</b>	<b>18,240</b>	<b>29,225</b>	<b>15,442</b>	<b>1,781</b>	<b>517,579</b>
<b>CARRYING VALUE</b>							
<b>At 30 June 2008</b>	<b>445,794</b>	<b>670,271</b>	<b>754</b>	<b>792</b>	<b>582</b>	<b>256</b>	<b>1,118,449</b>
At 30 June 2007	459,821	556,933	1,082	1,350	606	187	1,019,979

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The carrying value of properties shown above comprises:

	THE GROUP	
	2008 HK\$'000	2007 HK\$'000
Properties in Hong Kong held under		
– long leases	314,435	325,094
– medium-term leases	131,359	134,727
	<b>445,794</b>	459,821

As the cost of the leasehold properties cannot be allocated reliably between the lease payments for the land portion and the cost of the building, leasehold land is included in property, plant and equipment.

### 18. INVESTMENTS

	THE GROUP	
	2008 HK\$'000	2007 HK\$'000
Available-for-sale:		
Listed debt securities, at fair value		
– outside Hong Kong	98,195	98,714
Listed equity technology investments, at fair value		
– in Hong Kong	9,620	30,250
– outside Hong Kong	29,554	48,298
Unlisted equity technology investments, at cost less impairment	8,010	8,010
	<b>145,379</b>	185,272
Carrying amount analysed for reporting purposes as:		
Non-current	106,576	185,272
Current (debt securities maturing within one year)	38,803	–
	<b>145,379</b>	185,272

As at the balance sheet date, all investments are stated at fair value, except for the unlisted equity technology investments. Fair values of the listed investments have been determined by reference to bid prices quoted in active markets. The unlisted equity technology investments are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The debt securities carry fixed interest at 5% to 7% (2007: 5% to 7%) per annum and mature between 2008 and 2013 (2007: 2008 and 2013). As at the balance sheet date, debt and equity securities listed outside Hong Kong are denominated in USD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 19. INVENTORIES

	THE GROUP	
	2008 HK\$'000	2007 HK\$'000
Raw materials	2,759	2,145
Work in progress	3,979	1,344
Finished goods	–	196
	<b>6,738</b>	<b>3,685</b>

### 20. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2008 HK\$'000	2007 HK\$'000
Trade receivables	47,075	34,009
Less: allowance for doubtful debts	(572)	(572)
	<b>46,503</b>	<b>33,437</b>
Prepayments and deposits	18,864	24,344
	<b>65,367</b>	<b>57,781</b>

The Group allows an average credit period of 30 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the balance sheet date:

	THE GROUP	
	2008 HK\$'000	2007 HK\$'000
0-60 days	41,083	30,889
61-90 days	3,051	1,658
>90 days	2,369	890
	<b>46,503</b>	<b>33,437</b>

The Group's counterparties are mainly SHKP Group, well-known international financial institutions, local governmental institutions and sizeable companies with good credit quality. Based on past experience, the default rates of these counterparties are low.

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of approximately HK\$21,843,000 (2007: HK\$14,950,000) which are past due at the balance sheet date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 20. TRADE AND OTHER RECEIVABLES (Continued)

#### Ageing of trade receivables which are past due but not impaired

	THE GROUP	
	2008 HK\$'000	2007 HK\$'000
<60 days	16,423	12,401
61-90 days	3,051	1,659
>90 days	2,369	890
Total	21,843	14,950

#### Movement in the allowance for doubtful debts

	2008 HK\$'000	2007 HK\$'000
Balance at beginning and end of the year	572	572

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$572,000 (2007: HK\$572,000) which have delayed payments.

### 21. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORKS

	2008 HK\$'000	2007 HK\$'000
Contract costs incurred plus recognised profits less recognised losses	32,731	30,579
Less: progress billings	(23,615)	(20,338)
	9,116	10,241
Analysed for reporting purposes as:		
Amounts due from contract customers	9,116	10,438
Amounts due to contract customers	–	(197)
	9,116	10,241

At 30 June 2008, retentions held by customers for contract works amounted to HK\$2,076,000 (2007: HK\$1,616,000).

