



SUNeVision Holdings Ltd.

(Incorporated in the Cayman Islands with limited liability)

INTERIM REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2002

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HIGHLIGHTS

- SUNeVision's performance continues to improve, with latest net profit of HK\$16.3 million.
- Gross margin of 30%, up for the fourth consecutive quarter.
- Operating expenditures fell 7% to HK\$17.4 million, down for the tenth consecutive quarter.
- Strong financial position, with approximately HK\$1.85 billion in cash and interest-bearing securities.

	Current Quarter (Oct to Dec 2002) HK\$'M	Previous Quarter (Jul to Sep 2002) HK\$'M
Turnover	61.4	61.3
Gross profit	18.1	16.9
- as a % of turnover	30%	28%
Operating expenditures*	(17.4)	(18.7)
Other income	22.3	24.8
Profit from operations	23.0	23.0
Finance costs	(5.5)	(5.5)
Operating profit after finance costs	17.5	17.5
Profit attributable to shareholders	16.3	16.4

*Selling, general and administrative expenses

CHAIRMAN'S STATEMENT

SUNeVision's performance continued to improve in the second quarter of financial year 2002-2003, backed by stability in operations and an increase in cash position.

Quarter-on-quarter turnover increased marginally from HK\$61.3 million to HK\$61.4 million but gross margin showed a fourth consecutive quarter of improvement to 30% for the quarter under review. Operating expenditure declined for the tenth consecutive quarter to HK\$17.4 million for the quarter under review. Net profit for the quarter was HK\$16.3 million.

The Group continued to build its cash position. It holds approximately HK\$1.85 billion in cash and interest-bearing securities, of which HK\$730 million is earmarked for repayment to the parent company in February 2003. The Group's financial position remains strong.

During the quarter, iAdvantage added new customers in Hong Kong and China, raising overall occupancy to about 60%. SUNeVision's enabling services also expanded their customer base and offerings, including the provision of full broadband services at The Leighton Hill, the parent company's flagship residential development.

SUNeVision's achievements gained public recognition during the quarter. The Group was ranked second among Hong Kong companies in the "2002 Asia Pacific Technology Fast 500" by Deloitte Touche Tohmatsu, a ranking of the fastest growing technology companies across the Asia-Pacific region.

Led by strong operational momentum, SUNeVision will continue to judiciously seek opportunities for growth. The Group continues to look for technology-based businesses that complement its current offerings and that generate immediate and reliable cashflows.

I would like to close by thanking the board, management, and every member of our staff for their continued dedication and drive in improving the business.

KWOK PING LUEN, RAYMOND

Chairman and Chief Executive Officer

Hong Kong, 12 February 2003

MANAGING DIRECTOR'S REPORT

OVERVIEW

SUNeVision's results for the first half of the current financial year were strong, marked by stable growth and consistent improvements in key measures of performance.

For the second quarter ended 31 December 2002, SUNeVision's quarter-on-quarter turnover increased marginally from HK\$61.3 million to HK\$61.4 million, but gross margin increased for the fourth consecutive quarter, to 30% from 28%. Operating expenses fell for the tenth consecutive quarter, dropping 7% to HK\$17.4 million for the quarter under review. Profit before a gain on bonds rose by 20% to HK\$14.3 million from HK\$11.9 million in the previous quarter. The Group continues to be EBITDA positive, as it has been since the third quarter of the previous financial year.

In addition, SUNeVision's holding of cash and interest-bearing securities increased from about HK\$ 1.8 billion at the beginning of the current financial year to approximately HK\$1.85 billion in the second quarter. Of this, HK\$730 million is due for repayment to the parent company in February 2003. With ongoing uncertainty in the economic environment and increasing geopolitical risk, the Group continues its prudent approach in managing its cash position.

Looking to the second half of the current financial year, SUNeVision will strive to raise both turnover and bottom-line profitability while maintaining a close watch over operating expenses. The Group also continues to selectively seek opportunities for growth.

DATA INFRASTRUCTURE

iAdvantage

The first half of the current financial year saw iAdvantage expand its customer base, with notable new clients including several Hong Kong government departments and UNISYS China & Hongkong. Overall occupancy of data centres in Hong Kong and China is up to about 60% and rising, and the company is strengthening its relationships with major IT out-sourcing and solution providers to drive revenue growth. In addition, global reductions in bandwidth and systems prices have allowed iAdvantage to optimize network costs and increase operational efficiency.

Super e-Technology

Revenue and profit grew during the first half of the current financial year, as Super e-Technology signed contracts worth some HK\$10 million for the design, installation and maintenance of Satellite Master Antenna Television (SMATV) and Extra Low Voltage (ELV) systems in major property developments. As of December 2002, Super e-Technology served approximately 83,000 households, of which 57,000 were broadband enabled.

