SUNEVISION HOLDINGS LTD.
新意網集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1686)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

CHAIRMAN'S STATEMENT

SUNeVision achieved satisfactory results during the period under review. The Group attained healthy growth in revenue, underlying profit and EBITDA.

FINANCIAL HIGHLIGHTS

The Group attained a profit attributable to owners of the Company of HK$411.5 million for the six months ended 31 December 2018, an increase of 5% over the same period last year. The underlying profit attributable to owners of the Company (excluding the effect of other gains) was HK$321.5 million, an increase of HK$22.5 million or 8%, while EBITDA increased 19% year-on-year.

Revenue for the period increased 18% to HK$760.0 million, mainly due to revenue growth from the Group's data centre operations. This increase was attributable to revenue growth from the flagship facility MEGA Plus in Tseung Kwan O, as well as new customers and rental reversions of existing customers at other data centres. Cost of sales for the period increased 25% to HK$325.0 million, largely due to increased depreciation charges and higher operating costs as a result of increased pre-move-in expenses for new major customers at both MEGA Plus and MEGA Two in Sha Tin, where the revenue of these new customers will only be reflected starting from the second half of this financial year.

Operating expenditure for the period increased from HK$39.4 million to HK$48.5 million, largely due to an increase in sales resources necessary to support the marketing of new data centre capacities.

Profit from operations for the period was HK$394.7 million and increased by HK$37.6 million. EBITDA for the period increased from HK$410.3 million to HK$489.0 million. In particular, EBITDA from the data centre business for the period increased 22% from HK$381.2 million to HK$465.9 million. Other gains for the period amounted to HK$90.0 million, mainly due to the increase in fair value of investment properties.

The Group had approximately HK$432.3 million in cash on hand as of 31 December 2018, and long-term bank borrowings of HK$2,568.7 million. Net borrowings (being difference between cash and bank borrowings) increased to HK$2,136.4 million for the period mainly to fund the capital expenditure for the development of various new data centre capacities. The gearing as of 31 December 2018, calculated as net borrowings to shareholders' funds, was 57%.

BUSINESS REVIEW

The Group is pleased to have successfully completed the acquisition of a parcel of land, Tseung Kwan O Town Lot No. 131 (TKOTL 131), from the Government in January 2019. This new site is designated for high-tier data centre use and can provide approximately 1.2 million square feet of gross floor area space. This strategic site is adjacent to MEGA Plus and has no subletting restriction unlike the neighbouring data centres in the Tseung Kwan O Industrial Estate (TKOIE). It will create synergies in business operations and facilitate further expansion for the Group. Together with the Tsuen Wan Town Lot No. 428 (TWTL 428) site acquired previously in January 2018, SUNeVision will double its data centre facility portfolio from approximately 1.4 million square feet to 2.8 million square feet upon completion of the two sites. The objective is to strengthen the Group's market leading position as a carrier-neutral provider with a portfolio of offerings for different needs and price points. SUNeVision is keen to support the Government to develop Hong Kong into a leading information hub in the region.

In addition to acquiring a new site, the Group also invested in upgrading existing facilities. Further optimization work at MEGA-i is underway to maximize spaces and increase power supply to meet continuous expanding customer needs at this top-ranked data centre facility.

SUNeVision launched an application for judicial review against Hong Kong Science and Technology Parks Corporation (HKSTPC) in relation to TKOIE during this period of review. As stated in the application, HKSTPC has been granting land in TKOIE to its lessees at substantially subsidized rates and it is the published policy of HKSTPC that it prohibits its lessees (including lessees who are data centre operators) in TKOIE from subletting or permitting any third party to occupy any part of the leased premises. The main complaint of SUNeVision in the application is whether HKSTPC has duly followed its published policy and has taken reasonable steps to enforce those lease restrictions. SUNeVision has been highly supportive of the initiatives HKSTPC launched to promote technology adoption in Hong Kong. However, as stated in the application, SUNeVision is of the view that failure to adhere to its published policy and failure of enforcing the lease restrictions has led to rampant subletting or third party's occupation inside TKOIE. Therefore, it seeks clarification from the High Court through these proceedings.

SUNeVision further gained recognition from capital markets as it was selected by the Hang Seng Indexes Company Limited as a constituent stock of Hang Seng Corporate Sustainability Benchmark Index in September 2018, and Hang Seng Shenzhen Hong Kong Index as well as Hang Seng Shenzhen Hong Kong Information Technology Index in December 2018.

SUNeVision will continue its pursuit of creating sustainable return for shareholders through the development and delivery of world-class data centre services to meet the rapidly increasing demands of its customers. Subsequent to the acquisition of the TKOTL 131 site from the Government, SUNeVision is ready for its next phase of growth, expanding business capacity further to capture increasing needs of customers and future demand from emerging technologies in the digital era.

APPRECIATION

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

Kwok Ping-luen, Raymond
Chairman

Hong Kong, 22 February 2019

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

SUNeVision reported its unaudited results for the first half year ended 31 December 2018 with a profit attributable to the owners of the Company of HK$411.5 million, continuing its profitable growth primarily from its core data centre business.