### 22. BANK BALANCES AND DEPOSITS

#### THE GROUP

Bank balances and deposits comprise cash and short-term deposits held by the Group. The Group's deposits carry interest at approximately 1% to 3% (2007: 3% to 5%) per annum and mature within 1 month.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 23. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	THE GROUP	
	2008 HK\$'000	2007 HK\$'000
Up to 60 days	3,080	8,396
Over 60 days	14	62
Trade payables	3,094	8,458
Other payables	9,131	12,977
Deposits received and accruals	130,625	98,911
	<b>142,850</b>	<b>120,346</b>

The average credit period for trade payables is 30 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

### 24. DEFERRED TAX LIABILITIES

#### THE GROUP

The deferred tax assets (liabilities) recognised and movements thereon during the current and prior reporting years are as follows:

	Revaluation of investment properties HK\$'000	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1 July 2006	(24,412)	(65,967)	58,178	136	(32,065)
Charge to income statement for the year	(13,300)	(4,946)	(6,769)	(36)	(25,051)
At 30 June 2007 and 1 July 2007	(37,712)	(70,913)	51,409	100	(57,116)
Effect of change in tax rate	2,155	4,052	(2,937)	(6)	3,264
Charge to income statement for the year	(13,365)	(15,501)	(7,262)	(6)	(36,134)
<b>At 30 June 2008</b>	<b>(48,922)</b>	<b>(82,362)</b>	<b>41,210</b>	<b>88</b>	<b>(89,986)</b>

At the balance sheet date, the Group has unrecognised tax losses and other deductible temporary differences of HK\$779,018,000 (2007: HK\$827,250,000). HK\$14,214,000 (2007: HK\$29,854,000) of unrecognised tax losses will expire at various dates up to 31 December 2010 and HK\$14,842,000 of unrecognised tax losses expired during the year. Recognition of these unrecognised tax losses depends on future taxable profits available and losses eventually agreed with the relevant tax authorities.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 25. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES THE GROUP

The amounts due to minority shareholders of subsidiaries are unsecured and interest free. The minority shareholders of the subsidiaries have agreed not to demand payment within twelve months of the balance sheet date. Accordingly, the amounts are shown as non-current in the balance sheet.

### 26. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
<b>At 30 June 2007 and 30 June 2008</b>	<b>10,000,000,000</b>	<b>1,000,000</b>
Issued and fully paid:		
At 1 July 2006	2,026,730,833	202,673
Issue of new shares upon exercise of share options	4,753,000	475
<b>At 30 June 2007 and 30 June 2008</b>	<b>2,031,483,833</b>	<b>203,148</b>

The Company and its subsidiaries did not redeem, purchase or sell any of the listed securities of the Company during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 27. RESERVES

	Share premium HK\$'000	Share-based payment transactions reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>THE COMPANY</b>				
At 1 July 2006	3,869,076	1,964	(453,706)	3,417,334
Profit for the year and total recognised income for the year	–	–	99,331	99,331
Recognition of equity settled share-based payment	–	8	–	8
Issue of new shares upon exercise of share options	6,487	–	–	6,487
Transfer to share premium upon exercise of share options	1,249	(1,249)	–	–
Cancellation of share options	–	(236)	236	–
Special dividend paid	(1,340,779)	–	–	(1,340,779)
Final dividend paid	–	–	(91,417)	(91,417)
	<hr/>			
At 30 June 2007 and 1 July 2007	2,536,033	487	(445,556)	2,090,964
Profit for the year and total recognised income for the year	–	–	206,442	206,442
Cancellation of share options	–	(75)	75	–
Final dividend paid	–	–	(91,417)	(91,417)
	<hr/>			
<b>At 30 June 2008</b>	<b>2,536,033</b>	<b>412</b>	<b>(330,456)</b>	<b>2,205,989</b>