Super e-Network

Value-added services for broadband users drove Super e-Network's expansion in the first half of the financial year, fuelled by the growing popularity of broadband. Residents of The Leighton Hill, Sun Hung Kai Properties' premium residential development, started receiving Super e-Network broadband in December 2002. New service offerings will continue to have a positive effect on the company's revenue and bottom line.

ENABLING SERVICES

SuperHome

SuperHome now serves more than 90 residential estates in Hong Kong, including over 60 SHKP developments and more than 30 others. During Christmas the company staged a special promotion that allowed residents to buy seasonal products at attractive prices from their own homes, which was very popular. Building on this success, SuperHome will launch more regular promotions in the future to benefit residents and raise recurrent revenue for the company.

SuperStreets

The first half of the current financial year saw SuperStreets maintain its leadership in the mortgage referral market through professional service and competitive pricing for homebuyers. The company also expanded its home decoration referral service for both online and offline customers, and set up a dedicated Home Service Centre on Ma Wan to serve the new residents of Park Island.

Red-Dots

With its reorganization complete in the previous financial year, Red-Dots broke even in the second quarter of the current financial year. New initiatives for Hong Kong's leading web auction and marketing services company included a successful collaboration with Samsung Electronics selling configured-to-order notebook computers through the popular Red-Dots web site. The company also offers monthly promotions on special new products as a value-added service to its loyal members.

INVESTMENTS

Venture Capital

The Venture Capital group continues to look for investment opportunities in credible, well-established technology companies with products or services that are synergistic with SUNeVision's core businesses. The group also

works closely with the companies in its investment portfolio to accelerate their development and to realize financial liquidity. No further provisions on SUNeVision's current venture capital portfolio have been planned.

OTHER FINANCIAL DISCUSSION AND ANALYSIS

The Group adheres to a prudent financial management policy and has a strong balance sheet, with healthy liquidity and financial resources. The Group had cash and interest-bearing securities of approximately HK\$1.85 billion as of 31 December 2002.

On capital structure, the Group's principal debt is a convertible note of HK\$730 million issued in February 2000, which will mature in February 2003. Gearing ratio as of 31 December 2002, measured by net debt (after deducting cash and bank balances) to shareholders' funds, was zero.

Certain Group subsidiaries have obtained general banking facilities of HK\$33 million, of which approximately HK\$11 million was utilized as of 31 December 2002. Other than the foregoing utilized banking facilities, the Group has no material contingent liabilities.

The Group's core operations are based in Hong Kong and its assets are primarily denominated in Hong Kong or US dollars, there is no significant exposure to foreign exchange rate fluctuations. As of 31 December 2002, the Group had not pledged any of its assets.

During the period, there were no material acquisitions or disposals of subsidiaries or affiliated companies.

There have been no material changes in the composition of the Group's equity technology investment portfolio since 30 June 2002.

EMPLOYEES

At the end of December 2002 SUNeVision had 216 full-time employees, and payroll costs for the first half of the financial year (excluding directors' remuneration) were HK\$29.2 million. This represented a 53.4% decrease from the corresponding period in the previous financial year of HK\$62.7 million. The Group continues to keep close control over salary and benefit levels, and staff are rewarded according to merit. In addition, employees have access to benefits including medical coverage, provident fund, and ongoing training and development.

The Group has a share option scheme for employees, under which option can be granted to recognize outstanding performance or retain key staff members. Details of the scheme are provided in the relevant section.

YEN SHIAO HUA, SHERIDAN

Managing Director

Hong Kong, 12 February 2003

CONSOLIDATED INCOME STATEMENT
FOR THE THREE AND SIX MONTHS ENDED 31 DECEMBER 2002

	<u>NOTES</u>	(Unaudited)		(Unaudited)	
		Three months ended		Six months ended	
		31 December		31 December	
		2002	2001	2002	2001
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover		61,387	55,800	122,640	121,850
Cost of sales		(43,295)	(48,807)	(87,667)	(103,777)
		-----	-----	-----	-----
Gross profit		18,092	6,993	34,973	18,073
Other revenue		22,274	23,380	47,077	48,645
		-----	-----	-----	-----
		40,366	30,373	82,050	66,718
Research and development expenses		-	-	-	17
Selling expenses		2,423	8,369	4,683	18,083
Administrative expenses		14,947	22,390	31,381	56,503
		-----	-----	-----	-----
Profit (Loss) from operations	4	22,996	(386)	45,986	(7,885)
Finance costs		5,530	5,840	11,061	11,680
Restructuring costs		-	117,393	-	117,393
Impairment losses of equity technology investments		-	355,900	-	355,900
Share of loss of an associate		1,132	2,015	2,141	3,469
		-----	-----	-----	-----
Profit (Loss) before taxation		16,334	(481,534)	32,784	(496,327)
Taxation	5	(26)	(33)	(47)	(66)
		-----	-----	-----	-----
Profit (Loss) before minority interests		16,308	(481,567)	32,737	(496,393)
Minority interests		(2)	25,486	(4)	26,966
		-----	-----	-----	-----
Profit (Loss) for the period		16,306	(456,081)	32,733	(469,427)
		=====	=====	=====	=====
Earnings (Loss) per share – Basic	6	0.80 cents	(22.49 cents)	1.61 cents	(23.14 cents)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2002**