BUSINESS REVIEW

iAdvantage
iAdvantage secured new business from leading companies for its data centres. The flagship facility MEGA Plus brought another global cloud customer onboard. These high-performance cloud players require top-tier as well as scalable data centre facilities and MEGA Plus has demonstrated that its state-of-the-art facilities offer the best solution for this type of customers. MEGA-i, the top-ranked data centre in the region for its superb connectivity, acquired a global e-commerce player who seeks to benefit from MEGA-i's outstanding connectivity advantages of low latency and high resiliency. MEGA Two, the mainland-gateway data centre hub of iAdvantage , also secured a major regional internet conglomerate. iAdvantage's customer base continued to grow with high-volume and rich-content data processing companies.

The TWTL 428 site acquired in January 2018 is going through design and planning process. Together with the new TKOTL 131 site, the Group will have a total of approximately 2.8 million square feet of data centre facilities portfolio in prime locations across Hong Kong upon completion of the two sites, enabling the Group to capture future market demand for high-tier data centre services in medium and long term.

Besides investing in new capacity expansion, continuous facilities and infrastructure improvements have been made at existing data centres. Further optimization work at MEGA-i is underway to increase data hall space and enhance power capacity, catering for the increasing demand from new and existing customers at this highly-preferred data centre hub with renowned connectivity advantage in the region.

The Group also invested additional sales and marketing resources to promote its brand and strengthen customer service quality.

SUNeVision is committed to continued investment in existing and new infrastructure to support further business development. It is expected that the latest acquisition of the TKOTL 131 site will support the Group's business development in the long term.

Super e-Technology and Super e-Network
Super e-Technology secured contracts for the installation of security surveillance, SMATV and IT systems totalling approximately HK$15.6 million during the first half of the 2018/19 financial year. Super e-Technology maintains a positive outlook for the security surveillance and SMATV sectors in the second half of the financial year and is actively seeking opportunities to expand its service offerings.

Super e-Network continued working with broadband and network service providers to improve its services and solutions. It has been actively exploring new opportunities to expand its broadband and WiFi service offerings to different sectors.

OTHER FINANCIAL DISCUSSION AND ANALYSIS

The Group's cash on hand as of 31 December 2018 amounted to approximately HK$432.3 million, while it had long-term bank borrowings of HK$2,568.7 million. As a result, the Group had an approximately HK$2,136.4 million in net borrowings due to funding of capital expenditure on data centre facilities. The gearing as of 31 December 2018 was at 57%. In anticipation of investment in the new TKOTL 131 site, future capital expenditure of various data centre facilities and general working capital requirements, the Group also obtained an unsecured 6-year term loan facility from the Sun Hung Kai Properties Group (SHKP Group) in an amount of HK$3,800.0 million in December 2018, and a short-term bank loan facility of HK$2,182.4 million in January 2019. Following the payment for the land premium of TKOTL 131 site in January 2019, the gearing of the Group has increased subsequent to 31 December 2018. Upon completion of the TKOTL 131 site acquisition and after taking into account the financial resources available to the Group including the internally generated funds, available credit facilities and loan from the SHKP Group, the Group remains in a solid financial position to fund its growth plans in the medium term.

As of 31 December 2018, the Group had no contingent liability while the Company had an aggregate of HK$2,614.9 million contingent liabilities in respect of guarantees for general banking facilities utilized by the Group's subsidiaries for higher planned capital expenditure and other guarantees.

The Group's core operations are based in Hong Kong and its assets are primarily in Hong Kong or US dollars. It had no significant exposure to foreign exchange rate fluctuations. The Group had not pledged any of its assets as of 31 December 2018 and there was no material acquisition or disposal of subsidiaries or affiliated companies during the period under review.

EMPLOYEES

The Group had 262 full-time employees as of 31 December 2018. The Group continues to focus on staff retention and development through offering attractive career progression opportunities and competitive pay and benefits. Periodical compensation reviews are conducted to ensure competitiveness in the employment market. Various engagement initiatives were also implemented to enhance staff communication and team spirit. Payroll costs increased during the period as the Group recruited to support the expanded data centres operations.

Other remuneration and benefits, including medical coverage and provident fund contributions, remained at competitive levels. Various training and development opportunities continued to be offered to enhance employee capabilities to meet the growth in business. The Group also operates a share option scheme and grants share options to selected directors and employees to recognize their significant contributions.