The Company's reserves available for distribution represent the share premium and share-based payment transactions reserve less accumulated losses of HK\$2,205,989,000 (2007: HK\$2,090,964,000). Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the payment of distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, no dividend shall be declared or payable except out of the profits and reserves of the Company lawfully available for distribution.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 28. SHARE-BASED PAYMENT TRANSACTIONS

The Company had adopted a share option scheme (the "Old Share Option Scheme"), the principal terms of which were summarised in the section headed "Statutory and General Information Share Option Schemes" in Appendix 5 to the Company's prospectus dated 6 March 2000. By ordinary shareholders' resolutions passed at the annual general meeting held on 3 December 2002, the Company had adopted another share option scheme (the "New Share Option Scheme") and terminated the Old Share Option Scheme. These have become effective on 5 December 2002 as a result of the passing of ordinary resolutions approving the same by the shareholders of SHKP, the Company's holding company, at its general meeting held on the same day. Since the adoption of the Old Share Option Scheme, the Company had granted four lots of share options, of which the options at the exercise prices of HK\$10.38 per share, HK\$3.885 per share and HK\$2.34 per share expired at the close of business on 30 December 2005, 14 November 2006 and 19 March 2007 respectively. No further options may be offered under the Old Share Option Scheme. However, the outstanding options granted under the Old Share Option Scheme shall continue to be subject to the provisions of the Old Share Option Scheme and the provisions of Chapter 23 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange.

As at 30 June 2008, the number of shares in respect of which options had been granted and remained outstanding under the Schemes were:

	Remained outstanding		Representing % of the shares in issue	
	2008	2007	2008	2007
Old Share Option Scheme	–	–	–	–
New Share Option Scheme	537,000	637,000	0.0264	0.0314
Total	537,000	637,000	0.0264	0.0314

#### Share Option Schemes of subsidiaries

In addition to the Old Share Option Scheme and the New Share Option Scheme, the Group operates another share option scheme which was approved for iAdvantage, a wholly-owned subsidiary of the Company, allowing the Board of Directors of the Company the right to grant to the full-time employees and executive directors of iAdvantage or any of its subsidiary options to subscribe for shares of iAdvantage in aggregate up to 10% of its issued capital from time to time (the "iAdvantage Share Option Scheme"). The exercise period of any options granted under the iAdvantage Share Option Scheme shall commence on the date of grant of the option and expire on such date as determined by the board of directors of iAdvantage or 28 February 2010, whichever is the earlier, and subject to the provisions for early termination contained therein. No share options have been granted to any person under the iAdvantage Share Option Scheme since its adoption.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 28. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

A summary of the total movements during the year of the share options held by directors and employees granted under the Old Share Option Scheme is as follows:

For the year ended 30 June 2007

Date of grant	Exercise price HK\$	Number of share options					Balance as at 30.6.2007
		Balance as at 1.7.2006	Transfer	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	
<b>Directors:</b>							
7.4.2001	2.34	596,666	45,000	–	–	(641,666)	–
8.7.2002	1.43	400,000	100,000	–	(366,667)	(133,333)	–
		996,666	145,000	–	(366,667)	(774,999)	–
Weighted average exercise price		HK\$1.98	HK\$1.71	HK\$Nil	HK\$1.43	HK\$2.18	HK\$Nil
<b>Employees:</b>							
30.11.2000	3.885	345,833	–	–	–	(345,833)	–
7.4.2001	2.34	285,001	(45,000)	–	–	(240,001)	–
8.7.2002	1.43	300,000	(100,000)	–	(100,000)	(100,000)	–
		930,834	(145,000)	–	(100,000)	(685,834)	–
Weighted average exercise price		HK\$2.62	HK\$1.71	HK\$Nil	HK\$1.43	HK\$2.99	HK\$Nil

The closing price of the Company's shares at the date of exercise of the 466,667 share options was approximately HK\$1.86-HK\$1.91.