	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Property revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2001	203,339	3,877,468	423	23,518	(221,744)	3,883,004
Repurchase of own shares	(553)	(7,536)	-	-	-	(8,089)
Net loss for the period	-	-	-	-	(469,427)	(469,427)
At 31 December 2001	202,786	3,869,932	423	23,518	(691,171)	3,405,488
At 1 July 2002	202,786	3,869,931	288	23,518	(855,594)	3,240,929
Repurchase of own shares	(166)	(1,564)	-	-	-	(1,730)
Net profit for the period	-	-	-	-	32,733	32,733
At 31 December 2002	202,620	3,868,367	288	23,518	(822,861)	3,271,932

Notes to the Interim Financial Statements

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

2. Principal Accounting Policies

The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 30 June 2002.

The condensed interim financial statements are unaudited, but have been reviewed by the Audit Committee.

3. Business and Geographical Segments

Business segments

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

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

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

Properties holding refer to the Group's interests in rental properties.

Enabling services offer system development, solutions and management services.

Segment information about these businesses is presented below:

For the period ended 31 December 2002

	Internet services centers and IT facilities HK\$'000	SMATV structural cabling and security systems HK\$'000	Properties holding HK\$'000	Enabling services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
REVENUE						
External revenue	65,557	43,939	8,523	4,621	-	122,640
Inter-segment revenue	387	1,292	1,286	-	(2,965)	-
Total revenue	65,944	45,231	9,809	4,621	(2,965)	122,640
RESULT						
Segment results	1,256	7,074	9,425	79	-	17,834
Unallocated corporate expenses						(12,478)
Interest income						31,959
Gain on disposal of debt securities						8,671
Profit from operations						45,986
Finance costs						(11,061)
Share of loss of an associate						(2,141)
Profit before taxation						32,784
Taxation						(47)
Profit before minority interests						32,737

For the period ended 31 December 2001

	Internet services centers and IT facilities HK\$'000	SMATV structural cabling and security systems HK\$'000	Properties holding HK\$'000	Enabling services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
REVENUE						
External revenue	69,305	28,750	10,006	13,789	-	121,850
Inter-segment revenue	1,326	1,763	2,055	-	(5,144)	-
Total revenue	70,631	30,513	12,061	13,789	(5,144)	121,850
RESULT						
Segment results	(29,319)	3,857	13,487	(13,742)	-	(25,717)
Unallocated corporate expenses						(20,507)
Interest income						38,339
Loss from operations						(7,885)
Finance costs						(11,680)
Restructuring costs						(117,393)
Impairment losses of equity technology investments						(355,900)
Share of loss of an associate						(3,469)
Loss before taxation						(496,327)
Taxation						(66)
Loss before minority interests						(496,393)

Inter-segment revenue are charged at prevailing market rates.

Geographical segments

The Group's turnover and results are substantially derived from Hong Kong. Accordingly, no analysis by geographical segment is presented.

4. Profit (Loss) from Operations

	Six months ended 31 December	
	2002	2001
	HK\$'000	HK\$'000
Profit (Loss) from operations has been arrived at after charging:		
Depreciation	28,985	36,787
Provision for loan advanced to a jointly controlled entity	-	2,324
Loss on disposal of property, plant and equipment	24	29
and after crediting:		
Interest income	31,959	38,339
Gain on disposal of debt securities	8,671	-

5. Taxation

	Six months ended	
	31 December	
	2002	2001
	HK\$'000	HK\$'000
The charge comprises:		
Tax in other regions in the People's Republic of China (the PRC)	47	65
Tax in other jurisdictions	-	1
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	47	66
	====	====

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profit for the current period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. Earnings (Loss) Per Share

The calculation of the earnings (loss) per share for the three months and six months ended 31 December 2002 is based on the Group's unaudited profit (loss) attributable to shareholders of approximately HK\$16,306,000 and HK\$32,733,000 (three months and six months ended 31 December 2001: approximately (HK\$456,081,000) and (HK\$469,427,000)) and on the weighted average number of 2,026,199,620 and 2,026,557,383 (three months and six months ended 31 December 2001: 2,027,864,598 and 2,028,748,489) shares respectively in issue during the respective periods.