Consolidated Statement of Profit or Loss

For the six months ended 31 December 2018

	NOTES	Six months ended 31 December 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Revenue	3	**760,015**	641,365
Cost of sales		**(325,018)**	(260,788)
Gross profit		**434,997**	380,577
Other income	4	**8,213**	15,885
Selling expenses		**(14,108)**	(11,595)
Administrative expenses		**(34,431)**	(27,792)
Profit from operations		**394,671**	357,075
Other gains	5	**90,000**	93,164
Finance costs		**(7,243)**	-
Profit before taxation		**477,428**	450,239
Income tax expense	6	**(65,941)**	(58,065)
Profit for the period attributable to owners of the Company	7	**411,487**	392,174
Earnings per share based on profit attributable to owners of the Company (reported earnings per share)	9(a)		
Basic (Remark (i))		**10.17 cents**	9.70 cents
Diluted (Remarks (i) and (ii))		**10.16 cents**	9.68 cents
Earnings per share excluding the effect of other gains (underlying earnings per share)	9(b)		
Basic (Remark (i))		**7.95 cents**	7.40 cents
Diluted (Remarks (i) and (ii))		**7.94 cents**	7.38 cents

Remarks:

(i) Upon completion of the bonus issue of shares (with a convertible note ("Convertible Note(s)", which were constituted by the deed poll dated 25 November 2010) alternative) on 25 November 2010, the Company had 2,342,675,478 ordinary shares in issue and outstanding Convertible Notes which could be converted into 1,720,292,188 fully paid ordinary shares, representing a total of 4,062,967,666 ordinary shares which form the basis for the calculation of basic and diluted earnings per share. Adjustments are made in respect of shares repurchased.

(ii) The calculation of diluted earnings per share for the six months ended 31 December 2018 has been taken into account of potential ordinary shares of 4,880,668 (2017: 7,681,282) shares in existence arising from the share options granted on 8 March 2016 and 19 June 2018.

Details of earnings per share calculation and the Company's share capital are set out in notes 9 and 13 respectively.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2018

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Profit for the period	**411,487**	392,174
Other comprehensive (expense) income for the period		
Items that may be reclassified subsequently to the consolidated statement of profit or loss:		
Change in fair value of available-for-sale investments	**-**	(1,067)
Change in fair value of debt instruments measured at fair value through other comprehensive income ("FVTOCI")	**(473)**	-
Exchange differences arising from translation of operations outside Hong Kong	**4**	(9)
	(469)	(1,076)
Total comprehensive income for the period	**411,018**	391,098
Total comprehensive income (expense) attributable to:		
Owners of the Company	**411,497**	390,572
Non-controlling interests	**(479)**	526
	411,018	391,098

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	**31 December 2018**	30 June 2018
		HK$'000	*HK$'000*
		(unaudited)	*(audited)*
Non-current assets			
Investment properties		**1,664,000**	1,686,000
Property, plant and equipment		**5,116,530**	4,566,952
Available-for-sale investments		**-**	55,582
Equity instrument at FVTOCI		**3,710**	-
Deposit paid for tender of land		**50,000**	-
		6,834,240	6,308,534
Current assets			
Available-for-sale investments		**-**	43,044
Debt instruments at FVTOCI		**93,808**	-
Inventories		**11,406**	9,967
Trade and other receivables	10	**254,622**	257,958
Contract assets		**83,769**	-
Amounts due from customers for contract works		**-**	8,461
Bank balances and deposits		**432,285**	465,969
		875,890	785,399
Current liabilities			
Trade and other payables	11	**1,030,548**	834,538
Contract liabilities		**80,295**	-
Deferred revenue		**-**	35,941
Tax payables		**47,855**	75,820
		1,158,698	946,299
Net current liabilities		**(282,808)**	(160,900)
Total assets less current liabilities		**6,551,432**	6,147,634
Non-current liabilities			
Deferred tax liabilities		**191,950**	163,392
Contract liabilities		**59,209**	-
Deferred revenue		**-**	73,174
Bank borrowings	12	**2,568,699**	1,983,333
		2,819,858	2,219,899
Net assets		**3,731,574**	3,927,735
Capital and reserves			
Share capital	13	**232,545**	232,541
Reserve arising from issuance of convertible notes	13	**172,002**	172,002
Other reserves		**3,312,598**	3,508,284
Equity attributable to owners of the Company		**3,717,145**	3,912,827
Non-controlling interests		**14,429**	14,908
Total equity		**3,731,574**	3,927,735

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2018

	Attributable to owners of the Company									
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Reserve arising from issuance of convertible notes** *HK$'000* (Note)	**Share option reserve** *HK$'000*	**Exchange reserve** *HK$'000*	**Investments revaluation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
At 1 July 2018 (audited)	232,541	2,323,601	172,002	3,825	2,153	1,663	1,177,042	3,912,827	14,908	3,927,735
Profit for the period	-	-	-	-	-	-	411,487	411,487	-	411,487
Exchange differences arising from translation of operations outside Hong Kong	-	-	-	-	483	-	-	483	(479)	4
Change in fair value of debt instruments measured at FVTOCI	-	-	-	-	-	(473)	-	(473)	-	(473)
Total comprehensive income (expense) for the period	-	-	-	-	483	(473)	411,487	411,497	(479)	411,018
Exercise of share options (note 13)	4	110	-	(16)	-	-	-	98	-	98
Recognition of equity-settled share-based payments	-	-	-	3,589	-	-	-	3,589	-	3,589
Final dividend and distribution paid (note 8)	-	-	-	-	-	-	(610,866)	(610,866)	-	(610,866)
At 31 December 2018 (unaudited)	**232,545**	**2,323,711**	**172,002**	**7,398**	**2,636**	**1,190**	**977,663**	**3,717,145**	**14,429**	**3,731,574**