There was no share option remained outstanding for the year ended 30 June 2008.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 28. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

A summary of the total movements during the year of the share options held by directors and employees granted under the New Share Option Scheme is as follows:

For the year ended 30 June 2007

Date of grant	Exercise price HK\$	Number of share options					Balance as at 30.6.2007
		Balance as at 1.7.2006	Transfer	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	
<b>Directors:</b>							
29.11.2003	1.59	1,000,000	150,000	–	(763,000)	(66,667)	320,333
10.11.2005	1.41	1,250,000	250,000	–	(1,500,000)	–	–
		2,250,000	400,000	–	(2,263,000)	(66,667)	320,333
Weighted average exercise price		HK\$1.49	HK\$1.48	HK\$Nil	HK\$1.47	HK\$1.59	HK\$1.59
<b>Employees:</b>							
29.11.2003	1.59	1,100,000	(150,000)	–	(633,333)	–	316,667
10.11.2005	1.41	1,670,000	(250,000)	–	(1,390,000)	(30,000)	–
		2,770,000	(400,000)	–	(2,023,333)	(30,000)	316,667
Weighted average exercise price		HK\$1.48	HK\$1.48	HK\$Nil	HK\$1.47	HK\$1.41	HK\$1.59

The closing price of the Company's shares at the date of exercise of the 4,286,333 share options was approximately HK\$1.90.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 28. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

For the year ended 30 June 2008

Date of grant	Exercise price HK\$	Number of share options				Balance as at 30.6.2008
		Balance as at 1.7.2007	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	
Directors: 29.11.2003	1.59	320,333	–	–	–	320,333
Employees: 29.11.2003	1.59	316,667	–	–	(100,000)	216,667
Weighted average exercise price		HK\$1.59	HK\$Nil	HK\$Nil	HK\$1.59	HK\$1.59

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

- an amount up to one-third of the grant within three years commencing on 29 November 2004;
- the remaining amount but up to two-thirds of the grant within three years commencing on 29 November 2005; and
- the remaining amount within three years commencing on 29 November 2006.

The options will expire at the close of business on 28 November 2009.

All the share options outstanding as at 30 June 2007 and 2008 are exercisable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 29. RELATED PARTY TRANSACTIONS AND BALANCES

The significant transactions with related parties during the year, and significant balances with them at the balance sheet date, are as follows:

#### (A) Transactions with the SHKP Group:

	2008 HK\$'000	2007 HK\$'000
Advertising and e-commerce income	2,370	2,129
Income from installation, operation and provision of cable networking	30,054	30,320
Income from maintenance and repair of network infrastructure and security systems	46,124	43,982
Non-core value added service income	399	370
Space and rack rental income	1,366	1,106
Cable and network rental charges	795	881
Estate agency fees paid	1,141	955
Insurance service charges paid	1,095	1,171
Maintenance and repair charges of network infrastructure and security system	1,789	1,753
Management fee charges	2,000	2,000
Network infrastructure and security system installation charges	418	1,458
Outsourcing fee paid	960	960
Promotion service charges	–	291
Property management service fees paid	8,900	8,524
Rent paid	6,139	5,651
Retrofitting service charges	166	122
Technical service charge paid	1,038	1,144

#### (B) Balances with the SHKP Group

Trading balances with the SHKP Group (including buildings/estates managed by it) are included under the following headings:

	2008 HK\$'000	2007 HK\$'000
Trade and other receivables	23,864	17,629
Amounts due from customers for contract work	9,010	10,607
Trade and other payables	9,732	9,385
Amounts due to customers for contract work	–	197

The trading balances are unsecured, interest-free and repayable on demand.

