

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **SUNeVision Holdings Ltd.**, you should at once hand this circular, together with the form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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SUNeVision Holdings Ltd.

新意網集團有限公司

(Incorporated in the Cayman Islands with limited liability)

ONGOING CONNECTED TRANSACTIONS

**Independent financial adviser to the Independent Board Committee
in relation to the Ongoing Connected Transactions**



Core Pacific - Yamaichi Capital Limited

A letter from Core Pacific - Yamaichi Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee is set out on pages 33 to 59 of this circular.

A notice dated 23 May 2003 convening an extraordinary general meeting of SUNeVision Holdings Ltd. to be held at 53/F., Sun Hung Kai Centre, 30 Harbour Road, Hong Kong at 3:00 p.m. on 9 June 2003 to consider and, if thought fit, to pass the ordinary resolution as set out on pages 69 to 71 of this circular. Whether or not you propose to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should you so desire.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for a minimum period of 7 days from the date of publication.

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

In this circular, the following expressions shall have the meanings unless the context requires otherwise:

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules (as may be amended from time to time)
“Advertising and e-Commerce Agreement”	the agreement dated 6 May 2003 made between the Company and SHKP in relation to the Advertising and e-Commerce Transactions (as defined and more particularly described under the paragraph headed “B. e-Commerce transactions, advertising, and internet-related services provided by the Group to SHKP Group” under the section headed “3. The Ongoing Connected Transactions” in “Letter from the Board” set out in this circular)
“Board”	the board of directors of the Company
“Business Day”	a day (other than a Saturday or a Sunday) on which licensed banks are generally open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities
“Cable and Network Rental Agreement”	the agreement dated 6 May 2003 made between the Company and SHKP in relation to the Cable and Network Rental Arrangement (as defined and more particularly described under the paragraph headed “M. Rental of cable and network systems from SHKP Group” under the section headed “3. The Ongoing Connected Transactions” in “Letter from the Board” set out in this circular)
“Company”	SUNeVision Holdings Ltd., a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“Construction Services Agreement”	the agreement dated 6 May 2003 made between the Company and SHKP in relation to the Construction Services Agreement (as defined and more particularly described under the paragraph headed “O. Design, construction and renovation services for properties developed by the SHKP Group” under the section headed “3. The Ongoing Connected Transactions” in “Letter from the Board” set out in this circular)
“Core Pacific”	Core Pacific - Yamaichi Capital Limited, the independent financial adviser to the Independent Board Committee
“Directors”	the directors of the Company

DEFINITIONS

“EGM”	an extraordinary general meeting of the Company convened to be held on 9 June 2003 to approve the Ongoing Connected Transactions, the notice of which is set out on pages 69 to 71 of this circular
“Estate Agency Agreement”	the agreement dated 6 May 2003 made between the Company and SHKP in relation to the Estate Agency Arrangement (as defined and more particularly described under the paragraph headed “E. Estate agency services provided by members of the SHKP Group to the Group” under the section headed “3. The Ongoing Connected Transactions” in “Letter from the Board” set out in this circular)
“Existing Ongoing Connected Transactions”	the ongoing connected transactions entered into between members of the Group and SHKP Group respectively, details of which were disclosed in the Prospectus
“Extra Management Services Agreement”	the agreement dated 6 May 2003 made between the Company and SHKP in relation to the Extra Management Services (as defined and more particularly described under the paragraph headed “G. Provision of property management services by the SHKP Group to the Group” under the section headed “3. The Ongoing Connected Transactions” in “Letter from the Board” set out in this circular)
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company together with its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“iAdvantage”	iAdvantage Limited, a wholly-owned subsidiary of the Company
“Independent Board Committee”	an independent committee of the board of Directors consisting of Professor Kao Kuen, Charles and Professor Li On Kwok, Victor, the independent non-executive Directors
“Independent Shareholders”	Shareholders other than SHKP and its associates
“Independent Shareholders’ Approval”	the approval of the Ongoing Connected Transactions by the Independent Shareholders by way of passing of the Ordinary Resolution at the EGM

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“Insurance Agreement”	the agreement dated 6 May 2003 made between the Company and Sun Hung Kai Properties Insurance Limited, a wholly-owned subsidiary of SHKP, in relation to the Insurance Arrangement (as defined and more particularly described under the paragraph headed “F. Provision of insurance services by the SHKP Group to the Group” under the section headed “3. The Ongoing Connected Transactions” in “Letter from the Board” set out in this circular)
“Investment Management Agreement”	the agreement proposed to be entered into between SHKP and the Company in relation to the Investment Management Service Arrangement (as defined and more particularly described in the paragraph headed “L. Provision of investment management service by SHKP Group in relation to the investment portfolio of the Group” under the section headed “3. The Ongoing Connected Transactions” in “Letter from the Board” set out in this circular)
“IT”	information technology incorporating Internet related services and business
“Latest Practicable Date”	20 May 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing”	the listing of the Shares on GEM on 17 March 2000
“Maintenance Agreement”	the agreement dated 6 May 2003 made between the Company and SHKP in relation to the Maintenance Arrangement (as defined and more particularly described under the paragraph headed “D. Maintenance and repair of network infrastructure and securities systems by the Group for buildings owned and/or managed by SHKP Group” under the section headed “3. The Ongoing Connected Transactions” in “Letter from the Board” set out in this circular)
“Networking Agreement”	the agreement dated 6 May 2003 made between the Company and SHKP in relation to the Networking Arrangement (as defined and more particularly described under the paragraph headed “C. Installation, operation and provision of cable networking by the Group for buildings owned and/or managed by SHKP Group” under the section headed “3. The Ongoing Connected Transactions” in “Letter from the Board” set out in this circular)

DEFINITIONS

“Non-core Services Agreement”	the agreement dated 6 May 2003 made between the Company and SHKP in relation to the Non-core Services Arrangement (as defined and more particularly described under the paragraph headed “J. Provision of non-core IT value added services by the Group to the SHKP Group” under the section headed “3. The Ongoing Connected Transactions” in “Letter from the Board” set out in this circular)
“Ongoing Connected Transactions”	the existing ongoing connected transactions and future continuing connected transactions between members of the Group and members of SHKP Group and/or associates of SHKP, details of which are set out in the section headed “3. The Ongoing Connected Transactions” of this circular
“Ordinary Resolution”	the ordinary resolution set out in the notice of the EGM set out on pages 69 to 71 of this circular
“Original Waiver”	the waiver granted by the Stock Exchange to the Company in respect of the Existing Ongoing Connected Transactions
“Original Waiver Period”	the period from 17 March 2000 to 17 March 2003
“PRC”	the People’s Republic of China
“Promotion Services Agreement”	the agreement dated 6 May 2003 made between the Company and SHKP in relation to the Promotion Services Arrangement (as defined and more particularly described under the paragraph headed “N. Engagement of promotion services at the property sites owned and/or managed by SHKP Group” under the section headed “3. The Ongoing Connected Transactions” in “Letter from the Board” set out in this circular)
“Prospectus”	the prospectus of the Company dated 6 March 2000 in relation to the listing of Shares on the GEM
“Retrofitting Agreement”	the agreement dated 6 May 2003 made between the Company and SHKP in relation to the Retrofitting Transactions (as defined and more particularly described under the paragraph headed “H. Provision of retrofitting services by the SHKP Group to the Group” under the section headed “3. The Ongoing Connected Transactions” in “Letter from the Board” set out in this circular)
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)

DEFINITIONS

“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company (or such nominal amount as a result from a sub-division, consolidation, reclassification or reconstruction of the share capital from time to time)
“Shareholder(s)”	holder(s) of the Shares
“SHKP”	Sun Hung Kai Properties Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
“SHKP Group”	SHKP and its subsidiaries, but excluding the Group
“SMATV”	Satellite Master Antenna Television System
“Space and Rack Rental Agreement”	the agreement dated 6 May 2003 made between the Company and SHKP in relation to the Space and Rack Rental Arrangement (as defined and more particularly described under the paragraph headed “K. Space and rack rental arrangement” under the section headed “3. The Ongoing Connected Transactions” in “Letter from the Board” set out in this circular)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under Section 2 of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong)
“Technical Services Agreement”	the agreement dated 6 May 2003 made between the Company and SHKP in relation to the Technical Services Arrangement (as defined and more particularly described under the paragraph headed “I. Provision of various technical and technical-related services by the SHKP Group to the Group” under the section headed “3. The Ongoing Connected Transactions” in “Letter from the Board” set out in this circular)
“US\$”	United States Dollars, the lawful currency of the United States of America
“%”	per cent.



sunEVISION

SUNeVision Holdings Ltd.

新意網集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Executive Directors:

Kwok Ping Luen, Raymond

(Chairman and Chief Executive Officer)

Kwok Ping Sheung, Walter

Kwok Ping Kwong, Thomas

Yen Shiao Hua, Sheridan

(Managing Director)

Chan Kui Yuen, Thomas

Wong Yick Kam, Michael

Leung Kui King, Donald

So Chung Keung, Alfred

Tung Chi Ho, Eric

Wong Chin Wah

Tung Yiu Kwan, Stephen

So Sing Tak, Andrew

Registered Office:

P O Box 309, Uglan House

South Church Street

George Town

Grand Cayman

Cayman Islands

British West Indies

Head Office and Principal

Place of Business:

MEGATOP, Mega-iAdvantage

399 Chai Wan Road

Chai Wan

Hong Kong

Non-Executive Director:

Cheung Wing Yui

Independent Non-Executive Directors:

Kao Kuen, Charles

Li On Kwok, Victor

23 May 2003

To the Shareholders

Dear Sir/Madam

ONGOING CONNECTED TRANSACTIONS

1. INTRODUCTION

Reference is made to the announcement of the Company dated 6 May 2003 in relation to the Ongoing Connected Transactions. Pursuant to the requirements of the GEM Listing Rules, the Company is required to seek Independent Shareholders' Approval in relation to the Ongoing Connected Transactions which constitute/shall constitute non-exempt continuing connected transactions under the GEM Listing Rules.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further information regarding the Ongoing Connected Transactions and to seek your approval of the Ordinary Resolution at the EGM.

2. BACKGROUND

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

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

Future connected transactions

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

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

Relationship with SHKP

As at the Latest Practicable Date, SHKP indirectly owned an aggregate of 1,719,427,500 Shares representing approximately 84.86% of the entire issued share capital of the Company. SHKP is therefore a substantial shareholder of the Company. As such, SHKP and its associates are connected persons of the Company for so long as SHKP remains the Company's substantial shareholder (as such term is defined in the GEM Listing Rules).

Independent Shareholders' Approval

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

3. THE ONGOING CONNECTED TRANSACTIONS

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

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

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

Date of Agreements:	30 June 2000 - original lease agreement 6 November 2002 - surrender agreement (see remarks below)
Landlord:	Beijing Sun Dong An Company Limited, a jointly controlled entity in which SHKP is interested in 50%
Tenant:	CST iAdvantage
Term:	Six years commencing on 1 May 2000 (with five renewal options for a term of three years each), including the Original Waiver Period
Rental:	In relation to the period covered by the Original Waiver, the rental was US\$11,090 per month for the period from 1 May 2000 to 30 April 2002, US\$12,199 per month for the period from 1 May 2002 to 31 October 2002, US\$9,273 per month for the period from 1 November 2002 to 16 March 2003, all rental being exclusive of air-conditioning, management fees and other outgoings; and

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in relation to the remainder of the term, the rental is US\$9,273 per month for the period from 17 March 2003 to 30 April 2004, US\$10,116 per month for the period from 1 May 2004 to 30 April 2006, open market rent (subject to a cap of ± 35 per cent. of the rent of the 6th year of the term) for the period from 1 May 2006 to 30 April 2009 (optional) and open market rent for the period from 1 May 2009 to 30 April 2020 (four renewal options for a term of three years each (subject to government regulation)), all rental being exclusive of air-conditioning, management fees and other outgoings

Rent free periods:	12 months being the aggregate of the periods from 1 May 2000 to 31 August 2000, 1 May 2001 to 30 June 2001, 1 May 2003 to 30 June 2003, 1 May 2004 to 30 June 2004, and 1 May 2005 to 30 June 2005
Air-conditioning and property management charges:	RMB35,488 per month for the period from 1 May 2000 to 30 October 2002 and RMB26,976 per month for the period from 1 November 2002 to 30 April (during the rent free periods, 50% of the aforesaid monthly charges)
User:	This property is used by the Group as its office premises and data centre
Remarks:	CST iAdvantage surrendered part of Room 809 with an area of 266 square meters to the landlord on 30 October 2002. There has been no change in the rent per square meter as agreed under the original lease agreement. However, due to a reduction in the area leased by CST iAdvantage, the monthly rental payable by CST iAdvantage for the period from 1 November 2002 to 30 April 2004 has been reduced from US\$12,199 to US\$9,273 and for the period from 1 May 2004 to 30 April 2006 has been reduced from US\$13,308 to US\$10,116

LETTER FROM THE BOARD

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

Date of Agreement: 1 April 2000

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

Tenant: CST iAdvantage

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

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

in relation to the remainder of the term, the rental is US\$17,891.55 from 17 March to 31 March 2003, US\$20,542.15 from 1 April 2003 to 31 March 2006 (which was fixed pursuant to a supplemental agreement dated 6 May 2003), and if the option to renew is exercised, open market rent subject to a cap of $\pm 35\%$ of the rental for the sixth year for the period from 1 April 2006 to 31 March 2009, and if any of the four further options to renew are exercised at an open market rent for the period from 1 April 2009 to 31 March 2021, all rental being exclusive of air-conditioning, management fees and other outgoings

Rent free periods: Six months being the periods from 1 April 2000 to 31 May 2000, 1 April 2001 to 31 May 2001, and 1 April 2002 to 31 May 2002

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

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

As shown above, the agreements in respect of the Lease Arrangement are for periods of more than three years. Under Note 1 to Rule 20.26(1) of the GEM Listing Rules, the term of an agreement for a continuing connected transaction should not exceed three years except in special circumstances. At the time of the Listing, the Stock Exchange granted a waiver to the Company from strict compliance with the requirement that the periods of the agreements under the Lease Arrangement should not exceed three years.