	Attributable to owners of the Company									
	Share capital *HK$'000*	Share premium *HK$'000*	Reserve arising from issuance of convertible notes *HK$'000* (Note)	Share option reserve *HK$'000*	Exchange reserve *HK$'000*	Investments revaluation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 July 2017 (audited)	232,261	2,315,904	172,003	3,873	2,517	3,303	954,523	3,684,384	14,562	3,698,946
Profit for the period	-	-	-	-	-	-	392,174	392,174	-	392,174
Exchange differences arising from translation of operations outside Hong Kong	-	-	-	-	(535)	-	-	(535)	526	(9)
Change in fair value of available-for-sale investments	-	-	-	-	-	(1,067)	-	(1,067)	-	(1,067)
Total comprehensive income (expense) for the period	-	-	-	-	(535)	(1,067)	392,174	390,572	526	391,098
Exercise of share options	10	276	-	(41)	-	-	-	245	-	245
Conversion of Convertible Notes	1	-	(1)	-	-	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	697	-	-	-	697	-	697
Final dividend and distribution paid (note 8)	-	-	-	-	-	-	(553,854)	(553,854)	-	(553,854)
At 31 December 2017 (unaudited)	232,272	2,316,180	172,002	4,529	1,982	2,236	792,843	3,522,044	15,088	3,537,132

Note:

Pursuant to an ordinary resolution in relation to the bonus issue of shares (with a Convertible Note alternative) passed at the extraordinary general meeting of the Company held on 1 November 2010, 311,191,645 bonus shares of HK$0.1 each were issued on 25 November 2010 on the basis of one bonus share for every existing share held by the shareholders of the Company whose names appeared on the register of members of the Company on 1 November 2010.

Reserve arising from issuance of Convertible Notes was then capitalised from the Company's share premium account for the purpose of issue of new shares upon conversion of the Convertible Notes. This reserve balance represented the aggregate amount of the Convertible Notes outstanding at the period end. No Convertible Notes (2017: in the amount of HK$500.00) were exercised and converted into ordinary shares (2017: 5,000 ordinary shares) by noteholders during the six months ended 31 December 2018. As a result, the Convertible Notes in the amount of HK$172,001,733.30 (31 December 2017: HK$172,001,883.30) remained outstanding as at 31 December 2018.

The Convertible Notes are unlisted, non-transferable and irredeemable but have conversion rights entitling the noteholders to convert into an equivalent number of shares as the number of bonus shares which the noteholders would otherwise be entitled to receive under the bonus issue had the shareholder not elected for the Convertible Notes. The Convertible Notes do not carry voting rights at any general meeting of shareholders of the Company. The noteholders can exercise the conversion rights at anytime after the issue of the Convertible Notes, subject to the terms and conditions of the deed poll constituting the Convertible Notes. The Convertible Notes were recognised as equity and are presented in reserves as "reserve arising from issuance of convertible notes".

Notes to the Condensed Consolidated Interim Financial Statements
For the six months ended 31 December 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK$282,808,000 as at 31 December 2018. In the opinion of the directors of the Company, the Group has a number of sources of finance available to fund its operations, including internal resources, available unutilised banking facility or obtaining additional financing from financial institutions taking into account the current value of the Group's assets which have not been pledged. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2018.

Application of new and amendments to HKFRSs and an interpretation

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 July 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

2. PRINCIPAL ACCOUNTING POLICIES – continued

The new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the major sources below.

(i) Use of data centre and information technology ("IT") facilities

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

(iii) Building management service income

(iv) Property rental

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 July 2018. Any difference at date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed as at 1 July 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

2. PRINCIPAL ACCOUNTING POLICIES – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" – continued

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 - continued

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customers.

2. PRINCIPAL ACCOUNTING POLICIES – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" – continued

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 - continued

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured base on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

The Group elected to apply the practical expedient by recognising revenue from customers' use of data centre and IT facilities, installation maintenance contracts and building management services in the amount to which the Group has right to invoice.

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

2.1.2 Summary of effects arising from initial application of HKFRS 15

Revenue from customers' use of data centre and IT facilities is recognised ratably over the terms of the agreement in the amount to which the Group has right to invoice while other value-added service income is recognised over the period of service.

Installation revenue is recognised based on the stage of completion of the contract using input method. Income from maintenance contracts is recognised over time in the amount to which the Group has right to invoice.

Building management service income is recognised over time in the amount to which the Group has right to invoice.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease according to HKAS 17 "Leases".