#### (C) Transaction with a director

During the year, the Group paid professional fees of HK\$316,000 (2007: HK\$190,000) to Messrs. Woo, Kwan, Lee & Lo, a firm of solicitors which provided day to day professional services to the Group. Mr. Cheung Wing Yui, a director of the Company, is a consultant of Messrs. Woo, Kwan, Lee & Lo.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 29. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

#### (D) Compensation of key management personnel

The directors' emoluments set out in note 11 represent the compensation paid/payable to the key management personnel.

The remuneration of directors and key executives is reviewed by the remuneration committee having regard to the performance of individuals and market trends.

### 30. OPERATING LEASE COMMITMENTS

#### The Group as lessee

At the balance sheet date, the Group was committed to make rental payments in respect of land and buildings under operating leases which fall due as follows:

	2008 HK\$'000	2007 HK\$'000
Within one year	4,080	4,907
In the second to fifth year inclusive	348	3,712
	<b>4,428</b>	8,619

Leases are negotiated for an average term of three years and rentals are fixed throughout the lease period.

#### The Group as lessor

Rental income, includes those from internet services centre and properties holding, earned during the year was HK\$241,220,000 (2007: HK\$182,588,000). All of the properties held have committed tenants for one to twelve years (2007: one to ten years).

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2008 HK\$'000	2007 HK\$'000
Within one year	196,275	145,156
In the second to fifth year inclusive	431,660	401,156
Over five years	112,010	154,735
	<b>739,945</b>	701,047

### 31. CAPITAL COMMITMENTS

	THE GROUP	
	2008 HK\$'000	2007 HK\$'000
Contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	<b>85,729</b>	38,783

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 32. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF Scheme for all its employees in Hong Kong. The MPF Scheme is registered with the Hong Kong Mandatory Provident Fund Scheme Authority in accordance with the Hong Kong Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Pursuant to the rules of the MPF Scheme, the Group and its employees are both required to make contributions to the scheme at specific rates. Contributions of the Group to the MPF Scheme are charged to the consolidated income statement as incurred.

In addition, the Group also participates in a defined contribution retirement benefit scheme which is operated by the SHKP Group for all qualifying employees. The assets of this scheme are held separately from those of the SHKP Group in independently managed and administered funds. Contributions to this scheme are made by both the Group and employees at rates ranging from 5% to 10% on the employees' salaries.

During the year, the retirement benefit scheme contributions borne by the Group amounted to HK\$1,590,000 (2007: HK\$1,552,707), net of forfeited contributions of HK\$159,000 (2007: HK\$147,024).

There were no forfeited contributions available at the balance sheet date to reduce the contributions payable in the future years.

### 33. CONTINGENT LIABILITIES THE COMPANY

The Company has contingent liabilities in respect of guarantees for general banking facilities utilised by group subsidiaries and other performance guarantees in the aggregate of HK\$105 million (2007: HK\$106 million).

### 34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 30 June 2008 are as follows:

Name of subsidiary	Issued and fully paid share capital	Attributable equity interest held by the Company	Principal activities
iAdvantage Limited*	Ordinary shares – HK\$2 Non-voting deferred shares – HK\$2	100%	Operation of Internet services centres and provision of system management services
SUNeVision Super e-Technology Services Limited*	Ordinary shares – HK\$2 Non-voting deferred shares – HK\$2	100%	Design, installation, operation, laying, cabling of SMATV/CABD and security surveillance system, and building access, voice, data, power supply systems and network, and other infrastructure networks, and provision of related repair and maintenance services