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

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

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

As disclosed in the Prospectus, the Company and SHKP entered into an agreement on 26 February 2000 whereby SHKP had agreed to procure its subsidiaries to enter into the Advertising and e-Commerce Transactions with members of the Group for a period of three years from the date of the agreement. On 6 May 2003, the Company and SHKP entered into the Advertising and e-Commerce Agreement, the terms of which were in essence of the same as those under the previous agreement. The Advertising and e-Commerce Agreement is conditional upon the obtaining of, and shall take effect from the date of, the Independent Shareholders' Approval to 30 June 2005. The Advertising and e-Commerce Agreement is a master agreement which sets out the principles upon which detailed terms are to be determined between the Company and SHKP in respect of each transaction to be carried out pursuant to it. Such principles include that the service to be provided by the Group to SHKP Group pursuant to the Advertising and e-Commerce Transactions shall be on normal commercial terms and that the fees payable by the relevant members of the SHKP Group shall be at rates comparable to the

LETTER FROM THE BOARD

rates at which the Group charges other independent third party customers for similar transactions. In determining the rates chargeable to the SHKP Group, the Group will refer to the available rates in local and international markets from time to time. Relevant members of the Group and SHKP Group have entered and will enter into separate and definitive agreements to provide for the detailed terms of each single transaction pursuant to such arrangement from time to time.

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

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

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

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

Members of the Group, including SUNeVision Super e-Network Limited and SUNeVision Super e-Technology Services Limited, have been providing services to members of the SHKP Group in connection with the design, installation, operation and provision of SMATV/CABD and other security

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systems and laying of network cabling system (such as voice and data network), 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 the relevant members of SHKP Group service fees for the provision of such services.

As disclosed in the Prospectus, the Company and SHKP entered into an agreement on 26 February 2000 whereby the Company had agreed to procure relevant members of the Group to provide services contemplated under the Networking Arrangement to members of SHKP Group for a period of three years from the date of the agreement. On 6 May 2003, the Company and SHKP entered into the Networking Agreement, the terms of which were in essence of the same as those under the previous agreement. The Networking Agreement is conditional upon the obtaining of, and shall commence from the date of, the Independent Shareholders’ Approval to 30 June 2005. The Networking Agreement is a master agreement which sets out the principles upon which detailed terms are to be determined in relation to each transaction to be carried out pursuant to it. Such principles include that the service provided by the Group to SHKP Group pursuant to the Networking Arrangement shall be on normal commercial terms and that the fees payable by the relevant members of the SHKP Group shall be at rates comparable to the rates at which other independent third parties may charge the SHKP Group for such services. Relevant members of the Group and the SHKP Group have entered into and will enter into definitive agreements providing the terms of each single transaction for the provision of the different types of services pursuant to the arrangement from time to time. The fees payable by the SHKP Group to the Group are according to such definitive agreements concluded between the Group and the SHKP Group after the Group has successful bid the relevant projects. It is the understanding of the Group that the SHKP Group will select bidders whom SHKP Group considers are able to offer the most attractive terms taking into account the price, the quality of work and schedule of completion offered by them.

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

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

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

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

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

As disclosed in the Prospectus, the Company and SHKP entered into an agreement on 26 February 2000 whereby the Company had agreed to procure relevant members of the Group to provide services contemplated under the Maintenance Arrangement to members of SHKP Group for a period of three years from the date of the agreement. On 6 May 2003, the Company and SHKP entered into the Maintenance Agreement, the terms of which were in essence of the same as those under the previous agreement. The Maintenance Agreement is conditional upon the obtaining of, and shall commence from the date of, the Independent Shareholders' Approval to 30 June 2005. The Maintenance Agreement is a master agreement which sets out the principles upon which detailed terms are to be determined in relation to each transaction to be carried out pursuant to it. Such principles include that the service provided by the Group to the SHKP Group pursuant to the Maintenance Arrangement shall be on normal commercial terms and that the fees payable by the relevant members of SHKP Group shall be at rates comparable to those at which other independent third parties may charge the SHKP Group. Members of the SHKP Group have entered into and will enter into separate and definitive agreements with members of the Group to provide for the detailed terms of service to be provided pursuant to the Maintenance Arrangement. The fees chargeable to the SHKP Group are according to such definitive agreements concluded between the Group and the SHKP Group after the Group has successfully bid the relevant projects. It is the understanding of the Group that the SHKP Group will select bidders whom SHKP Group considers are able to offer the most attractive terms taking into account the price, the quality of work and schedule of completion offered by them.

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

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

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

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

As disclosed in the Company's 2001/02 annual report and 2002/03 interim report, the Group has been leasing certain properties owned by the Group, including units of Kodak House at North Point, Hong Kong and of Millennium City at Kwun Tong, Kowloon, to independent tenants. In connection therewith, the Group has from time to time engaged Sun Hung Kai Real Estate Agency Limited and/or Kai Shing (REA) Limited, both wholly-owned subsidiaries of SHKP, in providing estate agency, lease administration, billing and rent collection services to relevant members of the SHKP Group ("**Estate Agency Arrangement**"). The Group pays commissions to Sun Hung Kai Real Estate Agency Limited and/or Kai Shing (REA) Limited for leases procured and concluded on behalf of the relevant members of the Group and the subsequent provision of the lease administration, billing and rent collection services in respect of the leases concluded. Such commission is payable by the Group on a monthly basis and is determined based on a percentage of the monthly rental in relation to the relevant leases concerned.

Pursuant to the Estate Agency Agreement entered into between the Company and SHKP on 6 May 2003, SHKP has agreed to procure the relevant members of the SHKP Group to provide estate agency services in respect of the leasing of the Group's properties. The Estate Agency Agreement is conditional upon the obtaining of, and shall commence from the date of, the Independent Shareholders' approval to 30 June 2005. The Estate Agency Agreement is a master agreement which sets out principles upon which detailed terms are to be determined in relation to each transaction to be carried out pursuant to it. Such principles include that the terms upon which the service provided under the Estate Agency Arrangement shall be on normal commercial terms and that the fees payable by the relevant members of the Group to the relevant members of SHKP Group shall be comparable

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with the rates charged by other independent third party service providers. Relevant members of the Group will enter into separate and definitive agreements with Sun Hung Kai Real Estate Agency Limited and/or Kai Shing (REA) Limited to provide for the detailed terms for such appointment whenever estate agency service is required by the Group.

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

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

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

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

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

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

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

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

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

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

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

The annual cap for the Property Management Arrangement under the Original Waiver was HK\$10,000,000. During the Original Waiver Period, the aggregate amount of property management fees paid by the Group to the SHKP Group pursuant to the Property Management Arrangement for the years ended 30 June 2000, 30 June 2001, 30 June 2002 and for the period from 1 July 2002 to 17 March 2003 amounted to approximately HK\$4,310,000, HK\$9,541,000, HK\$9,298,000 and HK\$6,643,000 respectively. The aggregate amount of property management fees paid by the Group to SHKP Group pursuant to the Property Management Arrangement for the period from 18 March to 30 April 2003 was approximately HK\$784,000. It is expected that the aggregate amount of property management fees payable by the Group will not exceed HK\$750,000 for the month of June 2003 and HK\$9,100,000 for each of the subsequent two financial years ending 30 June 2005. The proposed annual caps are determined with reference to (1) the management fees in respect of the Building Management Services

(which is fixed by the owners of the buildings concerned in accordance with the respective deeds of mutual covenants and management agreements), which is not expected to have any material changes during the period to which the caps relate and; (2) an expected increase in the level of Extra Management Services required which is expected to bring about an increase in service fee at a rate of 3% per annum.

The Property Management Arrangement has been and will continue to be conducted on normal commercial terms (including the payment terms) and in the ordinary and usual course of business of the Group. As mentioned above, the property management fees paid/payable by the relevant members of the Group for the Building Management Services have been and will continue to be on the same basis as those payable by the other owners of the buildings. The transactions in relation to the provision of the Extra Management Services are and will continue to be on normal commercial terms (including the payment terms) and the fees payable to the SHKP Group is and will continue to be at market rates.

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

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

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

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

The Directors expect that the fees payable by the Group pursuant to the Retrofitting Arrangement will not exceed HK\$6,400,000 for each of the two subsequent two financial years ending 30 June 2005. Such annual caps are determined on the basis that (1) there will be approximately 30,000 square feet of the Group's data centres and other premises requiring retrofitting in each financial year; (2) an average retrofitting cost of approximately HK\$400 per square foot; and (3) an estimation that the SHKP Group will be able to successfully bid for retrofitting work in respect of half of the total expected area requiring retrofitting.

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

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

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

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

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

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

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

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

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

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

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

K. Space and rack rental arrangement

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

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

The Directors expect that the fees receivable by the Group pursuant to the Space and Rack Rental Arrangement during the term of the aforesaid agreement will not exceed HK\$11,400 for the month of June 2003 and HK\$2,800,000 for each of the two subsequent financial years ending 30 June 2004 and 2005. The SHKP Group has indicated that it may require additional space and racks. The expected increase in the amount of fees receivable is on the assumption that the SHKP Group does lease such additional space and racks from the Group in addition to the space and racks they currently rent from the Group and further on the assumption that the rates of rental will be similar to the existing rates.

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

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

The Group currently has investments in listed and unlisted debt securities such as bonds. In order to leverage on the strength and expertise of the SHKP Group in investment management and with an aim to improve the management of the Group's investments, the Group's investments in debt securities has been and will continue to be managed by members of the SHKP Group ("**Investment Management Service Arrangement**"). As disclosed in the Company's annual report, the Group began investing in debt securities in the financial year ended 30 June 2001 at which time, the investment size amounted to approximately HK\$208 million. At the start of the Investment Management Service Arrangement,

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SHKP Group has not charged any fee for their management services as the size of such investment of the Group was not that significant. However, the Group's investment in debt securities has since then been increased substantially. The size of such investment amounted to approximately HK\$1,100 million as at 31 December 2002. In order to continue providing the Group with the investment management services for an increased size of investment, more manpower, time and costs will be required.

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

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

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

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

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

M. Rental of cable and network systems from SHKP Group

The Group has been renting from members of the SHKP Group the cable and data network systems and accessories installed in certain property developments owned and/or managed by the SHKP Group (the “Systems”) and the Group uses and operates the Systems for the provision of it broadband communication services to residents of the property developments concerned (“**Cable and Network Rental Arrangement**”). The Group pays SHKP Group a fee for the renting of the Systems which represents 3% yield by SHKP Group on the investment in the building and installation of the relevant part of the Systems leased to the Group. On 6 May 2003, the Company and SHKP entered into the Cable and Network Rental Agreement in relation to the Cable and Network Rental Arrangement. The Cable and Network Rental Agreement is conditional upon the obtaining of, and shall commence from the date of, the Independent Shareholders’ Approval to 30 June 2005. The Cable and Network Rental Agreement is a master agreement which sets out the principles upon which detailed terms are to be determined between the Company and SHKP in relation to each transaction to be carried out pursuant to it. Such principles include that the terms of the transactions under the Cable and Network Rental Arrangement shall be on normal commercial terms and that the fees payable for renting of the Systems shall be at such rates which are fair and reasonable so far as the Shareholders as a whole are concerned. Relevant members of the Group and SHKP Group have entered and will enter into separate and definitive agreements to provide for the detailed terms of each single transaction pursuant to the arrangement from time to time.