2. PRINCIPAL ACCOUNTING POLICIES – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" – continued

2.1.2 Summary of effects arising from initial application of HKFRS 15 - continued

The application of HKFRS 15 has had no material impact on the timing and amounts of revenue recognised during the six months ended 31 December 2018 and on retained profits and other components of equity at 1 July 2018 in the condensed consolidated financial statements.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 July 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 30 June 2018	Reclassification	Carrying amounts under HKFRS 15 at 1 July 2018
		HK$'000	*HK$'000*	*HK$'000*
Current assets				
Trade and other receivables	(a)	257,958	(58,175)	199,783
Contract assets		-	66,636	66,636
Amounts due from customers for contract work	(b)	8,461	(8,461)	-
Current liabilities				
Trade and other payables	(c)	834,538	(48,466)	786,072
Contract liabilities		-	84,407	84,407
Deferred revenue	(d)	35,941	(35,941)	-
Non-current liabilities				
Contract liabilities		-	73,174	73,174
Deferred revenue	(d)	73,174	(73,174)	-

Notes:

(a) At the date of initial application of HKFRS 15, unbilled revenue and retention receivables of HK$46,882,000 and HK$11,293,000 respectively are arising from service contracts which are conditional on the Group's achieving specified milestones as stipulated in the contracts and expiration of defect liability period respectively, and hence such balances were reclassified from trade and other receivables to contract assets.

(b) In relation to construction contracts previously accounted under HKAS 11, the Group continues to apply input method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. Amounts due from customers for contract work of HK$8,461,000 were reclassified to contract assets.

2. PRINCIPAL ACCOUNTING POLICIES – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" – continued

2.1.2 Summary of effects arising from initial application of HKFRS 15 - continued

Notes: - continued

(c) As at 1 July 2018, advances from customers of HK$48,466,000 in respect of service contracts previously included in trade and other payables were reclassified to contract liabilities.

(d) At the date of initial application at HKFRS 15, deferred income of HK$109,115,000, which represented upfront lump sum amounts received from customers in respect of use of data centre and IT facilities, were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Current assets			
Trade and other receivables	254,622	71,891	326,513
Contract assets	83,769	(83,769)	-
Amounts due from customers for contract work	-	11,878	11,878
Current liabilities			
Trade and other payables	1,030,548	44,138	1,074,686
Contract liabilities	80,295	(80,295)	-
Deferred revenue	-	36,157	36,157
Non-current liabilities			
Contract liabilities	59,209	(59,209)	-
Deferred revenue	-	59,209	59,209

2. PRINCIPAL ACCOUNTING POLICIES – continued

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets, contract assets and lease receivables and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 July 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. The difference between carrying amounts as at 30 June 2018 and the carrying amounts as at 1 July 2018, if any, are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

2.2.1 Key changes in accounting policies resulting from applications of HKFRS 9

<u>Classification and measurement of financial assets</u>

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. PRINCIPAL ACCOUNTING POLICIES – continued

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" - continued

2.2.1 Key changes in accounting policies resulting from applications of HKFRS 9 - continued

<u>Classification and measurement of financial assets</u> – continued

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of "investments revaluation reserve". Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES – continued

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" - continued

2.2.1 Key changes in accounting policies resulting from applications of HKFRS 9 – continued

Classification and measurement of financial assets – continued

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES – continued

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" - continued

2.2.1 Key changes in accounting policies resulting from applications of HKFRS 9 – continued

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables, contract assets and bank balances and deposits). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. PRINCIPAL ACCOUNTING POLICIES – continued

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" - continued

2.2.1 Key changes in accounting policies resulting from applications of HKFRS 9 – continued

Impairment under ECL model - continued

Significant increase in credit risk - continued

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. PRINCIPAL ACCOUNTING POLICIES – continued

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" - continued

2.2.1 Key changes in accounting policies resulting from applications of HKFRS 9 – continued

Impairment under ECL model - continued

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 "Leases".

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investments revaluation reserve without reducing the carrying amounts of these debt instruments.

As at 1 July 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES – continued

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" - continued

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 July 2018.

	Notes	Available-for-sale investments *HK$'000*	Debt instruments at FVTOCI *HK$'000*	Equity Instrument at FVTOCI *HK$'000*	Amortised cost (previously classified as loans and receivables) *HK$'000*	Contract assets *HK$'000*
Closing balance at 30 June 2018 - HKAS 39		98,626	-	-	585,345	-
Effect arising from initial application of HKFRS 15		-	-	-	(66,636)	66,636
Effect arising from initial application of HKFRS 9:						
Reclassification from available-for-sale investments	(a)	(98,626)	94,916	3,710	-	-
Remeasurement: Impairment under ECL model	(b)	-	-	-	-	-
Opening balance at 1 July 2018		-	94,916	3,710	518,709	66,636

Notes:

(a) Available-for-sale investments

From available-for-sale debt investments to FVTOCI

Listed bonds with a fair value of HK$94,916,000 were reclassified from available-for-sale investments to debt instruments at FVTOCI, as these investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding. Related fair value gains of HK$1,663,000 continued to accumulate in the investments revaluation reserve as at 1 July 2018.