The computation of diluted earnings (loss) per share does not assume the exercise of share options and conversion of convertible note as the exercise price of the Company's outstanding share options was higher than the average market price of the shares of the Company and the conversion of the Company's outstanding convertible note is anti-dilutive for the respective periods.

7. Comparative Figures

Certain comparative figures have been reclassified to conform with current period's presentation.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2002 (2001: nil).

DIRECTORS' INTERESTS IN EQUITY SECURITIES

As at 31 December 2002, the interests of the directors and the chief executive in the equity securities of the Company and its Associated Corporations (as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or which are required, pursuant to rules 5.40 to 5.49 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

1. Shares in SUNeVision

Name of Directors	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total No. of Shares
Kwok Ping Luen, Raymond	672,500	-	-	1,070,000 *	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: Those were deemed interests (by virtue of the SDI Ordinance) of Messrs. Kwok Ping Luen, Raymond, Kwok Ping Sheung, Walter and Kwok Ping Kwong, Thomas. Of those shares, 1,070,000 shares represented the same interests and were therefore duplicated amongst those three directors.

2. Shares in Sun Hung Kai Properties Limited

Name of Directors	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total No. of Shares
Kwok Ping Luen, Raymond	-	-	-	1,077,865,895 *	1,077,865,895
Kwok Ping Sheung, Walter	-	-	-	1,076,672,522 *	1,076,672,522
Kwok Ping Kwong, Thomas	1,901,281	304,065	-	1,074,722,214 *	1,076,927,560
Chan Kui Yuen, Thomas	126,500	66,000	-	-	192,500
Wong Yick Kam, Michael	50,904	-	-	-	50,904
Leung Kui King, Donald	10,000	-	-	-	10,000
So Chung Keung, Alfred	189,985	6,500	-	-	196,485

* Note: Those were deemed interests (by virtue of the SDI Ordinance) of Messrs. Kwok Ping Luen, Raymond, Kwok Ping Sheung, Walter and Kwok Ping Kwong, Thomas. Of those shares in Sun Hung Kai Properties Limited ("SHKP"), 1,054,688,347 shares represented the same interests and were therefore duplicated amongst those three directors.

3. Shares in other Associated Corporations

(a) Each of Messrs. Kwok Ping Luen, Raymond, Kwok Ping Sheung, Walter and Kwok Ping Kwong, Thomas had the following interests in the equity securities of the following Associated Corporations:

Associated Corporations	No. and Class of Securities	Category of Interest
Superindo Company Limited	10 Ordinary shares	Personal
Super Fly Company Limited	10 Ordinary shares	Personal
Splendid Kai Limited	2,500 Ordinary shares	Corporate*
Hung Carom Company Limited	25 Ordinary shares	Corporate*
Tinyau Company Limited	1 Ordinary share	Corporate*
Open Step Limited	8 Ordinary shares	Corporate*

*Note: Those were deemed interests (by virtue of the SDI Ordinance) of Messrs. Kwok Ping Luen, Raymond, Kwok Ping Sheung, Walter and Kwok Ping Kwong, Thomas because those securities were held by corporations in which they were entitled to control the exercise of one third or more of the voting rights in the general meetings of those corporations.

(b) Messrs. Kwok Ping Luen, Raymond and Kwok Ping Sheung, Walter had personal interests of 393,350 ordinary shares and 61,522 ordinary shares respectively in the equity securities of The Kowloon Motor Bus Holdings Limited.

(c) Mr. Kwok Ping Luen, Raymond had personal interests of 692,846 ordinary shares in the equity securities of SmarTone Telecommunications Holdings Limited.

- (d) Professor Li On Kwok, Victor had family interests of 5,000 ordinary shares in the equity securities of SmarTone Telecommunications Holdings Limited.

4. Sun Hung Kai Properties Limited Share Options

Pursuant to the share option scheme of SHKP adopted on 20 November 1997, the following directors and chief executive of the Company were granted share options for nominal consideration to subscribe for shares in SHKP, details of which are as follows:

<u>Name of director</u>	<u>Date of grant</u>	<u>Exercise price</u> HK\$	<u>Balance as at</u> <u>1.7.2002</u>	<u>Number of share options</u>			<u>Balance as at</u> <u>31.12.2002</u>
				<u>Granted during</u> <u>the period</u>	<u>Exercised during</u> <u>the period</u>	<u>Cancelled/</u> <u>Lapsed during</u> <u>the period</u>	
Kwok Ping Luen, Raymond (Chairman and Chief Executive Officer)	16.7.2001	70.00	75,000	-	-	-	75,000
Kwok Ping Sheung, Walter	16.7.2001	70.00	75,000	-	-	-	75,000
Kwok Ping Kwong, Thomas	16.7.2001	70.00	75,000	-	-	-	75,000
Chan Kui Yuen, Thomas	15.2.2000	70.00	150,000	-	-	-	150,000
	16.7.2001	70.00	75,000	-	-	-	<u>75,000</u> 225,000
Wong Yick Kam, Michael	15.2.2000	70.00	150,000	-	-	-	150,000
	16.7.2001	70.00	75,000	-	-	-	<u>75,000</u> 225,000
Leung Kui King, Donald	16.7.2001	70.00	36,000	-	-	-	36,000
So Chung Keung, Alfred	15.2.2000	70.00	120,000	-	-	-	120,000
	16.7.2001	70.00	60,000	-	-	-	<u>60,000</u> 180,000
Tung Chi Ho, Eric	15.2.2000	70.00	120,000	-	-	-	120,000
	16.7.2001	70.00	60,000	-	-	-	<u>60,000</u> 180,000
Wong Chin Wah, Jimmy	16.7.2001	70.00	36,000	-	-	-	36,000
Tung Yiu Kwan, Stephen	16.7.2001	70.00	24,000	-	-	-	24,000

All options granted and accepted can be exercised up to one third during the second year from the date of grant, up to two thirds during the third year from the date of grant, and in whole or in part during the fourth and fifth years from the date of grant, thereafter the relevant option will expire.

As the Company has not issued any debt securities, therefore save as disclosed in sub-sections 1, 2, 3 and 4 above and under the items of Share Option Schemes showing below, none of the other directors had any interests in the equity and debt securities of the Company or any of its associated corporations as at 31 December 2002 as recorded in the register maintained under Section 29 of the SDI Ordinance or which are required, pursuant to rules 5.40 to 5.49 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange. Likewise, during the period, other than the directors and chief executive of the Company stated above, there was no record of any other person that had maintained an interest in the equity securities of the Company in the register required to be kept under Section 16 (1) of the SDI Ordinance.

SHARE OPTION SCHEMES

1. Pre-IPO Share Options

The Company had adopted a share option scheme "Pre-IPO Share Options" (the principal terms of which were summarized in the section headed "Statutory and General Information Share Option Schemes" in Appendix 5 to the Company's prospectus dated 6 March 2000), pursuant to which the Company might grant, for a consideration of HK\$1 for each grant, options to any full-time employee of the Company or its subsidiaries including executive directors of the Company or its subsidiaries to subscribe for shares in the Company. The subscription price of the shares under the Pre-IPO Share Options would be the highest of (i)

the closing price of the Company's share as stated in the Stock Exchange's daily quotation on the date of the offer; (ii) the average closing price of the Company's share as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of offer and (iii) the nominal value of the Company's share. The maximum number of shares in respect of which options might be granted under the Pre-IPO Share Options should not exceed 10% of the issued share capital of the Company from time to time. Since its adoption, the Company had granted four lots of share options.

The options at the exercise price of HK\$10.38 per share may be exercised in accordance with the terms of the relevant scheme as to:

- (i) one third of the options within three years commencing on 31 December 2000;
- (ii) a further one third of the options within three years commencing on 31 December 2001;
- (iii) the remaining one third of the options within three years commencing on 31 December 2002; and
- (iv) the options will expire on 30 December 2005.

The options at the price of HK\$3.885 per share may be exercised in accordance with the terms of the relevant scheme as to:

- (i) one third of the options within three years commencing on 15 November 2001;
- (ii) a further one third of the options within three years commencing on 15 November 2002;
- (iii) the remaining one third of the options within three years commencing on 15 November 2003; and
- (iv) the options will expire on 14 November 2006.

The options at the exercise price of HK\$2.34 per share may be exercised in accordance with the terms of the relevant scheme as to:

- (i) one third of the options within three years commencing on 20 March 2002;
- (ii) a further one third of the options within three years commencing on 20 March 2003;
- (iii) the remaining one third of the options within three years commencing on 20 March 2004; and
- (iv) the options will expire on 19 March 2007.

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

- (i) one third of the options within three years commencing on 8 July 2003;
- (ii) a further one third of the options within three years commencing on 8 July 2004; and
- (iii) the remaining one third of the options within three years commencing on 8 July 2005.
- (v) the options will expire on 7 July 2008.