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

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

LETTER FROM THE BOARD

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

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

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

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

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

The aggregate amount of service fees paid by the Group in relation to the Promotion Services Arrangement for the ten months ended 30 April 2003 amounted to HK\$818,000. Such amount represented less than the de minimus threshold provided in Rule 20.25 of the GEM Listing Rules. Due to an expected increase in the number of users using the broadband services (as explained under the paragraph headed “M. Rental of cable and network systems from SHKP Group”), it is anticipated that there will be an increase in the level of demand for the services under the Promotion Services

Arrangement, the annual amount of the service fees which may become payable by the Group to SHKP Group pursuant to the Promotion Services Arrangement is likely to exceed the de minimus threshold under Rule 20.25 of the GEM Listing Rules. As such, unless the Company obtains the Independent Shareholders' Approval, the Company will be required to comply with the reporting, announcement and shareholders' approval requirements with respect to non-exempt continuing connected transactions under the GEM Listing Rules.

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

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

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

The Group intends to provide design, construction and renovation services in relation to the showflats and units of properties developed by the SHKP Group (the "**Construction Services Arrangement**") whereby members of the Group will receive fees for the services provided. The Group possesses a database of contractors, which provide design, construction and renovation services. To make use of the database to generate additional revenue to the Group, the Group intends to obtain the relevant works from the SHKP Group and then subcontract them to outside contractors. As at the date of this announcement, the Group has not yet provided any service to the SHKP Group under the Construction Services Arrangement nor any other parties under the Construction Services Arrangement.

On 6 May 2003, the Company and SHKP entered into the Construction Services Agreement in relation to the Construction Services Arrangement. The Construction Services Agreement is conditional upon the obtaining of, and shall commence from the date of, the Independent Shareholders' Approval to 30 June 2005. This is a master agreement which sets out the principles upon which detailed terms are to be determined between the Company and SHKP in relation to each transaction to be carried out pursuant to it. Such principles include that the terms of the transactions

LETTER FROM THE BOARD

under the Construction Services Arrangement shall be on normal commercial terms and that the amounts payable to the Group shall be at comparable rates charged by other third party service providers to SHKP Group. Relevant members of the Group and SHKP Group shall enter into separate and definitive agreements to provide for the detailed terms of each single transaction pursuant to the arrangement from time to time. The fees chargeable to the SHKP Group are according to such definitive agreements concluded between the Group and SHKP Group after the Group has successfully bid the relevant project. It is the understanding of the Group that SHKP Group will select bidders whom it considers able to offer the most attractive terms taking into account the price, the quality of work and the schedule of completion. In making the relevant bids, the Group will make references to the prices charged by other service providers for similar work and take into account its costs in providing the services and then determine the price and the terms that the Group considers to be competitive and in the interest of the Group.

The Directors expect that the fees receivable by the Group pursuant to the Construction Services Arrangement during the term of the aforesaid agreement will not exceed HK\$13,000,000 for each of the two financial years ending 30 June 2004 and 2005. Such cap is determined based on (a) the number of units of the properties to be developed by SHKP Group that the Group expects it will be able to successfully bid for the provision of services under the Construction Services Arrangement; and (b) the estimated average fee that the Group expects it will charge for the provision of the services required for each unit.

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

4. REASONS FOR ENTERING INTO THE ONGOING CONNECTED TRANSACTIONS

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

5. INDEPENDENT SHAREHOLDERS' APPROVAL

Approval sought

Under the GEM Listing Rules, the Ongoing Connected Transactions are subject to reporting, announcement and/or prior independent shareholders' approval requirements. Given the Ongoing Connected Transactions will occur on a regular and continuing basis, the Directors consider that it would not be practicable and unduly onerous on the part of the Company to announce, or if necessary, obtain Independent Shareholders' prior approval on each occasion such transaction arises. Accordingly, the Company seeks the approval of the Independent Shareholders (by way of poll) for the Group to conduct the Ongoing Connected Transactions for a period up to 30 June 2005 governing such transactions subject to the conditions mentioned below.

LETTER FROM THE BOARD

Conditions of the approval

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

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

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

LETTER FROM THE BOARD

- (iii) the independent non-executive Directors shall review the Ongoing Connected Transactions annually and confirm in the Company's annual report for the year in question that the Ongoing Connected Transactions have been entered into:
 - (a) in the ordinary and usual course of the business of the Group;
 - (b) either on normal commercial terms or where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than those available from or to independent third parties; and
 - (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable so far as the Shareholders as a whole are concerned;
- (iv) each year the auditors of the Company shall provide a letter to the board of Directors (with a copy to the Stock Exchange) confirming that the relevant Ongoing Connected Transaction:
 - (a) has received the approval of the Board;
 - (b) has been entered into in accordance with the terms of the relevant agreement governing such transaction; and
 - (c) has not exceeded the relevant cap amount as set out in paragraph (ii) above;
- (v) the Company shall promptly notify the Stock Exchange if it knows or has reason to believe that the independent non-executive Directors and/or the auditors of the Company will not be able to confirm that the matters set out in Rules 20.27 and/or 20.28 of the GEM Listing Rules respectively; and
- (vi) where the cap for any of the Advertising and e-Commerce Transactions, the Networking Arrangement, the Maintenance Arrangement and the Construction Services Arrangement in any financial year is to be greater than the higher of HK\$10,000,000 or 3% of the net tangible assets of the Group as at the end of that financial year and where the GEM Listing Rules require, the relevant transaction(s) and the cap shall be subject to review and re-approval by the Independent Shareholders at the annual general meeting so long as such transaction(s) continue(s) and the independent non-executive Directors will be required to opine in the annual report in respect of that financial year whether or not the Group should continue with the agreement(s) for the relevant transaction(s).

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

6. EXTRAORDINARY GENERAL MEETING

A notice to convene the EGM to be held at 53/F., Sun Hung Kai Centre, 30 Harbour Road, Hong Kong on 9 June 2003 at 3:00 p.m. is set out on pages 69 to 71 of this circular at which the Ordinary Resolution will be proposed to approve the Ongoing Connected Transactions. As required under the GEM Listing Rules, SHKP and its associates will abstain from voting at the EGM in respect of the Ordinary Resolution.

The Independent Board Committee has been appointed to advise the Independent Shareholders on whether or not the terms of the Ongoing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interest of the Shareholders. Core Pacific has been appointed to advise the Independent Board Committee in respect of the terms of the Ongoing Connected Transactions.

An announcement on the outcome of the EGM will be made by the Company after conclusion of the EGM.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM if they so wish.

7. RECOMMENDATION

Your attention is drawn to (a) the letter from the Independent Board Committee set out on pages 32 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Ongoing Connected Transactions and (b) the letter from Core Pacific set out on pages 33 to 59 of this circular which contains its recommendation to the Independent Board Committee in relation to the Ongoing Connected Transactions, the principal factors and reasons considered by Core Pacific in arriving at its recommendation.

The Independent Board Committee, having taken into account of the advice of Core Pacific, considers that the Ongoing Connected Transactions are in the interest of the Company and the Shareholders as a whole and the terms of the Ongoing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

By order of the Board
Kwok Ping Luen, Raymond
Chairman and Chief Executive Officer



sunEVISION

SUNeVision Holdings Ltd.

新意網集團有限公司

(Incorporated in the Cayman Islands with limited liability)

23 May 2003

To the Independent Shareholders

Dear Sirs,

ONGOING CONNECTED TRANSACTIONS

We refer to the circular dated 23 May 2003 issued to the Shareholders (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same respective meanings as defined in the Circular unless the context otherwise requires.

As the Independent Board Committee, we have been appointed by the Board to advise the Independent Shareholders on whether the terms of the Ongoing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned. Details of the Ongoing Connected Transactions are set out in the text of the letter from the Board as set out on pages 6 to 31 of the Circular.

We wish to draw your attention to the letter of advice from Core Pacific - Yamachi Capital Limited as set out on pages 33 to 59 of the Circular which contains, inter alia, its advice and recommendation to us as regards the terms of the Ongoing Connected Transactions together with the principal factors and reasons for its advice and recommendation.

Having considered, among other matters, the factors and reasons considered by, and the opinions of, Core Pacific - Yamachi Capital Limited as stated in its aforementioned letter of advice, we consider that Ongoing Connected Transactions are in the interest of the Company and the Shareholders as a whole and the terms of the Ongoing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned. And accordingly we recommend the Independent Shareholders to vote in favour of the Ordinary Resolution to be proposed at the EGM to approve the Ongoing Connected Transactions.

Yours faithfully,

For and on behalf of

the Independent Board Committee

Kao Kuen, Charles **Li On Kwok, Victor**

Independent non-executive Directors

The following is the text of the letter of advice from Core Pacific - Yamaichi Capital Limited, the independent financial adviser to the Independent Board Committee, in relation to the Ongoing Connected Transactions, which has been prepared for the purpose of incorporation into this circular.



威京總部集團
CORE PACIFIC GROUP

**Core Pacific - Yamaichi
Capital Limited**

36th Floor, Cosco Tower
Grand Millennium Plaza
183 Queen's Road Central, Hong Kong
TEL : (852) 2826 0700
FAX : (852) 2537 5079
TELEX: 73747 YAMAH HX

23 May 2003

The Independent Board Committee
SUNeVision Holdings Ltd.
MEGATOP, Mega-iAdvantage
399 Chai Wan Road
Chai Wan
Hong Kong

Dear Sirs,

ONGOING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee to advise on whether the terms of the Ongoing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned. Details of the Ongoing Connected Transactions are contained in the “Letter from the Board” set out on pages 6 to 31 of the circular of the Company dated 23 May 2003 (the “Circular”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise.

In formulating our opinion and recommendation, we have relied on the statements, information and facts supplied by, the opinions expressed by and the representations of, the Directors and management of the Company and its subsidiaries concerning the Ongoing Connected Transactions, including those facts, opinions and representations set out in the Circular and the Group’s business, sales and purchases projections for the period up to 30 June 2005. We have discussed the bases and assumptions made by the Directors and management of the Company and its subsidiaries in relation

to the projections and we have assumed that all such information and all statements, information, opinions, reports and representations contained or referred to in the Circular were true, complete and accurate in all material respects at the time they were made and given and continue to be so in all respects as at the date of despatch of the Circular. We have also assumed that all statements of beliefs, opinions and intentions made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions. The Directors have confirmed that they take full responsibility for the contents of the Circular.

We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our recommendation regarding the Ongoing Connected Transactions. We have no reason to suspect that such information is inaccurate or that any material facts have been omitted or withheld from the information and representations provided or opinions expressed in the Circular. In line with normal practice, we have not, however, conducted a verification of the information and representations provided to us by the Directors, nor have we conducted any independent in-depth investigation into the business and affairs and prospects of the Company and its subsidiaries. The Directors have confirmed that no material facts have been omitted from the information supplied to us.

SUMMARY OF THE ONGOING CONNECTED TRANSACTIONS

As at the date hereof, SHKP is a substantial shareholder of the Company, indirectly owning an aggregate of 1,719,427,500 Shares, representing approximately 84.86% of the entire issued share capital of the Company. Accordingly, SHKP and its associates are considered as connected persons of the Company and any transactions entered into between the Group and the SHKP Group shall constitute connected transactions for the Company under the GEM Listing Rules.

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

A summary of the Ongoing Connected Transactions is set out below.

- A. Lease arrangement between the Group and members of the SHKP Group
- B. e-Commerce transactions, advertising and internet-related services provided by the Group to the SHKP Group

- C. Installation, operation and provision of cable networking by the Group for buildings owned and/or managed by the SHKP Group
- D. Maintenance and repair of network infrastructure and security systems by the Group for buildings owned and/or managed by the SHKP Group
- E. Estate agency services provided by members of the SHKP Group to the Group
- F. Provision of insurance services by the SHKP Group to the Group
- G. Provision of property management services by the SHKP Group to the Group
- H. Provision of retrofitting services by the SHKP Group to the Group
- I. Provision of various technical and technical-related services by the SHKP Group to the Group
- J. Provision of non-core IT value added services by the Group to the SHKP Group
- K. Space and rack rental arrangement
- L. Provision of investment management service by the SHKP Group in relation to the investment portfolio of the Group
- M. Rental of cable and network systems from the SHKP Group
- N. Engagement of promotion services at the property sites owned and/or managed by the SHKP Group
- O. Design, construction and renovation services for properties developed by the SHKP Group

PRINCIPAL FACTORS CONSIDERED

In relation to each category of the Ongoing Connected Transactions, we have considered, inter alia, the principal factors for and principles underlying the transactions and, where relevant, proposed caps in formulating our view. Using the same paragraph lettering as “Summary of the Ongoing Connected Transactions” above, we set out below the principal factors we have considered and our conclusions in relation thereto.