From available-for-sale equity investment to FVTOCI

The Group elected to present in OCI for the fair value change of its equity investment previously classified as available-for-sale investment, of which HK$3,710,000 related to unquoted equity investment previously measured at cost less impairment under HKAS 39. Such investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$3,710,000 was reclassified from available-for-sale investments to equity instrument at FVTOCI, which wholly represented the unquoted equity investment previously measured at cost less impairment under HKAS 39.

2. PRINCIPAL ACCOUNTING POLICIES – continued

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" - continued

2.2.2 Summary of effects arising from initial application of HKFRS 9 - continued

Notes: - continued

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been assessed individually for debtors with significant balances or grouped based on shared credit risk characteristics. The contract assets relate to unbilled revenue for the use of data centre and IT facilities and work in progress of installation services and retention receivables and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly comprise of bank deposits, bank balances and other receivables, are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

All of the Group's debt instruments at FVTOCI are listed bonds that are issued by corporations with good reputation. Therefore, these investments are considered to be low credit risk investments and the loss allowance is measured on 12-month ECL basis.

As at the date of initial application of HKFRS 9, the ECL is not material and no additional credit loss allowance was recognised against retained profits and investments revaluation reserve, in case for the debt instruments at FVTOCI.

2.3 Impacts and changes in accounting policies of application on Amendments to HKAS 40 "Transfers of Investment Property"

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existed at that date, there is no impact to the classification at 1 July 2018.

Except as described above, the application of amendments to HKFRSs and an interpretation in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES – continued

2.4 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	30 June 2018 (Audited) *HK$'000*	HKFRS 15 *HK$'000*	HKFRS 9 *HK$'000*	1 July 2018 (Restated) *HK$'000*
Non-current assets				
Available-for-sale investments	55,582	-	(55,582)	-
Debt instruments at FVTOCI	-	-	51,872	51,872
Equity instrument at FVTOCI	-	-	3,710	3,710
Others with no adjustment	6,252,952	-	-	6,252,952
Current assets				
Available-for-sale investments	43,044	-	(43,044)	-
Debt instruments at FVTOCI	-	-	43,044	43,044
Trade and other receivables	257,958	(58,175)	-	199,783
Contract assets	-	66,636	-	66,636
Amounts due from customers for contract work	8,461	(8,461)	-	-
Others with no adjustment	475,936	-	-	475,936
Current liabilities				
Trade and other payables	834,538	(48,466)	-	786,072
Contract liabilities	-	84,407	-	84,407
Deferred revenue	35,941	(35,941)	-	-
Others with no adjustment	75,820	-	-	75,820
Net current liabilities	(160,900)	-	-	(160,900)
Total assets less current liabilities	6,147,634	-	-	6,147,634
Non-current liabilities				
Contract liabilities	-	73,174	-	73,174
Deferred revenue	73,174	(73,174)	-	-
Others with no adjustment	2,146,725	-	-	2,146,725
Net assets	3,927,735	-	-	3,927,735
Capital and reserves				
Others with no adjustment	3,927,735	-	-	3,927,735

3. SEGMENT INFORMATION

Disaggregation of revenue

For the six months ended 31 December 2018

Segment	Data centre and IT facilities *HK$'000*	SMATV, CABD, structural cabling and security systems *HK$'000*	Properties holding *HK$'000*
Types of services recognised over time and rental			
Income from data centre and IT facilities	644,385	-	-
Installation and maintenance fee of SMATV, CABD, structural cabling and security systems	-	84,226	-
Building management services	-	-	3,558
Revenue from contract with customers	644,385	84,226	3,558
Property rentals	-	-	27,846
	644,385	84,226	31,404

Segment profit represents the profit earned by each segment without allocation of central administrative costs, directors' emoluments, increase in fair value of an investment at FVTPL, interest income, finance costs and investment income. This is the measure reported to the Group's management, being the chief operating decision maker, for the purposes of resource allocation and performance assessment.

The principal activities of the operating segments and reportable segments of the Group are as follows:

(a) Data centre and IT facilities cover the provision of data centre, facilities management and value added services.

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

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

3. SEGMENT INFORMATION – continued

Segment revenue and results

An analysis of the Group's revenue and results, substantially derived from Hong Kong, by reportable segment is as follows:

For the six months ended 31 December 2018

	Data centre and IT facilities *HK$'000*	**SMATV, CABD, structural cabling and security systems** *HK$'000*	**Properties holding** *HK$'000*	**Elimination** *HK$'000*	**Consolidated total** *HK$'000*
REVENUE					
External	**644,385**	**84,226**	**31,404**	**-**	**760,015**
Inter-segment	**-**	**180**	**2,677**	**(2,857)**	**-**
Total	**644,385**	**84,406**	**34,081**	**(2,857)**	**760,015**
RESULTS					
Segment results	**362,955**	**15,742**	**116,276**	**-**	**494,973**
Unallocated corporate expenses					**(17,664)**
Interest income					**7,220**
Finance costs					**(7,243)**
Investment income					**142**
Profit before taxation					**477,428**