The following shows the outstanding positions of the directors and chief executive as at 31 December 2002 with respect to their Pre-IPO Share Options:

<u>Name of director</u>	<u>Date of grant</u>	<u>Exercise price</u> HK\$	<u>Balance as at</u> <u>1.7.2002</u>	<u>Number of share options</u>			<u>Balance as at</u> <u>31.12.2002</u>
				<u>Granted during the period</u>	<u>Exercised during the period</u>	<u>Cancelled/ Lapsed during the period</u>	
Kwok Ping Luen, Raymond (Chairman and Chief Executive Officer)	28.3.2000	10.380	755,000	-	-	-	755,000
	7.4.2001	2.340	350,000	-	-	-	350,000
Kwok Ping Sheung, Walter	28.3.2000	10.380	415,000	-	-	-	415,000
	7.4.2001	2.340	180,000	-	-	-	180,000
Kwok Ping Kwong, Thomas	28.3.2000	10.380	415,000	-	-	-	415,000
	7.4.2001	2.340	180,000	-	-	-	180,000
Yen Shiao Hua, Sheridan	30.11.2000	3.885	450,000	-	-	-	450,000
	7.4.2001	2.340	350,000	-	-	-	350,000
	8.7.2002	1.43	-	800,000	-	-	800,000
Chan Kui Yuen, Thomas	28.3.2000	10.380	510,000	-	-	-	510,000
	7.4.2001	2.340	180,000	-	-	-	180,000

Wong Yick Kam, Michael	28.3.2000	10.380	360,000	-	-	-	360,000	540,000
	7.4.2001	2.340	180,000	-	-	-	180,000	
Leung Kui King, Donald	28.3.2000	10.380	360,000	-	-	-	360,000	540,000
	7.4.2001	2.340	180,000	-	-	-	180,000	
So Chung Keung, Alfred	28.3.2000	10.380	360,000	-	-	-	360,000	540,000
	7.4.2001	2.340	180,000	-	-	-	180,000	
Tung Chi Ho, Eric	28.3.2000	10.380	360,000	-	-	-	360,000	540,000
	7.4.2001	2.340	180,000	-	-	-	180,000	
Wong Chin Wah, Jimmy	28.3.2000	10.380	360,000	-	-	-	360,000	540,000
	7.4.2001	2.340	180,000	-	-	-	180,000	
Tung Yiu Kwan, Stephen	28.3.2000	10.380	360,000	-	-	-	360,000	540,000
	7.4.2001	2.340	180,000	-	-	-	180,000	
So Sing Tak, Andrew	8.7.2002	1.43	-	400,000	-	-	400,000	400,000

2. Pre-IPO Share Options granted to the employees of SUNeVision

A summary of the movements during the period ended 31 December 2002 of the share options granted under the Pre-IPO Share Options to the employees of SUNeVision Holdings Ltd. working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance, other than the directors and chief executive as disclosed above, is as follows:-

Date of grant	Exercise price HK\$	Balance as at 1.7.2002	Number of share options			Balance as at 31.12.2002
			Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	
28.3.2000	10.380	1,840,000	-	-	10,000	1,830,000
30.11.2000	3.885	1,487,500	-	-	-	1,487,500
7.4.2001	2.340	1,150,000	-	-	120,000	1,030,000
8.7.2002	1.43	-	1,050,000	-	-	1,050,000
						5,397,500

Other than the participants as stated above, SUNeVision has not granted since the adoption of the Pre-IPO Share Options any share options to any other persons as required to be disclosed under GEM Listing Rules 23.07

3. Valuation of Pre-IPO Share Options

Pursuant to GEM Listing Rules 23.07, the valuation of the Pre-IPO Share Options granted during the period ended 31 December 2002 is as follows:-

Name of Participants	Number of Options granted on 8.7.2002	Option Value as at 8.7.2002 (HK\$)	Option Value as at 31.12.2002 (HK\$)
Yen Shiao Hua, Sheridan (Managing Director)	800,000	737,989.60	399,372.80
So Sing Tak, Andrew (Director)	400,000	368,994.80	199,686.40
Aggregate total of Employees	1,050,000	968,611.35	524,176.80
Total	2,250,000	2,075,595.75	1,123,236.00

The closing price of the share of the Company immediately before the date on which the Pre-IPO Share Options were granted was HK\$1.44 (as of 5 July 2002)

According to the Black-Scholes model*, the total value of the Pre-IPO Share Options granted on 8 July 2002 was estimated at HK\$2,075,595.75 with the following variables and assumptions:-

1. Risk Free Rate : 4.446%, being the approximate yield of 5-year Exchange Fund Note traded on 8 July 2002.
2. Expected Volatility : 56.80%, being the annualized volatility of the closing price of the shares of the Company from 8 July 2001 to 7 July 2002.
3. Expected Dividend :
 - (i) Yield : 0%, being 2002 prospective dividend yield of the shares of the Company.
 - (ii) Growth Rate : 0% p.a., being 5-year historical dividend growth rate of the Company.
4. Expected Life of the Pre-IPO Share Options is 7.6 years with the following assumptions:
 - (i) There is no material difference between the expected volatility over the whole life of the Pre-IPO Share Options and the historical volatility of the shares of the Company over the period from 8 July 2001 to 7 July 2002.
 - (ii) There is no material difference between the dividend growth rate over the whole life of the Pre-IPO Share Options and the historical dividend growth rate of the Company over the previous 5 years.