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

Terms of the transaction

For the purpose of expanding its server co-location centre network into the PRC, the Group has set up offices and data centres in Beijing and Shanghai, the PRC. In mid-2000, the Group entered into two lease agreements in respect of two office premises, one located in Beijing and

the other in Shanghai, with the SHKP Group. Both lease agreements have a term of six years. By way of commitment, neither the Group nor the SHKP Group shall terminate the lease agreements during such term. As data centres require a controlled and secure environment with specified and constant temperature, humidity and with uninterrupted electricity supply to enable IT facilities to function properly, the Directors consider that any relocation of data centres would mean substantial installation and decoration costs to the Group.

Under the lease agreement entered into between the Group and the SHKP Group on 30 June 2000 in respect of the premises in Beijing, the Group shall pay US\$9,273 per month for the period from 17 March 2003 to 30 April 2004 and US\$10,116 per month for the period from 1 May 2004 to 30 April 2006 as rental fee and RMB35,488 per month as air-conditioning and property management charges. Under the lease agreement in respect of premises in Shanghai, the Group shall pay US\$20,542 per month for the period from 1 April 2003 to 31 March 2006 and RMB24,373 per month as air-conditioning and property management charges. The Directors confirmed that the terms of the agreements in respect of the Lease Arrangement were entered into in the ordinary course of business and were negotiated on an arm's length basis and on normal commercial terms.

We have studied the prevailing rental rates of comparable premises in Beijing, which range from US\$20,434 per month to US\$23,520 per month, and in Shanghai, which range from US\$33,000 per month to US\$35,505 per month, and the forecasted trend of the property markets in Beijing and Shanghai published by a number of independent property valuers and observed that the rental rates of those premises currently charged by the SHKP Group to the Group are in line with the prevailing rental rates of comparable premises in the same areas.

Accordingly, we concur with the Directors that the Lease Arrangement has been conducted in accordance with the terms of the relevant lease agreements governing them which terms are fair and reasonable so far as the Independent Shareholders are concerned.

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

Terms of the transactions

As stated in the "Letter from the Board" in the Circular, one of the Group's principal businesses is the provision of Internet-related services, such as setting-up of e-Commerce platform, website development and maintenance and on-line marketing services. As disclosed in the Prospectus, it has been the Group's business strategy to leverage on SHKP Group's position in the Hong Kong property market and its business relationships to build community portals with content and services tailored to the commercial and residential occupants of the SHKP Group's buildings. Given the SHKP Group's reputation for professional management of its business and financial strengths, the access to the residents and tenants of the SHKP Group's extensive residential, retail and commercial properties, we consider that the continual provision of the Internet-related services by the Group to the SHKP Group is in the interests of the Group so far as the Independent Shareholders are concerned.

LETTER FROM CORE PACIFIC - YAMAICHI CAPITAL LIMITED

We have also reviewed the master agreements entered into between the Group and the SHKP Group on 26 February 2000 and 6 May 2003. We noted that the new master agreement entered into on 6 May 2003 governing such transactions is, in essence, of the same terms as those under the previous agreement entered into on 26 February 2000. The new master agreement sets out the principles upon which detailed terms are to be determined between the Group and the SHKP Group in relation to the Advertising and e-Commerce Transactions. Such principles include the service to be provided by the Group to the SHKP Group pursuant to the Advertising and e-Commerce Transactions shall be on normal commercial terms and the fees payable therein shall be at rates comparable to the rates at which the Group charges other independent third party customers for similar transactions. The Directors confirmed that the service fees charged/to be charged by the Group were and will continue to be based on comparable rates at which the Group charges other independent third party customers and are and will continue to be on normal commercial terms.

In addition, we have reviewed samples of the Group's service contracts in respect of the provision of relevant services to the SHKP Group and to independent third party customers and compared the terms stated in the respective samples of services contracts. We noted that the service fees charged by the Group to the SHKP Group are comparable to those charged by the Group to independent third party customers and are conducted in the ordinary course of business.

On the above basis, we concur with the view of the Directors that these transactions are and will be continued on an arm's length basis and on normal commercial terms and the service fees charged/to be charged by the Group are and will continue to be based on comparable rates at which the Group charges other independent party customers. Accordingly, we are of the view that the principles upon which the terms are to be determined in relation to the Advertising and e-Commerce Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

Basis of the caps

		Historical amount (HK\$)			Proposed caps (HK\$)		
		Year ended 30 June 2000	Year ended 30 June 2001	Year ended 30 June 2002	From 1 July 2002 to 30 April 2003	For the month of June 2003	For each of the two subsequent financial years up to 30 June 2005
(B)	Advertising and e-Commerce Transactions	745,000	10,576,000	7,761,000	7,650,000	450,000	15,000,000

As stated in the "Letter from the Board" in the Circular, the proposed caps are determined by reference to the historical value of such transactions, projected level of demand of the services by members of the SHKP Group and the anticipated level of fees at which the Group

may charge in respect of such services. The cap for each of the two subsequent financial years up to 30 June 2005 is increased by 42% compared with the maximum value of the historical amounts stated above. The Directors confirmed that the increase of caps sought as compared to the historical values is due to: (i) the expected launch of the booking and reservation systems in the first quarter of 2004, which is expected to contribute to approximately 60% of the increase in caps; and (ii) the expected increase in the level of demand for the Group's existing services partly due to an increase in number of properties developed by the SHKP Group, which is expected to contribute to approximately 40% of the increase in caps.

We have reviewed the relevant projection prepared by the Group and discussed with the Directors the basis and assumptions used in setting the caps, in particular, the estimated price for each building, the booking and reservation system project, the estimated number of flats to be developed by the SHKP Group and the estimated system set up fees to be charged by the Group for relevant services to the SHKP Group. Moreover, we have compared the relevant historical records with the projection in assessing the reasonableness of the projection. Taking into account the above, we are of the view that the caps for Advertising and e-Commerce Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

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

Terms of the transactions

As stated in the "Letter from the Board" in the Circular, in addition to the provision of Internet services, the Group is engaged in the IT infrastructure business, in particular, the design, installation, operation and provision of SMATV/CABD and other security systems and laying of network cabling system, optic fiber network, broadband and other IT infrastructure network. It has been the Group's business strategy to leverage on the resources of the SHKP Group to expand its presence in the market as well as revenue stream. Given the strong presence of the SHKP Group in the property market in the PRC and Hong Kong and the large number of properties owned and/or managed by the SHKP Group, the Group's ability to maintain a stable stream of revenue by the provision of such services to the buildings owned and/or managed by the SHKP Group will be enhanced. On such basis, we consider that the continual provision of the subject services by the Group to the buildings owned and/or managed by the SHKP Group is in the interests of the Group so far as the Independent Shareholders are concerned.

We have also reviewed the master agreements in respect of the Networking Arrangement entered into between the Group and the SHKP Group on 26 February 2000 and 6 May 2003. We noted that the new master agreement entered into on 6 May 2003 governing the Networking Arrangement is, in essence, of the same terms as those under the previous agreement entered into on 26 February 2000. The new master agreement sets out the principles upon which detailed terms are to be determined between the Group and the SHKP Group in relation to the Networking Arrangement and such principles include the relevant service to be provided by the Group to the SHKP Group shall be on normal commercial terms and the fees payable shall be at rates comparable to the rates at which other independent third parties may charge the SHKP Group for such services.

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We have also discussed with the Directors and management of the Group in relation to the Networking Arrangement, in particular, the bidding system adopted by the SHKP Group in sourcing relevant services, the historical success rate of the Group in securing relevant service orders from the SHKP Group and the basis used in determining the charges for relevant services. The Directors confirmed that in securing relevant service orders from the SHKP Group, the Group has to participate in a bidding process through which the SHKP Group will select the winning bidder after taking into consideration the price, quality, work and schedule of completion. We have also reviewed some sample quotations for relevant services submitted to the SHKP Group by the Group.

On the above basis, we concur with the view of the Directors that these transactions are and will be continued on an arm's length basis and on normal commercial terms. Accordingly, we are of the view that the principles upon which the terms are to be determined in relation to the Networking Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

Basis of the caps

Description of transaction	Historical amount (HK\$)			Proposed caps (HK\$)		
	Year ended 30 June 2000	Year ended 30 June 2001	Year ended 30 June 2002	From 1 July 2002 to 30 April 2003	For the month of June 2003	For each of the subsequent two financial years up to 30 June 2005
(C) Networking Arrangement	24,430,000	25,153,000	34,323,000	34,236,000	10,000,000	39,000,000

As stated in the "Letter from the Board" in the Circular, the proposed caps are determined by reference to the historical value of such transactions, projected level of demand for such services by members of the SHKP Group and the anticipated level of fees which the Group may charge in respect of such services. The cap for each of the two subsequent financial years up to 30 June 2005 is increased by approximately 14% compared with the maximum value of the historical amount stated above. The Directors confirmed that increase of the caps sought as compared to the historical values is due to: (i) anticipated increase in the level of demand for the Group's services, which contributes to approximately 90% of the increase in the caps; and (ii) increase in the rate of services chargeable by the Group, which contributes to approximately 10% of the increase in the caps.

We have reviewed the relevant projection prepared by the Group and discussed with the Directors the basis and assumptions used in setting the caps, in particular, the existing and estimated respective sites owned and/or managed by the SHKP Group which required and will require such services and the existing and anticipated rates that the Group charged and will charge the SHKP Group for relevant services. Moreover, we have compared the relevant historical records with the projection in assessing the reasonableness of the projection. We are of the view that the caps for Networking Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

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

As stated in the “Letter from the Board” in the Circular, it is part of the Group’s IT infrastructure business to provide the services of maintenance and repair of network infrastructure and security system. The Group has been providing these services to the SHKP Group as well as independent third party customers. Given the strong presence of the SHKP Group in the property market in the PRC and Hong Kong and a large number of properties owned and/or managed by the SHKP Group, the Group’s ability to maintain a stable stream of revenue by the provision of such services to the buildings owned and/or managed by the SHKP Group will be enhanced. On such basis, we consider that the continual provision of the subject services by the Group to the buildings owned and/or managed by the SHKP Group is in the interests of the Group so far as the Independent Shareholders are concerned.

In formulating our opinion as to the fairness and reasonableness of the Maintenance Arrangement, we have, amongst other things, randomly selected and reviewed the Group’s service contracts in relation to maintenance of carpark system for the SHKP Group and independent third party customers and the master agreements in respect of the Maintenance Arrangement entered into between the Group and the SHKP Group on 26 February 2000 and on 6 May 2003 pursuant to which all fees charged by the Group to the SHKP Group shall be at rates comparable to those at which other independent third parties may charge the SHKP Group. Comparing the terms stated in those sample service contracts, we noted that the rates at which the Group charged to the SHKP Group are comparable to the rates charged by the Group to independent third party customers. In addition, we have also discussed with the Directors and management of the Group in relation to the Maintenance Arrangement, in particular, the bidding system adopted by the SHKP Group in sourcing relevant services, the historical success rate of the Group in securing relevant service orders from the SHKP Group and the basis used in determining the charges for relevant services. The Directors confirmed that in securing relevant service orders from the SHKP Group, the Group has to participate in a bidding process through which the SHKP Group will select the winning bidder after taking into consideration the price, quality, work and schedule of completion.

Taking into account the above, we concur with the Directors’ view that these transactions are and will be continued on an arm’s length basis and on normal commercial terms and the service fees charged/to be charged by the Group in respect of these transactions are and will, pursuant to the master agreement, continue to be at rates comparable to the rates at which other independent third party may charge the SHKP Group. Accordingly, we are of the view that the principles upon which the terms are to be determined in relation to the Maintenance Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

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Basis of the caps

Description of transaction	Historical amount (HK\$)			Proposed caps (HK\$)		
	Year ended 30 June 2000	Year ended 30 June 2001	Year ended 30 June 2002	From 1 July 2002 to 30 April 2003	For the month of June 2003	For each of the subsequent two financial years up to 30 June 2005
(D) Maintenance Arrangement	26,934,000	27,879,000	29,051,000	28,106,000	10,000,000	42,000,000

As stated in the “Letter from the Board” in the Circular, we understand that the proposed caps are determined by reference to the historical value of such transactions, projected level of demand of such services by members of the SHKP Group and the anticipated level of fees which the Group may charge in respect of such services. The cap for each of the two subsequent financial years up to 30 June 2005 is increased by 44% compared with the maximum value of the historical amount stated above. The Directors confirmed that the increase of caps sought as compared to the historical values is due to: (i) an expected increase in the number of property sites owned and/or managed by the SHKP Group for which the Group will provide services pursuant to the Maintenance Arrangement, which is expected to account for approximately 90% of the increase in the caps; and (ii) an increase in the rate of services chargeable by the Group, which is expected to account for approximately 10% of the increase in the caps.