For the six months ended 31 December 2017

	Data centre and IT facilities *HK$'000*	SMATV, CABD, structural cabling and security systems *HK$'000*	Properties holding *HK$'000*	Elimination *HK$'000*	Consolidated total *HK$'000*
REVENUE					
External	524,336	86,210	30,819	-	641,365
Inter-segment	-	187	1,116	(1,303)	-
Total	524,336	86,397	31,935	(1,303)	641,365
RESULTS					
Segment results	317,827	14,681	112,588	-	445,096
Unallocated corporate expenses					(11,392)
Increase in fair value of an investment at FVTPL					5,164
Interest income					11,229
Investment income					142
Profit before taxation					450,239

3. SEGMENT INFORMATION – continued

Segment revenue and results - continued

Inter-segment sales are charged at prevailing market rates.

The Group does not report regularly segment assets and liabilities to the chief operating decision maker and therefore no analysis of segment assets and liabilities is presented.

4. OTHER INCOME

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Interest income	**7,220**	11,229
Investment income	**142**	142
Miscellaneous	**851**	4,514
	8,213	15,885

5. OTHER GAINS

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Increase in fair value of investment properties	**90,000**	88,000
Increase in fair value of an investment at FVTPL	**-**	5,164
	90,000	93,164

6. INCOME TAX EXPENSE

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Current tax		
- Hong Kong Profits Tax	**37,383**	19,458
Deferred tax charge	**28,558**	38,607
	65,941	58,065

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profits for the period.

7. PROFIT FOR THE PERIOD

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**101,511**	64,453
Interest on bank borrowings	**21,872**	7,515
Other finance costs	**4,194**	4,875
Less: amounts capitalised	**(18,823)**	(12,390)
Total finance costs	**7,243**	**-**

8. DIVIDENDS

During the period, a final dividend of HK$15.10 cents per share in respect of the year ended 30 June 2018 (2017: final dividend of HK$13.70 cents per share in respect of the year ended 30 June 2017) was declared and paid to the owners and convertible noteholders of the Company. The aggregate amount of the final dividend declared and paid in the period amounted to HK$610,866,000 (2017: HK$553,854,000).

The board of directors does not recommend the payment of an interim dividend for the six months ended 31 December 2018 (2017: Nil).

9. EARNINGS PER SHARE

(a) Reported earnings per share

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

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**411,487**	392,174

9. EARNINGS PER SHARE - continued

(a) Reported earnings per share - continued

	2018 **Number of shares**	2017 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,045,450,318**	4,042,683,699
Effect of dilutive potential ordinary shares: Share options	**4,880,668**	7,681,282
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,050,330,986**	4,050,364,981

For the purposes of basic and diluted earnings per share, the weighted average number of ordinary shares is calculated after taking into account the effect of the issuance of bonus shares (with a Convertible Note alternative) in November 2010. Details of the issuance of bonus shares are set out in note 13.

The computation of diluted earnings per share does not assume the exercise of certain Company's share options because the exercise price of those share options was higher than the average market price for shares for the six months ended 31 December 2018. Save as the share options mentioned above, there were no other dilutive potential ordinary shares in existence during the six months ended 31 December 2018 and 2017.

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, underlying earnings per share is calculated based on the underlying profit attributable to owners of the Company of HK$321,487,000 (2017: HK$299,010,000), excluding the effect of other gains. A reconciliation of profit is as follows:

	Six months ended 31 December	
	2018 ***HK$'000***	2017 *HK$'000*
Profit attributable to owners of the Company as shown in the consolidated statement of profit or loss	**411,487**	392,174
Other gains (note 5)	**(90,000)**	(93,164)
Underlying profit attributable to owners of the Company	**321,487**	299,010

The denominators used are the same as those detailed above for both reported and underlying earnings per share.

10. TRADE AND OTHER RECEIVABLES

	31 December 2018 *HK$'000*	30 June 2018 *HK$'000*
Trade receivables	**167,836**	153,630
Less: allowance for doubtful debts	**(574)**	(574)
	167,262	153,056
Other receivables, prepayments and deposits paid	**87,360**	104,902
	254,622	257,958

The Group allows an average credit period of 30 days to its customers. The following is an ageing analysis of trade receivables based on the invoice date net of allowance for doubtful debts at the end of the reporting period:

	31 December 2018 *HK$'000*	30 June 2018 *HK$'000*
0 - 60 days	**134,140**	139,627
61 - 90 days	**13,750**	6,029
> 90 days	**19,372**	7,400
	167,262	153,056

As at 31 December 2018, out of the past due balances, HK$19,372,000 has been past due 90 days or more and is not considered as in default because those debtors are with continuous settlements during and subsequent to the reporting period and no default history noted.

11. TRADE AND OTHER PAYABLES

	31 December 2018 *HK$'000*	30 June 2018 *HK$'000*
Trade payables aged within 60 days	**62,948**	35,294
Trade payables aged over 60 days	**9,174**	3,798
Other payables and accruals	**792,295**	633,480
Deposits received	**166,131**	161,966
	1,030,548	834,538

12. BANK BORROWINGS

During the current period, the Group raised a bank loan of HK$582,750,000 and did not repay any bank loans. The new bank borrowing raised during the period is unsecured.