According to the Black-Scholes model*, the total value of the Pre-IPO Share Options granted on 8 July 2002 was estimated at HK\$1,123,236.00 as at 31 December 2002 with the following variables and assumptions:-

1. Risk Free Rate : 3.161%, being the approximate yield of 5-year Exchange Fund Note traded on 31/12/2002.
2. Expected Volatility : 49.17%, being the annualized volatility of the closing price of the shares of the Company from 1/1/2002 to 31/12/2002.
3. Expected Dividend :
 - (i) Yield : 0%, being 2002 prospective dividend yield of the share of the Company.
 - (ii) Growth Rate : 0% p.a., being 5-year historical dividend growth rate of the Company.
4. Expected Life of the Pre-IPO Share Options is 7.2 years with the following assumptions:
 - (i) There is no material difference between the expected volatility over the whole life of the Pre-IPO Share Options and the historical volatility of the shares of the Company over the period from 1 January 2002 to 31 December 2002.
 - (ii) There is no material difference between the dividend growth rate over the whole life of the Pre-IPO Share Options and the historical dividend growth rate of the Company over the previous 5 years.

All the options forfeited before expiry of the Pre-IPO Share Options will be treated as lapsed options which will not be added back to the number of shares available to be issued under the Pre-IPO Share Options.

* Note : The Black-Scholes model (the "Model") is developed to estimate the fair value of publicly traded options that have no vesting restriction and are fully transferable. The Model is only one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

4. SUNeVision Share Options

The Company by shareholders' resolutions passed at its Annual General Meeting held on 3 December 2002, has adopted the SUNeVision Share Options and terminated the Pre-IPO Share Options. These have become effective on 5 December 2002 as a result of the passing of ordinary resolutions approving the same by the shareholders of the Company's holding company, Sun Hung Kai Properties Limited, at its general meeting held on the same day. No further options may be offered under the Pre-IPO Share Options. However, the outstanding options granted under the Pre-IPO Share Options, as mentioned in the preceding paragraphs, shall continue to be subject to the provisions of the Pre-IPO Share Options and the provisions of Chapter 23 of the GEM Rules.

Pursuant to the SUNeVision Share Option, the Company may grant, for a consideration of HK\$1 for each grant, options to subscribe for Shares to (i) any executive or non-executive directors (or any persons proposed to be appointed as such) or any employees (whether full-time or part-time) of each member of the Group; (ii) any consultants, professional and other advisers to each member of the Group (or persons, firms or companies proposed to be appointed for providing such services); (iii) any chief executives or substantial shareholders of the Company; (iv) any associates of director, chief executive or substantial shareholder of the Company; and (v) any employees of substantial shareholders of the Company, as absolutely determined by the Board. The options to subscribe for Shares aggregated with Shares to be granted under any other share option schemes of the Company, represent up to 10% of the total number of Shares in issue at the date of approval of the SUNeVision Share Options.

The subscription price of the shares under the SUNeVision Share Options will be the highest of (i) the closing price of the Company's share as stated in the Stock Exchange's daily quotation on the date of the offer; (ii) the average closing price of the Company's share as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of offer and (iii) the nominal value of the Company's share.

The maximum number of shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the SUNeVision Share Options and any other share options schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

The exercise period of any option granted under SUNeVision Share Options shall be determined by the Board and such period shall expire not later than 10 years after the date of grant of the option. No option shares for SUNeVision Share Option were granted to any person since its adoption as required to be disclosed under the GEM Listing Rules.

5. Share Option Schemes of Subsidiaries

In addition to Pre-IPO Share Options and the SUNeVision Share Options, the Group operates another share option scheme which was approved for iAdvantage Limited, a subsidiary of the Company, allowing its boards of directors the right to grant to its full-time employees and executive directors options to subscribe for its shares in aggregate up to 10% of its issued capital from time to time. No option shares for iAdvantage Limited were granted to any person since its adoption as required to be disclosed under the GEM Listing Rules. The exercise period of any option granted under the iAdvantage Share Option Scheme shall commence on the date of grant of the option and expire on such date as determined by the Board of iAdvantage or 28 February 2010, whichever is the earlier, and subject to the provisions for early termination contained therein.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, the interests of every person, other than a director or chief executive of the Company, being 10% or more in the equity securities of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance, were as follows:

Name	Number of Shares
Sunco Resources Limited (“Sunco”)	1,713,613,500
SHKP (Note 1)	1,713,613,500
HSBC Holdings plc (Note 2)	1,717,777,673
HSBC Bank plc (Note 2)	1,717,623,321
Midcorp Limited (Note 2)	1,717,623,321
Griffin International Limited (Note 2)	1,717,623,321
HSBC Europe BV (Note 2)	1,717,623,321
HSBC Europe (Netherlands) BV (Note 2)	1,717,623,321
HSBC Private Banking Holdings (Suisse) SA (Note 2)	1,717,623,321
HSBC International Trustee Limited (Note 3)	1,717,623,249

Notes:

1. As Sunco is a wholly-owned subsidiary of SHKP, SHKP is deemed to have interest in the 1,713,613,500 shares of the Company held by Sunco by virtue of the SDI Ordinance.
2. The shares in which HSBC International Trustee Limited was interested were the shares in which HSBC Private Banking Holdings (Suisse) SA was interested; the shares in which HSBC Private Banking Holdings (Suisse) SA was interested were the shares in which HSBC Europe (Netherlands) BV was interested; the shares in which HSBC Europe (Netherlands) BV was interested were the shares in which HSBC Europe BV was interested; the shares in which HSBC Europe (Netherlands) BV was interested were the shares in which HSBC Europe BV was interested; the shares in which HSBC Europe (Netherlands) BV was interested were the shares in which HSBC Europe BV was interested; the shares in which HSBC Europe BV was interested were the shares in which Griffin International Limited was interested; the shares in which Griffin International Limited was interested were the shares in which Midcorp Limited was interested; the shares in which Midcorp Limited was interested were the shares in which HSBC Bank plc was interested and the shares in which HSBC Bank plc was interested formed part of the shares in which HSBC Holdings plc was interested.
3. Of the SHKP shares in which HSBC International Trustee Limited was interested, 1,054,688,347 shares were part of the shares referred to in the Note to sub-section 2 of the section on "Directors' Interests in Equity Securities".

MANAGEMENT SHAREHOLDERS

So far as the directors are aware, other than Sunco and SHKP as disclosed above, there was no other person during the period who was directly or indirectly interested in 5% or more of the shares then in issue and who was able, as a practical matter, to direct or influence the management of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Kwok Ping Luen, Raymond the Company's Chairman and Chief Executive Officer, is also the Chairman of SmarTone Telecommunications Holdings Limited (“SmarTone”), an associated company of the Company within the meaning of the SDI Ordinance. The business of SmarTone consists of Internet services, which may be in competition with a part of the business of the Group. Likewise, both Mr. Wong Yick Kam, Michael and Mr. So Sing Tak, Andrew the Company's Executive Directors, are also non-executive Directors of SmarTone.

The independent non-executive Directors of the Company, Professor Kao Kuen, Charles Professor Li On Kwok, Victor and Professor Zhang Shoucheng, Steven, are well recognized leaders in the field of information technology development and have been appointed to various positions including consultants and directors to institutions and business entities which are engaged in research, development and business. These institutions and business entities may be in competition with the Group.

Save as disclosed in this section, none of the Directors or the management shareholders of the Company have any interest in any business which may compete with the business of the Group.

AUDIT COMMITTEE

The audit committee has three members comprising two independent non-executive directors, Professor Kao Kuen, Charles (Chairman) and Professor Li On Kwok, Victor and one non-executive director, Mr. Cheung Wing Yui, with terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee has reviewed the draft of this Report and has provided advice and comments thereon.

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

During the six months ended 31 December 2002, the Company repurchased on the Stock Exchange a total of 1,667,000 ordinary shares of HK\$0.1 each in the share capital of the Company at an aggregate price of HK\$1,712,890.00, details of which are as follows:

Month of Repurchase	No. of Shares Repurchased	Price per Share		Aggregate Price Paid HK\$
		Highest HK\$	Lowest HK\$	
July 2002	676,000	1.090	1.000	716,075.00
August 2002	765,000	1.080	1.000	787,020.00
September 2002	183,000	0.950	0.920	172,200.00
October 2002	43,000	0.930	0.830	37,595.00
November 2002	0			0
December 2002	0			0
	<u>1,667,000</u>			<u>1,712,890.00</u>

The Directors of the Company considered that the above repurchases were made with a view to enhancing the net asset and earnings per share of the Company. Those shares were cancelled shortly after repurchase and the issued share capital of the Company was correspondingly reduced.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2002.

BOARD PRACTICES AND PROCEDURES

The Company has complied with rules 5.28 to 5.39 (where applicable) concerning board practices and procedures throughout the accounting period covered by this report.

By Order of the Board

KWOK PING LUEN, RAYMOND
Chairman & Chief Executive Officer

Hong Kong, 12 February, 2003