We have reviewed the relevant projection prepared by the Group and discussed with the Directors the basis and assumptions used in setting the caps, in particular, the respective properties owned/managed by the SHKP Group which used such services and the anticipated number of properties that will use the same services, and the rate at which the Group charged and will charge for such services. Moreover, we have compared the relevant historical records with the projection in assessing the reasonableness of the projection. Taking into account the above, we are of the view that the caps for the Maintenance Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

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

Terms of the transactions

As stated in the “Letter from the Board” in the Circular, the Group has been holding a number of properties and some of which have been leased to independent third parties. In connection therewith, the Group has, from time to time, engaged members of the SHKP Group in providing estate agency, lease administration, billing and rent collection services. In ascertaining the fairness and reasonableness of the arrangement, we have taken into account the experience of the SHKP Group in the provision of the above services, the spectrum of the business relationship of the SHKP Group with local and multinational companies and accessibility of the SHKP Group to potential tenants and we consider that such arrangement is in the interests of the Group so far as the Independent Shareholders are concerned.

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In addition, we have reviewed the agreement entered into between the Company and the SHKP Group on 6 May 2003, pursuant to which the SHKP Group agreed to procure the relevant members of the SHKP Group to provide estate agency services in respect of the leasing of the Group's properties. We noted that this agreement also sets out principles upon which detailed terms are to be determined in relation to the Estate Agency Arrangement and those principles include the terms upon which the services provided under the Estate Agency Arrangement shall be on normal commercial terms and the fees payable by the relevant members of the Group to relevant members of the SHKP Group shall be comparable with the rates charged by other independent third party service provider.

We have also studied the rate at which the SHKP Group charged to the Group and compared that to the rate at which an independent service provider charged for similar services. We noted that the rate charged by the SHKP Group is comparable to the rate charged by such independent service provider. We have also considered the track record of the subject arrangement which indicated that the arrangement has been operated under the same manner for a number of years.

In view of the above, we concur with the view of the Directors that the Estate Agency Arrangement is and will be continued on an arm's length basis and on normal commercial terms and the commission payable by the Group pursuant to such arrangement is and will continue to be based on comparable market rates taking into account the scope of services provided. Accordingly, we are of the view that the principles upon which the terms are to be determined in relation to the Estate Agency Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

Basis of the caps

Description of transaction	Historical amount (HK\$)			Proposed caps (HK\$)		
	Year ended 30 June 2000	Year ended 30 June 2001	Year ended 30 June 2002	From 1 July 2002 to 30 April 2003	For the month of June 2003	For each of the subsequent two financial years up to 30 June 2005
(E) Estate Agency Arrangement	N/A	1,123,000	869,000	724,000	100,000	1,200,000

As stated in the "Letter from the Board" in the Circular, the proposed caps are determined by reference to the historical value of such transactions, the projected level of demand of the Group's premises by potential tenants and the anticipated level of rents for the Group's premises and on the assumption that the rate of commission at which the Group may need to pay for the services under the Estate Agency Arrangement will be approximately 3% of the monthly rental for the premises leased and concluded by the SHKP Group pursuant to the Estate Agency Arrangement. The cap for each of the subsequent two financial years up to 30 June 2005 is increased by 7% as compared with the maximum value of the historical amount stated above. The

Directors anticipate that the increase in the amount of the cap sought as compared to the historical transaction amounts will be approximately 30% attributable to an expected increase in the occupancy rate of the Group's property and approximately 70% attributable to an expected increase in the rates of rental chargeable to the tenants.

We have reviewed the relevant projection prepared by the Group and discussed with the Directors the basis and assumptions used in setting the caps, in particular, the Group's properties expected to be let in each of the two subsequent financial years, and existing occupancy rate of the Group's properties and the rental rate at which the Group has charged and will charge to its tenants. Moreover, we have compared the relevant historical records with the projection in assessing the reasonableness of the projection. Taking into account the above, we are of the view that the caps for Estate Agency Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

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

Terms of the transactions

As stated in the Prospectus, various members of the Group safeguard themselves by maintaining adequate insurance cover with or through the SHKP Group. The Directors consider that insurance companies or insurance agents vary to a large extent in terms of reputation, integrity and quality of services provided. As such, by maintaining the insurance coverage with or through the SHKP Group, the Group can be assured of the integrity of the insurer and terms offered.

We have reviewed the respective master agreements entered into between the Company and the SHKP Group on 24 February 2000 and 6 May 2003 governing the Insurance Arrangement. We noted that the terms under the agreement entered into on 6 May 2003 are, in essence, the same as those under the previous agreement. The new master agreement governs the principles upon which detailed terms are to be determined between the Group and the SHKP Group under the Insurance Arrangement and such principles include any insurance policy to be taken up by the Group will be comparable to the terms of the insurance policies maintained by other third parties with the SHKP Group in respect of similar type of risk insured.

We have also randomly selected and compared the premium charged by the SHKP Group to the Group for various types of insurance policies to those quoted from an independent third party insurance company for similar types of insurance policies and sums. We noted that the premium charged by such independent insurance company is comparable to those charged by the SHKP Group.

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On the above basis, we concur with the view of the Directors that these transactions are and will be continued on an arm's length basis and on normal commercial terms and the insurance premium payable by the Group pursuant to such arrangement is and will continue to be at market rates. Accordingly, we are of the view that the principles upon which the terms are to be determined under the Insurance Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

Basis of the caps

Description of transaction	Historical amount (HK\$)			Proposed caps (HK\$)		
	Year ended 30 June 2000	Year ended 30 June 2001	Year ended 30 June 2002	From 1 July 2002 to 30 April 2003	For the month of June 2003	For each of the subsequent two financial years up to 30 June 2005
(F) Insurance Arrangement	518,000	1,566,000	1,998,000	1,880,000	150,000	3,600,000

As stated in the "Letter from the Board" in the Circular, the proposed caps are determined by reference to the estimated insurance protection requirement of the Group based on the likely level of insurance premium at which the Group will be able to obtain the relevant insurance cover. The cap for each of the two subsequent financial years up to 30 June 2005 is increased by 80% as compared with the maximum value of the historical amount stated above. The Directors confirmed that the increase of caps sought as compared to the historical values is due to: (i) the expected substantial increase in the level of insurance premiums in view of the hardened and fluctuating insurance market, which is expected to account for approximately 60% to 70% of the anticipated increased amount; and (ii) the expected increase in the number and types of insurance policies to be maintained by the Group, which is expected to account for approximately 30% to 40% of the anticipated increase in premium payable in each financial year.

We have reviewed the relevant projection prepared by the Group and discussed with the Directors the basis and assumptions used in setting the caps, in particular, the existing and anticipated level of premium paid and payable by the Group, the Group's assets and their values insured and to be insured, the estimated trend of insurance premium. We have also compared the relevant historical records with the projection in assessing the reasonableness of the projection. Moreover, we have also studied information in relation to the insurance industry, in particular, the trend of insurance premium and we noted that the anticipated change in the level of premium paid and payable by the Group is in line with our observations. Taking into account the above, we are of the view that the caps for Insurance Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

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

The SHKP Group has been providing property management services, including Building Management Services and Extra Management Services, to certain properties owned and/or occupied by the Group. As the building manager responsible for the provision of Building Management Services is appointed by the owners of the buildings, it is inevitable for the Group to enter into such transactions with the SHKP Group, unless the Group relocates all of its properties to a building which is not owned/managed by the SHKP Group. With regard to the Extra Management Services, we have considered, inter alia, the experience and reputation of the SHKP Group in property management services. Accordingly, we are of the view that the provision of the subject services by the SHKP Group to the Group is in the interests of the Group so far as the Independent Shareholders are concerned.

On 6 May 2003, the Company and SHKP entered into a master agreement in relation to the Extra Management Services, pursuant to which SHKP agreed to procure the relevant members of SHKP Group to provide the Extra Management Services required by members of the Group. Such agreement sets out the principles upon which detailed terms are to be determined in relation to the provision of the Extra Management Services. We have reviewed the agreement and discussed with the Directors and management of the Group and we understand that those principles in the Extra Management Services shall be on normal commercial terms and the amount of service fees payable by the Group to the SHKP Group shall be at rates comparable with those charged by other third party service providers. In addition, we have randomly selected and reviewed the Group's services contracts in relation to the Extra Management Services and compared them with the rate at which other independent service providers charge for similar services and noted that the rate charged to the Group by the SHKP Group is comparable to the rates charged by such independent third party service provider for the provision of similar services.

With regard to the Building Management Services, we have primarily considered the terms of the relevant deeds of mutual covenants which stipulated that all owners and/occupiers of such properties shall pay the building manager, the SHKP Group, at the same rates.

Based on the above, we concur with the view of the Directors that (i) the Property Management Arrangement has been and will be continued on an arm's length basis and on normal commercial terms and in the ordinary and usual course of business of the Group; (ii) the property management fees paid/payable by the relevant members of the Group for the Building Management Services have been and will be continued on the same basis as those payable by the other owners of the buildings; and (iii) the transactions in relation to the provision of the Extra Management Services are and will be continued on an arm's length basis and on normal commercial terms and the fees payable to the SHKP Group is and will continue to be at market rates.

Accordingly, we are of the view that the principles upon which the detailed terms are to be determined in relation to the Property Management Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

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Basis of the caps

Description of transaction	Historical amount (HK\$)			Proposed caps (HK\$)		
	Year ended 30 June 2000	Year ended 30 June 2001	Year ended 30 June 2002	From 1 July 2002 to 30 April 2003	For the month of June 2003	For each of the subsequent two financial years up to 30 June 2005
(G) Property Management Arrangement	4,310,000	9,541,000	9,298,000	7,427,000	750,000	9,100,000

As stated in the “Letter from the Board” in the Circular, the proposed caps are determined with reference to (1) the management fees in respect of the Building Management Services (which is fixed by the owners of the buildings concerned in accordance with the respective deeds of mutual covenants and management agreements), which is not expected to have any material change during the period to which the caps relate; and (2) an expected increase in the level of Extra Management Services required, which is expected to bring about an increase in service fee at a rate of 3% per annum. The cap for each of the subsequent two financial years up to 30 June 2005 is decreased by 5% when compared with the maximum value of the historical amount stated above.

We have reviewed the relevant projection prepared by the Group and discussed with the Directors the basis and assumptions used in setting the caps, in particular, the number of the Group’s properties managed by the SHKP Group, the terms of the relevant deeds of mutual covenants and the level of Extra Management Services the Group requires. Moreover, we have compared the relevant historical records with the projection in assessing the reasonableness of the projection. Taking into account the above, we are of the view that the caps for the Property Management Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

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

Terms of the transactions

As confirmed by the Directors, the Group has, from time to time, engaged the SHKP Group to provide retrofitting services for the data centres and office premises of the Group. Such works are required after vacation of data centres/premises by ex-tenants and the Directors considered that this is necessary for the purpose of letting the relevant premises/data centres at a relatively favourable rate in light of the prevailing market conditions. Due to the particular requirements in which IT facilities have to be placed, such as specified and constant temperature and humidity, the set-up of data centres should be stringently controlled. It is beneficial to the Group to appoint

a reliable and reputable retrofitting services provider with experience in the provision of such services. In addition, the quality and terms of these services provided by other service providers vary to the extent that it might not be cost-effective for the Group to engage other service providers. Taking into account the foregoing and the opinion from the Directors on the quality of retrofitting services provided by the SHKP Group in the past years, we concur with the view of the Directors that the provision of retrofitting services by the SHKP Group is in the interests of the Group so far as the Independent Shareholders are concerned.

On 6 May 2003, the Company and SHKP entered into an agreement, whereby SHKP has agreed to procure the relevant members of the SHKP Group to provide retrofitting services to members of the Group. This is a master agreement which sets out the principles upon which detailed terms are to be determined in relation to the Retrofitting Arrangement. We have reviewed such agreement and we understand that the agreement sets out the principles upon which the detailed terms are to be determined in relation to the arrangement and those principles include the service to be provided by the SHKP Group to the Group under the Retrofitting Arrangement shall be on normal commercial terms and the fees payable by the relevant members of the Group to the relevant members of the SHKP Group shall be at comparable rates charged by third party service providers.

We have also discussed with the Directors and management of the Company on the Group's general policy in sourcing retrofitting services and the principal factors the Group would consider in selecting a provider for such services. The Directors confirmed that the Group usually invites for the submission of quotations by potential service providers, including the SHKP Group, for the retrofitting work required. The Group will choose service providers based on the competitiveness of their quotation, taking into account the price, the quality of work and schedule of completion offered by them. Members of the Group may or may not accept the bids offered by the SHKP Group. We have also randomly selected and reviewed sample quotations and contracts for such services from the SHKP Group and other independent services providers and we noted that the rates charged by the SHKP Group are comparable to those charged by other independent services providers for similar services.

Based on the above, we concur with the view of the Directors that the Retrofitting Arrangement is and will be continued on an arm's length basis and on normal commercial terms and the fees payable to members of SHKP Group under such arrangement has been and will continue to be at comparable rates charged by independent third party service providers.