At 31 December 2018, the carrying amount of the Group's unsecured bank loans amounted to approximately HK$2,568,699,000 (30 June 2018: HK$1,983,333,000). The loans carry interest at the Hong Kong Interbank Offered Rate plus specific margins and are wholly repayable with a period of more than two years but not exceeding five years.

13. SHARE CAPITAL

	Number of ordinary shares	Amount
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 July 2018 and **31 December 2018**	**10,000,000,000**	**1,000,000**
Issued and fully paid:		
At 1 July 2018	2,325,412,333	232,541
Exercise of share options (Note (ii))	40,000	4
At 31 December 2018	**2,325,452,333**	**232,545**

Notes:

(i) Pursuant to an ordinary resolution in relation to the bonus issue of shares (with a Convertible Note alternative) passed at the extraordinary general meeting of the Company held on 1 November 2010, 311,191,645 bonus shares of HK$0.1 each were issued on 25 November 2010 to the shareholders of the Company who were entitled to those bonus shares and did not elect to receive the Convertible Notes.

Convertible Notes in the amount of HK$172,029,218.80 were issued to shareholders of the Company who elected for the Convertible Note alternative, and the same amount was capitalised from the Company's share premium account as "reserve arising from issuance of convertible notes". Holders of the Convertible Notes are entitled to convert into an equivalent number of shares as the number of bonus shares which the noteholders would otherwise be entitled to receive under the bonus issue. Accordingly, Convertible Notes can be converted into ordinary shares of HK$0.1 each on a one-to-one basis.

During the six months ended 31 December 2018, no Convertible Notes were exercised and converted into ordinary shares of the Company.

	Number of fully paid ordinary shares to be issued (issued) upon conversion	Amount
		HK$'000
At 1 July 2018 and **31 December 2018**	**1,720,017,333**	**172,002**

Upon conversion of all the outstanding Convertible Notes, the issued share capital of the Company would be 4,045,469,666 (30 June 2018: 4,045,429,666) fully paid ordinary shares of HK$0.1 each.

Details of the bonus issue of shares (with a Convertible Note alternative) are set out in the circular of the Company dated 29 September 2010.

(ii) During the six months ended 31 December 2018, 40,000 shares were issued on exercise of share options.

14. SUBSEQUENT EVENTS

On 8 January 2019, the Group entered into a memorandum of agreement with the Government of Hong Kong in respect of the acquisition of TKOTL 131 after the tender was accepted by the Lands Department of Hong Kong. For the purposes of the payment of the remaining balance of the land premium of HK$5,406,008,000 on 7 January 2019, future capital expenditure of various data centre and general working capital requirements, the Group has obtained an unsecured long-term loan facility of HK$3,800,000,000 from the SHKP Group and a short-term bank loan facility of HK$2,182,400,000 in December 2018 and January 2019 respectively. In order to pay the remaining balance of the land premium on 7 January 2019, HK$3,300,000,000 from the SHKP Group's facility and the whole amount of the short-term bank loan facility were drawn down on 4 January 2019 and 7 January 2019 respectively.

DIVIDEND

The board of Directors (the "Board") does not recommend the payment of an interim dividend for the six months ended 31 December 2018 (2017: Nil).

REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim results for the six months ended 31 December 2018 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by Messrs. Deloitte Touche Tohmatsu, whose report on review of condensed consolidated financial statements will be set out in the 2018/19 interim report.

AUDIT COMMITTEE

The Audit Committee has four members comprising three Independent Non-Executive Directors, Mr. Wong Kai-man (Chairman of the Committee), Professor Li On-kwok, Victor and Professor King Yeo-chi, Ambrose, and one Non-Executive Director, Mr. Cheung Wing-yui, with written terms of reference in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Audit Committee has reviewed the interim results for the six months ended 31 December 2018 and has provided advice and comments thereon.

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

During the six months ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 31 December 2018, the Group has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except that the Chairman of the Board was unable to attend the annual general meeting of the Company held on 26 October 2018 due to other commitment.

By order of the Board
SUNEVISION HOLDINGS LTD.
Tang Ching-kong
Company Secretary

Hong Kong, 22 February 2019

As at the date of this announcement, the Board comprises four Executive Directors, being Kwok Ping-luen, Raymond, Fung Yuk-lun, Allen, Tong Kwok-kong, Raymond, and Tung Chi-ho, Eric; five Non-Executive Directors, being Cheung Wing-yui, Kwok Kai-wang, Christopher, David Norman Prince, Siu Hon-wah, Thomas and Chan Hong-ki, Robert; and five Independent Non-Executive Directors, being Li On-kwok, Victor, King Yeo-chi, Ambrose, Wong Kai-man, Kwok Kwok-chuen and Lee Wai-kwong, Sunny.