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Issued and fully paid share capital	Attributable equity interest held by the Company	Principal activities
SUNeVision SuperHome (H.K.) Limited*	HK\$2	100%	Provision of on-line Internet and off-line on-site contents and services for estate management and home users
SUNeVision PropertyStreet (H.K.) Limited*	HK\$2	100%	Provision of add-value services and products related to properties
SUNeVision InsuranceStreet (H.K.) Limited*	HK\$2	100%	Provision of insurance information and products on Internet
SUNeVision BankingStreet (H.K.) Limited*	HK\$2	100%	Provision of customised banking related services for property buyers
SUNeVision Red-Dots Limited*	Ordinary shares – HK\$2 Non-voting deferred shares – HK\$2	100%	Provision of web-based auction and e-commerce services
Riderstrack Development Limited	US\$1	100%	Property holding
Splendid Sharp Limited*	Ordinary shares – HK\$2 Non-voting deferred shares – HK\$2	100%	Property holding
SUNeVision Super e-Network Limited*	Ordinary shares – HK\$2 Non-voting deferred shares – HK\$2	100%	Provision of IT and optical fibre network and related maintenance services
CST iAdvantage Co. Ltd.#	RMB30,100,000	75%	Operation of Internet service centres and provision of system management services
Cherington Assets Limited	US\$1	100%	Holding of trademark
Express Spirit Investment Limited	US\$1	100%	Provision of treasury services
Huge Profit Investments Ltd.	US\$7	100%	Investment holding

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Issued and fully paid share capital	Attributable equity interest held by the Company	Principal activities
SUNeVision Investments Limited	US\$5	100%	Investment holding
SUNeVision Limited*	HK\$2	100%	Liaison of business in the PRC
SUNeVision (Management Services) Limited*	HK\$2	100%	Provision of management services
SUNeVision Reinsurancemall Limited*	HK\$2	100%	Operation of an internet reinsurance platform
SUNeVision Secretarial Services Limited*	HK\$2	100%	Provision of company secretary services
Top Merchant Investments Limited	US\$1	100%	Property holding
Weelek Company Limited*	Ordinary shares – HK\$762,000,200 Non-voting deferred shares – HK\$200	100%	Property holding

Notes:

- (i) Other than Huge Profit Investments Ltd., all subsidiaries are held by the Company indirectly.
- (ii) All subsidiaries are incorporated in British Virgin Islands, except those identified with "\*" and "#" which are incorporated/established in Hong Kong and the PRC respectively. The subsidiary established in the PRC is a sino-foreign joint venture with an operating period of 30 years commencing on 12 June 2000.
- (iii) Unless otherwise stated, the issued and fully paid share capital of the subsidiaries are ordinary shares.
- (iv) The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any of the respective companies' general meetings or to participate in any distribution on their winding up.
- (v) All subsidiaries are private limited companies with their principal place of operation in Hong Kong, except the subsidiary identified with "#" which is operating in the PRC.

The above table lists the subsidiaries which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

### 35. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements set out on pages 48 to 91 were approved and authorised for issue by the Board of Directors on 4 September 2008.

## PARTICULARS OF PROPERTIES HELD BY THE GROUP

AT 30 JUNE 2008

Particulars	Use	Lease term	Lot no.
<b>Land and buildings</b>			
MEGA-iAdvantage 399 Chai Wan Road and 1 Sun Yip Street Chai Wan Hong Kong	Industrial/office building(s)	Long term (Note)	Inland Lot No. 30
Units 1 to 19 on Level 36 Tower II, Millennium City 388 Kwun Tong Road Kwun Tong Kowloon	Other specified uses	Medium term	Inland Lot No. 733
JUMBO-iAdvantage 145-159 Yeung Uk Road Tsuen Wan New Territories	Industrial	Medium term	Lot No. 476 in Demarcation District No. 443
<b>Investment properties</b>			
Units 1 to 19 on Levels 31 to 33, 35 and 37, Tower II, Millennium City, 388 Kwun Tong Road Kwun Tong Kowloon	Other specified uses	Medium term	Inland Lot No. 733
48 workshop units in Kodak House II, 39 Healthy Street East North Point Hong Kong	Commercial	Long term	Inland Lot No. 705 and the Extension thereto

Note: The property is held from the Government for a term of 75 years from 1 January 1963 renewable for a further term of 75 years.

## SUNeVision Holdings Ltd.

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