Accordingly, we are of the view that the principles upon which detailed terms are to be determined in relation to the Retrofitting Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

Basis of the cap

Description of transaction	Historical amount (HK\$)				Proposed caps (HK\$)	
	Year ended 30 June 2000	Year ended 30 June 2001	Year ended 30 June 2002	From 1 July 2002 to 30 April 2003	For the month of June 2003	For each of the subsequent two financial years up to 30 June 2005
(H) Retrofitting Arrangement	N/A	N/A	518,000	65,000	—	6,400,000

As stated in the “Letter from the Board” in the Circular, the proposed cap is determined on the basis that (i) there will be approximately 30,000 square feet of the Group’s data centres and other premises requiring retrofitting in each financial year; (ii) an average retrofitting cost of approximately HK\$400 per square foot; and (iii) an estimation that the SHKP Group will be able to successfully bid for retrofitting work in respect of half of the total expected area requiring retrofitting. The cap for each of the subsequent two financial years up to 30 June 2005 is increased by 1,136% compared with the maximum value of the historical amount stated above.

We have reviewed the relevant projection prepared by the Group and discussed with the Directors the basis and assumptions used in setting the cap, such as, the current and expected occupancy rate of the Group’s properties, in particular, data centres, the average retrofitting cost required per square foot and the historical success rate of the SHKP Group in securing relevant orders of the Group. Moreover, we have compared the relevant historical records with the projection in assessing the reasonableness of the projection. Taking into account the above, we are of the view that the cap for Retrofitting Arrangement is fair and reasonable so far as the Independent Shareholders are concerned.

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

Terms of the transaction

The Group from time to time requires technical and technical-related services, such as mechanical and engineering services and miscellaneous labour services in connection with broadband interconnection. In its search for appropriate service provider, the Group will ask for quotations or invite bids from service providers and the Group will appoint bidders with the best terms offered taking into account the price, the quality of work and schedule of completion offered by such bidders.

On 6 May 2003, the Company and SHKP entered into the Technical Services Agreement pursuant to which the SHKP Group agreed to procure the relevant members of the SHKP Group to provide such technical and technical-related services to members of the Group. We noted that this is a master agreement which sets out the principles upon which detailed terms are to be determined in relation to each relevant transaction, and pursuant to which the Group shall refer

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to available market rates for each type of services required from the SHKP Group prior to entering into each transaction. In addition, we have compared tenders submitted by independent services providers with those submitted by the SHKP Group for similar services and we noted that the rates at which the SHKP Group charged to the Group are comparable to those charged by independent service providers.

Based on the above, we concur with the view of the Directors that these transactions will be continued on an arm's length basis and on normal commercial terms and the fees payable to members of the SHKP Group under such arrangement have been and will continue to be at rates comparable to the prevailing market rates chargeable by independent service providers.

Accordingly, we are of the view that the principles upon which detailed terms are to be determined in relation to the Technical Services Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

Basis of the caps

Description of transaction	Historical amount (HK\$)			Proposed caps (HK\$)		
	Year ended 30 June 2000	Year ended 30 June 2001	Year ended 30 June 2002	From 1 July 2002 to 30 April 2003	For the month of June 2003	For each of the subsequent two financial years up to 30 June 2005
(I) Technical Services Arrangement	N/A	N/A	285,000	982,000	90,000	1,400,000

As stated in the "Letter from the Board" in the Circular, the proposed caps are determined by reference to the historical value of such transactions, projected demand of such services by the Group and anticipated level of fees for such services. The cap for each of the two subsequent financial years up to 30 June 2005 is increased by 43% compared with the maximum value of the historical amount stated above. The Directors confirmed that the increase in the amount of caps sought as compared to the historical amounts is (i) approximately 90% attributable to an anticipated increase in the level of demand of the services required under such arrangement; and (ii) approximately 10% attributable to an anticipated increase in the level of service fees.

We have reviewed the relevant projection prepared by the Group and discussed with the Directors the basis and assumptions used in setting the caps, in particular, the level of relevant services used and will be used by the Group, the historical and anticipated rate the SHKP Group charged and will charge for the relevant services and the historical success rate of the SHKP Group in securing the relevant service orders from the Group. In addition, we have reviewed and compared the relevant historical records to the projection in assessing the reasonableness of the projection. Taking into account the above, we are of the view that the caps for Technical Services Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

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

Terms of the transaction

With core businesses in the Internet services, IT infrastructure and IT investments, the Group is also engaged in the provision of non-core IT value added services to satisfy its customers demands. The Company and SHKP entered into an agreement on 6 May 2003, whereby the Group has agreed to procure the relevant members of the Group to provide such supporting services to members of the SHKP Group. This is a master agreement which sets out the principles upon which detailed terms are to be determined in relation to the Non-core Services Arrangement. We have reviewed the agreement and we understand that those principles include the services to be provided by the Group to the SHKP Group under the Non-core Services Arrangement shall be on normal commercial terms and the fees payable by the relevant members of the SHKP Group shall be at rates comparable to the rates at which the Group charges other independent third party customers.

We have discussed with the Directors the Group's pricing policy of the subject services charged to the SHKP Group and the Directors confirmed that the Group will always refer to available market rates in determining the rates of service fees chargeable to the SHKP Group prior to entering into each transaction. We have also reviewed the rates charged by the Group to the SHKP Group and those charged to other independent third party customers for similar services and noted that such rates are comparable.

On the above basis, we concur with the view of the Directors that these transactions are and will be continued on an arm's length basis and on normal commercial terms and the fees at which the Group has charged/will charge the members of the SHKP Group for the services provided under such arrangement are and will continue to be at rates comparable to rates at which the Group charges other independent third party customers.

Accordingly, we are of the view that the principles upon which detailed terms are to be determined under the Non-core Services Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

Basis of the caps

Description of transaction	Historical amount (HK\$)			Proposed caps (HK\$)		
	Year ended 30 June 2000	Year ended 30 June 2001	Year ended 30 June 2002	From 1 July 2002 to 30 April 2003	For the month of June 2003	For each of the subsequent two financial years up to 30 June 2005
(J) Non-core Services Arrangement	N/A	N/A	937,000	571,000	160,000	1,400,000

As stated in the “Letter from the Board” in the Circular, the proposed caps are determined by reference to the historical value of such transactions, projected level of demand of such services by members of the SHKP Group and the anticipated level of fees which the Group may charge in respect of such services. The cap for each of the subsequent two financial years up to 30 June 2005 is increased by 49% compared with the maximum value of the historical amount stated above. The Directors confirmed that the increase in the amount of cap sought as compared to the historical figures is expected to be (i) approximately 95% attributable to the anticipated increase in the value-added services required by the SHKP Group; and (ii) approximately 5% attributable to an anticipated increase in the rate of service fees chargeable to the SHKP Group.

We have reviewed the relevant projection prepared by the Group and discussed with the Directors the basis and assumptions used in setting the caps, in particular, the historical and anticipated level of relevant services required and to be required by the SHKP Group, the current and anticipated rates at which the Group charged and will charge the SHKP Group for the relevant services and reasons for the anticipated increase in the level of service demand from the SHKP Group. In addition, we have reviewed and compared the relevant historical records to the projection in assessing the reasonableness of the projection. Taking into account the above, we are of the view that the caps for Non-core Services Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

K. Space and rack rental arrangement

Terms of the transactions

Letting spaces and racks in data centres to customers is part of the Group’s server hosting and facilities management business. On 6 May 2003, the Company and SHKP entered into an agreement, whereby the Company agrees to procure relevant members of the Group to let space and racks at the Group’s data centres to members of the SHKP Group and associates of SHKP. This is a master agreement which sets out principles between the Company and the SHKP Group upon which detailed terms are to be determined in relation to each transaction under the Space and Rack Rental Arrangement. We have reviewed the agreement and noted that those principles include the transactions under the Space and Rack Rental Arrangement shall be on normal commercial terms and the rental payable by the relevant members of the SHKP Group shall be comparable with the rates at which the Group charges independent third party customers of the Group, taking into account the area of space and/or number of racks rented and the rental term.

To assess the rates charged by the Group to the SHKP Group and those charged to independent third party customers, we have randomly selected and reviewed sample contracts of the rack rental service which the Group separately entered into with the SHKP Group and independent third party customers for the subject services. We noted that the rates charged by the Group to the SHKP Group are comparable to those charged to independent third party customers, taking into account the services provided.

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Based on the above, we concur with the view of the Directors that these transactions will be continued on an arm's length basis and on normal commercial terms and the rental rate at which the Group has charged/will charge the SHKP Group for the services provided under such arrangement is and will continue to be comparable to 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 terms.

Accordingly, we are of the view that the principles upon which detailed terms are to be determined under the Space and Rack Rental Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

Basis of the caps

Description of transaction	Historical amount (HK\$)			Proposed caps (HK\$)		
	Year ended 30 June 2000	Year ended 30 June 2001	Year ended 30 June 2002	From 1 July 2002 to 30 April 2003	For the month of June 2003	For each of the subsequent two financial years up to 30 June 2005
(K) Space and Rack Rental Arrangement	N/A	N/A	987,000	952,000	20,000	2,800,000

As shown above, the historical amount for the subject transactions for the year ended 30 June 2002 was HK\$987,000. Comparing this figure to the cap for each of the subsequent two financial years up to 30 June 2005, the cap is approximately 184% higher. We have discussed with the Directors the basis and assumptions used in arriving the caps, such as, the trend for companies to relocate their servers to data centres for operational and cost-saving purposes, the average rental fee per rack, the average size and volume of a rack, and the estimated space and rack required by the SHKP Group. The Directors stated that the SHKP Group has indicated that it may require additional space and racks. The expected increase in the amount of fees receivable is on the assumption that the SHKP Group does lease such additional space and racks from the Group, in addition to the space and racks they currently rent from the Group and on the assumption that the rates of rental will be similar to the existing rates.

We have reviewed the relevant projection prepared by the Group and discussed with the Directors the basis and assumptions used in setting the caps, in particular, the expected additional spaces and rack required by the SHKP Group and the anticipated level of rent charged by the Group. In addition, we have reviewed and compared the relevant historical records to the projection in assessing the reasonableness of the projection. Taking into account the above, we are of the view that the caps for Space and Rack Rental Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

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

Terms of the transactions

The Group began investing in debt securities in the financial year ended 30 June 2001 and the size of the investment has grown from approximately HK\$208 million to HK\$1,100 million as at 31 December 2002. As the size of the Group's investment has grown to a considerable amount, the SHKP Group intends to charge the Group an investment management fee with reference to the market value of the Group's investment portfolio as more manpower, time and costs should be required by the SHKP Group for managing the Group's investment portfolio.

The Company and SHKP intend to enter into the Investment Management Agreement to formalize the foregoing arrangement. Pursuant to the Investment Management Agreement, SHKP will agree to procure its relevant members to provide the investment management services to the Group and in return receive a management fee calculated by reference to the market value of the Group's investment portfolio managed by SHKP. To assess whether the rate at which SHKP intends to charge the Group is fair and reasonable, we have compared the rates stipulated under the Investment Management Agreement and the rates quoted from an independent service provider. We noted that the rate to be charged by SHKP to the Group is comparable to the rates quoted from the independent service provider, taking into account the size of the investment portfolio.

In addition, we have considered the established relationship in relation to the subject arrangement between the Company and SHKP and that the SHKP Group should be relatively familiar with the Group's investment attributes, such as, expected return on investment, risk tolerance level and investment horizon when compared to an unfamiliar and independent investment management service provider. As such, any change in the investment manager may result in the alteration of the composite of the Group's investment portfolio and may lead to additional transaction costs.

Based on the above, we concur with the view of the Directors that these transactions will be conducted in the ordinary and usual course of the investment activities of the Group and on an arm's length basis and on normal commercial terms and the management fees payable to the SHKP Group will be at rates not higher than the prevailing market rates chargeable by other independent third party service providers. Accordingly, we are of the view that the principles upon which the terms are to be determined in relation to the Investment Management Service Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

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Basis of the cap

Description of transaction	Historical amount (HK\$)			Proposed caps (HK\$)		
	Year ended 30 June 2000	Year ended 30 June 2001	Year ended 30 June 2002	From 1 July 2002 to 30 April 2003	For the month of June 2003	For each of the subsequent two financial years up to 30 June 2005
(L) Investment Management Service Arrangement	N/A	N/A	N/A	—	—	2,500,000

As stated in the “Letter from the Board” in the Circular, the cap was determined by reference to the market value of the Group’s investment portfolio at approximately HK\$1,000 million and the contract rate of commission of 0.25% applicable to such investment size. On the assumption that the market value of the Group’s investment portfolio is maintained at the existing level of around HK\$1,100 million and the commission is at 0.25%, we are of the view that the cap for the Investment Management Service Arrangement is fair and reasonable so far as the Independent Shareholders are concerned.

M. Rental of cable and network systems from the SHKP Group

Terms of the transaction

For the provision of broadband communication services, the Group has been renting from members of the SHKP Group the cable and data network systems and accessories installed in certain building owned or managed by the SHKP Group.

On 6 May 2003, the Company and SHKP entered into an agreement in relation to the Cable and Network Rental Arrangement. This is a master agreement which sets out the principles upon which detailed terms are to be determined between the Company and SHKP in relation to the Cable and Network Rental Arrangement. Such principles include the terms of the transactions under the Cable and Network Rental Arrangement shall be on normal commercial terms and the fees payable for renting of the Systems shall be at rates which are fair and reasonable so far as the Independent Shareholders are concerned. Given the above, we are of the view that the principles upon which detailed terms are to be determined under the Cable and Network Rental Arrangement are fair and reasonable.

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We have discussed with the Directors and the management of the Group on certain aspects relating to the rental system, including the ways of obtaining the usage right of the Systems, the expected life span of the Systems and the impact on the Group's financial performance. According to the accountant's report of the Company, the depreciation policy of the internet services centre facilities of the Group is at a rate of 10-20%, which represented a 5-10 year expected life span. When determining the basis of rental rate, the management of the Company assumes that the Group installs and manages the Systems by itself with an expected life span of the Systems of approximately 12 years, which represents a depreciation rate of 8.3%, and 3% yield by the SHKP Group on the investment in the building and installation of the relevant part of the Systems. As such, the rental rate will be set at 11.3% of the investment, which is consistent with the depreciation policy of the Group as mentioned above.

Based on the above, we concur with the view of the Directors that these transactions will be continued on an arm's length basis and on normal commercial terms and the rental payable by the Group pursuant to such arrangement has been and will continue to be at such rates which are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we are of the view that the principles upon which detailed terms are to be determined in relation to the Cable and Network Rental Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

Basis of the cap

Description of transaction	Historical amount (HK\$)			Proposed caps (HK\$)		
	Year ended 30 June 2000	Year ended 30 June 2001	Year ended 30 June 2002	From 1 July 2002 to 30 April 2003	For the month of June 2003	For each of the subsequent two financial years up to 30 June 2005
(M) Cable and Network Rental Arrangement	N/A	N/A	N/A	818,000	—	2,600,000

As stated in the letter from the Board in the Circular, the cap was determined by reference to (i) the historical value of such transactions; (ii) the projected level of demand of the broadband interconnection services in the property developments concerned; and (iii) the rate of service fee payable by the Group to the SHKP Group being calculated on the basis of 3% of the yield on the SHKP Group's investment in the building and installation attributable to the relevant Systems leased to the Group. Comparing the historical amount and the cap for each of the subsequent two financial years up to 30 June 2005 stated above, the cap represents a premium of 218% to the historical amount.

We have reviewed the relevant projection prepared by the Group and discussed with the Directors the basis and assumptions used in setting the cap, in particular, the depreciation policy of the Group and the current and estimated investments made in the buildings and installations attributable to the Systems. In addition, we have reviewed and compared the relevant historical records to the projection in assessing the reasonableness of the projection. Taking into account the above, we are of the view that the cap for the Cable and Network Rental Arrangement is fair and reasonable so far as the Independent Shareholders are concerned.

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

Terms of the transaction

Provision of Internet services is one of the principal businesses of the Group and it has been the Group's business strategy to leverage on the SHKP Group's position in the Hong Kong property market and to gain access to the residents and tenants of the SHKP Group's extensive residential for the development of such business.

The Company and SHKP entered into an agreement in relation to the Promotion Services Arrangement on 6 May 2003. This is a master agreement which sets out the principles upon which detailed terms are to be determined between the Company and SHKP in relation to the Promotion Services Arrangement. We have reviewed the agreement and we noted that such principles include the terms under the Promotion Services Arrangement will be on normal commercial terms and on such terms which are fair and reasonable so far as the Independent Shareholders are concerned, save and except for costs and expenses for the provision of the services incurred by the SHKP Group (including costs and expenses for manpower, labour, facilities and publicity materials etc.) to which the SHKP Group will charge on a reimbursement basis. In addition, we have studied sample rental rates in respect of the Promotion Services Arrangement charged by the SHKP Group and compared those with quotations obtained from other independent service providers. Comparing those rates, we noted that those rates charged to the Group by the SHKP Group for similar services are comparable to the rates charged by independent service providers.

Based on the above, we concur with the view of the Directors that these transactions will be continued on an arm's length basis and on normal commercial terms and the service fees payable by the Group pursuant to such arrangement has been and will continue to be at such rates which are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we are of the view that the principles upon which detailed terms are to be determined in relation to the Promotion Services Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

Basis of the cap

Description of transaction	Historical amount (HK\$)			Proposed caps (HK\$)		
	Year ended 30 June 2000	Year ended 30 June 2001	Year ended 30 June 2002	From 1 July 2002 to 30 April 2003	For the month of June 2003	For each of the subsequent two financial years up to 30 June 2005
(N) Promotion Services Arrangement	N/A	N/A	N/A	818,000	—	1,600,000

As stated in the “Letter from the Board” in the Circular, we understand that the proposed cap is determined by reference to (i) the historical value of such transactions; and (ii) the bases in arriving at the service fees payable by the Group to the SHKP Group. The cap for each of the two subsequent financial years up to 30 June 2005 is at a 96% premium to the historical amount stated above. The Directors consider that the increase in the amount of cap sought as compared to the historical amount is expected to be attributable to: (i) approximately 40% by an increase in the number of property sites of the SHKP Group at which the Group will conduct such promotional activities; and (ii) approximately 60% by the need to increase the scale of promotional activities to be carried out in the existing property sites of the SHKP Group due to the need to maintain the Group’s competitiveness and to increase its market share as a result of the expected increase in competition in the broadband interconnection services.

We have reviewed the relevant projection prepared by the Group and discussed with the Directors the above basis and assumptions, in particular, the expected level of labour cost in various promotion events. In addition, we have reviewed and compared the relevant historical records to the projection in assessing the reasonableness of the projection. Taking into account of the above, we are of the view that the cap for Promotion Services Arrangement is fair and reasonable so far as the Independent Shareholders are concerned.

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

Terms of the transaction

The Group possesses a database of contractors which provide design, construction and renovation services. To make use of the database in generating additional revenue to the Group, the Group intends to obtain the relevant works from the SHKP Group and then subcontract them to outside contractors. As the Group has yet to provide such services to the SHKP Group nor other customers, it would be beneficial to the Group in establishing the business with orders from the SHKP Group in view of the reputation and presence of the SHKP Group in the property market.

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The Company and the SHKP Group entered into Construction Services Agreement on 6 May 2003, which sets out the principles upon which detailed terms are to be determined between the Company and the SHKP Group in relation to each transaction to be carried out pursuant to it. We noted that the principles include the terms of the transactions under the Construction Services Arrangement shall be on normal commercial terms and the amounts payable to the Group shall be at comparable rates charged by other third party service providers to the Group.

In addition, we have discussed with the Directors on, inter alia, the bidding system adopted by the SHKP Group in sourcing relevant services and the basis used in determining the charges for relevant services. The Directors stated that, in securing relevant service orders from the SHKP Group, the Group has to participate in a bidding process through which the SHKP Group will select the winning bidder after taking into consideration the price, quality, work and schedule of completion.

Taking into account the above, we concur with the Directors' view that these transactions will be continued on an arm's length basis and on normal commercial terms.

Accordingly, we are of the view that the principles upon which detailed terms are to be determined between the Company and the SHKP Group in relation to the Construction Services Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

Basis of the cap

Description of transaction	Historical amount (HK\$)			Proposed caps (HK\$)		
	Year ended 30 June 2000	Year ended 30 June 2001	Year ended 30 June 2002	From 1 July 2002 to 30 April 2003	For the month of June 2003	For each of the subsequent two financial years up to 30 June 2005
(O) Construction Services Arrangement	N/A	N/A	N/A	—	—	13,000,000

As stated in the "Letter from the Board" in the Circular, the proposed cap is determined based on (i) the number of units of the properties to be developed by the SHKP Group that the Group expects it will be able to successfully bid for the provision of services under the Construction Services Arrangement; and (ii) the estimated average fee that the Group expects it will charge for the provision of the services required for each unit.

We have reviewed the relevant projection prepared by the Group and discussed with the Directors the above basis and assumptions, in particular, the expected level of service fees charged and the anticipated number of obtainable construction projects, and we are of the view that the cap for Construction Services Arrangement is fair and reasonable so far as the Independent Shareholders are concerned.

BENEFITS OF THE ONGOING CONNECTED TRANSACTIONS

By virtue of the Ongoing Connected Transactions, the Company will continue to maintain a close business relationship with the SHKP Group. In line with the Group's business strategy, such transactions would leverage on the substantial resources and expertise of the SHKP Group to further expand the businesses of the Group.

The Directors have confirmed that the Ongoing Connected Transactions have been and will be conducted on normal commercial terms or on terms not less favourable than those given to (or obtained from, wherever applicable) independent third parties (if no comparable transaction can be referred to judge whether the transaction is executed on normal commercial terms). The Directors consider it to be in the interests of the Group to engage in the Ongoing Connected Transactions as such transactions will facilitate the smooth operation and growth of the Group's businesses, given that the Group has operated in the same manner for a number of years. Based on the nature and reasons of the Ongoing Connected Transactions, we concur with the Directors' view that these transactions are in line with the businesses of the Group and the entering into the Ongoing Connected Transactions are beneficial to the development of the Group.

RECOMMENDATION

Having taken into account, inter alia, the principal factors and benefits referred to above, we consider that the terms of each category of the Ongoing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and each category of the Ongoing Connected Transactions are and will continue to be entered into on an arm's length basis and in the ordinary course of business. We also consider that the caps are set in order to allow sufficient room for the expansion of the Group's business in the future, while at the same time ensure that the spirit of the GEM Listing Rules governing connected transactions is followed. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the Ordinary Resolution to be proposed at the EGM to approve the Ongoing Connected Transactions with the proposed caps.

Yours faithfully,

For and on behalf of

Core Pacific - Yamaichi Capital Limited

Philip Wan

Executive Director and Head of Corporate Finance

1. RESPONSIBILITY STATEMENT

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

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

2. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the interest of the Directors and the chief executive of the Company in the shares and underlying shares 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 are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

1. Shares in the Company

Name of Directors	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total no. of Shares
Kwok Ping Luen, Raymond	—	—	—	1,742,500*	1,742,500
Kwok Ping Sheung, Walter	—	—	—	1,070,000*	1,070,000
Kwok Ping Kwong, Thomas	—	—	—	1,070,000*	1,070,000
Wong Yick Kam, Michael	100,000	—	—	—	100,000
Yen Shiao Hua, Sheridan	50,000	—	—	—	50,000
So Chung Keung, Alfred	416	543	—	—	959

**Note:* Messrs. Kwok Ping Sheung, Walter, Kwok Ping Kwong, Thomas and Kwok Ping Luen, Raymond are deemed to be interested in these 1,070,000 Shares which represent the same interests and are therefore duplicated amongst these three directors for the purpose of the SFO.

2. Shares in SHKP

Name of Directors	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total no. of shares
Kwok Ping Luen, Raymond	—	—	—	1,079,515,895*	1,079,515,895
Kwok Ping Sheung, Walter	—	—	—	1,078,322,522*	1,078,322,522
Kwok Ping Kwong, Thomas	1,901,281	304,065	—	1,076,372,214*	1,078,577,560
Chan Kui Yuen, Thomas	—	66,000	126,500	—	192,500
Wong Yick Kam, Michael	70,904	—	—	—	70,904
Leung Kui King, Donald	10,000	—	—	—	10,000
So Chung Keung, Alfred	189,985	6,500	—	—	196,485

**Note:* Of these shares in SHKP, Messrs. Kwok Ping Sheung, Walter, Kwok Ping Kwong, Thomas and Kwok Ping Luen, Raymond are deemed to be interested in 1,056,338,347 shares which represent the same interests and are therefore duplicated amongst these three Directors for the purpose of the SFO.

3. Shares in the other Associated Corporations

- (a) Mr. Kwok Ping Luen, Raymond had other interests of 698,767 ordinary shares in the equity securities of SmarTone Telecommunications Holdings Limited.
- (b) Professor Li On Kwok, Victor had family interests of 5,000 ordinary shares in the equity securities of SmarTone Telecommunications Holdings Limited.

4. Share Options in the Company

Name of Directors	Date of Grant	Option period	Exercise Price	Number of share options outstanding as at the Latest Practicable Date
	(DD.MM.YY)	(DD.MM.YY)	(HK\$)	
Kwok Ping Luen, Raymond	28.3.2000	31.12.2000 - 30.12.2005	10.380	755,000
	7.4.2001	20.3.2002 - 19.3.2007	2.340	350,000
Kwok Ping Sheung, Walter	28.3.2000	31.12.2000 - 30.12.2005	10.380	415,000
	7.4.2001	20.3.2002 - 19.3.2007	2.340	180,000
Kwok Ping Kwong, Thomas	28.3.2000	31.12.2000 - 30.12.2005	10.380	415,000
	7.4.2001	20.3.2002 - 19.3.2007	2.340	180,000
Yen Shiao Hua, Sheridan	30.11.2000	15.11.2001 - 14.11.2006	3.885	450,000
	7.4.2001	20.3.2002 - 19.3.2007	2.340	350,000
	8.7.2002	8.7.2003 - 7.7.2008	1.430	800,000
Chan Kui Yuen, Thomas	28.3.2000	31.12.2000 - 30.12.2005	10.380	510,000
	7.4.2001	20.3.2002 - 19.3.2007	2.340	180,000
Wong Yick Kam, Michael	28.3.2000	31.12.2000 - 30.12.2005	10.380	360,000
	7.4.2001	20.3.2002 - 19.3.2007	2.340	180,000
Leung Kui King, Donald	28.3.2000	31.12.2000 - 30.12.2005	10.380	360,000
	7.4.2001	20.3.2002 - 19.3.2007	2.340	180,000
So Chung Keung, Alfred	28.3.2000	31.12.2000 - 30.12.2005	10.380	360,000
	7.4.2001	20.3.2002 - 19.3.2007	2.340	180,000

Name of Directors	Date of Grant (DD.MM.YY)	Option period (DD.MM.YY)	Exercise Price (HK\$)	Number of share options outstanding as at the Latest Practicable Date
Tung Chi Ho, Eric	28.3.2000	31.12.2000 - 30.12.2005	10.380	360,000
	7.4.2001	20.3.2002 - 19.3.2007	2.340	180,000
Wong Chin Wah	28.3.2000	31.12.2000 - 30.12.2005	10.380	360,000
	7.4.2001	20.3.2002 - 19.3.2007	2.340	180,000
Tung Yiu Kwan, Stephen	28.3.2000	31.12.2000 - 30.12.2005	10.380	360,000
	7.4.2001	20.3.2002 - 19.3.2007	2.340	180,000
So Sing Tak, Andrew	8.7.2002	8.7.2003 - 7.7.2008	1.430	400,000

5. Share Options in SHKP

Name of Directors	Date of Grant (DD.MM.YY)	Option period (DD.MM.YY)	Exercise Price (HK\$)	Number of share options outstanding as at the Latest Practicable Date
Kwok Ping Luen, Raymond	16.7.2001	16.7.2002 - 15.7.2006	70.00	75,000
Kwok Ping Sheung, Walter	16.7.2001	16.7.2002 - 15.7.2006	70.00	75,000
Kwok Ping Kwong, Thomas	16.7.2001	16.7.2002 - 15.7.2006	70.00	75,000
Chan Kui Yuen, Thomas	15.2.2000	15.2.2001 - 14.2.2005	70.00	150,000
	16.7.2001	16.7.2002 - 15.7.2006	70.00	75,000

Name of Directors	Date of Grant	Option period	Exercise Price	Number of share options outstanding as at the Latest Practicable Date
	(DD.MM.YY)	(DD.MM.YY)	(HK\$)	
Wong Yick Kam, Michael	15.2.2000	15.2.2001 - 14.2.2005	70.00	150,000
	16.7.2001	16.7.2002 - 15.7.2006	70.00	75,000
Leung Kui King, Donald	16.7.2001	16.7.2002 - 15.7.2006	70.00	36,000
So Chung Keung, Alfred	15.2.2000	15.2.2001 - 14.2.2005	70.00	120,000
	16.7.2001	16.7.2002 - 15.7.2006	70.00	60,000
Tung Chi Ho, Eric	15.2.2000	15.2.2001 - 14.2.2005	70.00	120,000
	16.7.2001	16.7.2002 - 15.7.2006	70.00	60,000
Wong Chin Wah	16.7.2001	16.7.2002 - 15.7.2006	70.00	36,000
Tung Yiu Kwan, Stephen	16.7.2001	16.7.2002 - 15.7.2006	70.00	24,000

- (b) As at the Latest Practicable Date, the interest of the persons (not being Directors and the chief executive of the Company) in the shares and underlying shares 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 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Name of Person	Total no. of Shares
Sunco Resources Limited	1,713,613,500
Sun Hung Kai Properties Limited	1,713,613,500
HSBC International Trustee Limited	1,717,623,249

- (c) So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of other members of the Group and the amount of each of such person's interest in such securities were as follows:

Name of person having more than 10% interest	Name of member of the Group	Attributable equity interest held by the person
China Science and Computer Network Information Centre	CST iAdvantage Co. Ltd.	25%
iAspec Investments (BVI) Limited	Project-i Limited (In Voluntary Liquidation)	50%

- (d) Save as disclosed above, as at the Latest Practicable Date:

- (i) so far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be 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 are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange; and
- (ii) there was no person known to the Directors who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group, or any options in respect of such capital.

3. DIRECTORS' INTERESTS IN CONTRACTS

- (a) None of the executive Directors has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Professor Kao Kuen, Charles, Professor Li On Kwok, Victor and Mr. Edward Cheung had agreed to act as non-executive Directors, with the two professors acting as independent non-executive Directors, pursuant to contracts entered into between the Company and each of them respectively on 12 February 2003 for 3 years with retrospective effect from 1 January 2003.

- (b) As at the Latest Practicable Date, the Group had certain transactions with SHKP and its affiliates other than members of the Group. Messrs. Kwok Ping Luen, Raymond, Kwok Ping Sheung, Walter and Kwok Ping Kwong, Thomas have a beneficial interest in SHKP.
- (c) Mr. Cheung Wing Yui is a partner of Woo, Kwan, Lee & Lo, a solicitors firm which provided professional services to the Group (including in relation to the Ongoing Connected Transactions) and charged usual professional fees in respect thereof.
- (d) Save as disclosed herein, as at the Latest Practicable Date, neither the Directors nor the proposed Directors has any direct or indirect interest in any assets which have been, since 30 June 2002, the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by, or leased to the Company or any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (e) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular and which is significant in relation to the business of the Group.

4. MATERIAL CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position of the Company since 30 June 2002, the date to which the latest published audited financial statements of the Group were made up.

5. EXPERT

- (a) The following are the qualification of the expert who have given opinion or advice which are contained in this circular:

Name	Qualification
Core Pacific - Yamaichi Capital Limited	Corporate licensed to carry on Type 4 regulated activities under the SFO

- (b) As at the Latest Practicable Date, Core Pacific was not interested beneficially or non-beneficially in any shares in the Company or any member of the Group or any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares in any member of the Group.
- (c) As at the Latest Practicable Date, Core Pacific did not have any direct or indirect interest in any assets which have been since 30 June 2002, the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any member of the Group.
- (d) Core Pacific has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter dated 23 May 2003 and the references to its name included herein in the form and context in which it is included.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the head office and principal place of business of the Company up to and including 9 June 2003:

- (a) the service contracts referred to in paragraph 3(a) of this appendix;
- (b) the lease agreement dated 30 June 2000 and the surrender agreement dated 6 November 2002 entered into between Beijing Sun Dong An Company Limited and CST iAdvantage in relation to the Lease Arrangement referred to under paragraph headed “A. Lease arrangement between the Group and members of SHKP Group” under the section headed “3. The Ongoing Connected Transactions” of the circular;
- (c) the lease agreement dated 1 April 2000 and the supplemental agreement dated 6 May 2003 entered into between Shanghai Central Plaza Property Co. Limited and CST iAdvantage in relation to the Lease Arrangement referred to under paragraph headed “A. Lease arrangement between the Group and members of SHKP Group” under the section headed “3. The Ongoing Connected Transactions” of the circular;
- (d) the Advertising and e-Commerce Agreement;
- (e) the Networking Agreement;
- (f) the Maintenance Agreement;
- (g) the Estate Agency Agreement;
- (h) the Insurance Agreement;
- (i) the Extra Management Services Agreement;

- (j) the Retrofitting Agreement;
- (k) the Technical Services Agreement;
- (l) the Non-core Services Agreement;
- (m) the Space and Rack Rental Agreement;
- (n) the latest draft of the Investment Management Agreement;
- (o) the Cable and Network Rental Agreement;
- (p) the Promotion Services Agreement;
- (q) the Construction Services Agreement;
- (r) the letter from Core Pacific, the text of which as set out on pages 33 to 59 of this circular;
and
- (s) the written consent from Core Pacific referred to in paragraph 5(d) of this appendix.

7. MISCELLANEOUS

- (a) The registered office of the Company is situated at P O Box 309, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (b) The head office and principal place of business of the Company is situated at MEGATOP, Mega-iAdvantage, 399 Chai Wan Road, Chai Wan, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Service Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The secretary of the Company is Mr. TAM Sai-ming, William who is a Chartered Secretary holding Master's degrees in Laws, in Science (Real Estate) and in Business Administration.
- (e) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.



SUNeVision Holdings Ltd.

新意網集團有限公司

(Incorporated in the Cayman Islands with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of SUNeVision Holdings Ltd. (the “Company”) will be held at 53/F., Sun Hung Kai Centre, 30 Harbour Road, Hong Kong on 9 June 2003 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution (with or without modifications) as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (1) each of the Ongoing Connected Transactions (as defined and more particularly described in the circular to the shareholders of the Company dated 23 May 2003 (the “Circular”)) be and is hereby approved subject to the caps for the respective periods as stated below and to the other conditions mentioned under the paragraph headed “Conditions of the approval” under the section headed “5. Independent Shareholders’ Approval” in “Letter from the Board” set out in the Circular:

Category of Ongoing Connected Transactions	Caps (HK\$)	
	For the month of June 2003	For each of the two subsequent financial years ending 30 June 2005
(a) Lease Arrangement	the amount determined according to the terms of the relevant lease agreements	the amount determined according to terms of the relevant lease agreements
(b) Advertising and e-Commerce Transactions	450,000	15,000,000
(c) Networking Arrangement	10,000,000	39,000,000
(d) Maintenance Arrangement	10,000,000	42,000,000
(e) Estate Agency Arrangement	100,000	1,200,000
(f) Insurance Arrangement	150,000	3,600,000

NOTICE OF EXTRAORDINARY GENERAL MEETING

Category of Ongoing Connected Transactions	For the month of June 2003	Caps (HK\$) For each of the two subsequent financial years ending 30 June 2005
(g) Property Management Arrangement	750,000	9,100,000
(h) Retrofitting Arrangement	—	6,400,000
(i) Technical Services Arrangement	90,000	1,400,000
(j) Non-core Services Arrangement	160,000	1,400,000
(k) Space and Rack Rental Arrangement	20,000	2,800,000
(l) Investment Management Service Arrangement	—	2,500,000
(m) Cable and Network Rental Arrangement	—	2,600,000
(n) Promotion Services Arrangement	—	1,600,000
(o) Construction Services Arrangement	—	13,000,000

(2) the entering into, execution, performance and implementation of the Advertising and e-Commerce Agreement, the Networking Agreement, the Maintenance Agreement, the Estate Agency Agreement, the Insurance Agreement, the Extra Management Services Agreement, the Retrofitting Agreement, the Technical Services Agreement, the Non-core Services Agreement, the Space and Rack Rental Agreement, the Cable and Network Rental Agreement, the Promotion Services Agreement and the Construction Services Agreement (all as defined in the Circular and copies of which have been produced to the meeting marked “A” to “M” respectively and signed by the chairman of the meeting for the purpose of identification) by the directors of the Company (the “Directors”) for and on behalf of the Company be and are hereby approved, confirmed and ratified;

(3) the entering into, execution, performance and implementation of the Investment Management Agreement (as defined in the Circular and copy of the latest draft of which has been produced to the meeting marked “N” and signed by the chairman of the meeting for the purpose of identification, and subject to such amendments of an immaterial nature as the Directors may approve) be and is hereby approved and the Directors be and are hereby authorised on behalf of the Company to sign, execute, perfect and deliver the Investment Management Agreement;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (4) the Directors be and are hereby authorised on behalf of the Company to sign, seal, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their discretion consider necessary or desirable for the purposes of or in connection with the implementation of the agreements referred to in paragraphs (2) and (3) of this resolution and all the Ongoing Connected Transactions.”

By Order of the Board
SUNeVision Holdings Ltd.
William TAM Sai-ming
Company Secretary

Hong Kong, 23 May 2003

Registered Office:

P O Box 390, Uglan House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Head Office and Principal Place of Business:

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

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a person or persons (who must be individual(s)) as his or her proxy or proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding of the meeting or adjournment thereof and in default thereof the form of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiry of 12 months from the date of its execution.
3. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.