SUNeVision Holdings Ltd.
新意網集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code 股份代號 : 1686

2018/19 INTERIM REPORT 中期報告

The technology arm of Sun Hung Kai Properties Limited

CHOICE OF LANGUAGE OR MEANS OF RECEIPT OF CORPORATE COMMUNICATIONS

This interim report is now available in printed form in English and in Chinese, and on the website of the Company.

If registered shareholders/noteholders, who have received or chosen to receive or are deemed to have consented to receive this interim report by electronic means, wish to receive a printed copy, or who for any reason have difficulty in receiving or gaining access to this interim report on the Company's website, they may obtain the same free of charge by sending a request to (a) in the case of registered shareholders, the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited ("Computershare"), by post to 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by email at sunevision@computershare.com.hk; or (b) in the case of noteholders, the Company's registrar in respect of the convertible notes, Tricor Investor Services Limited ("Tricor"), by post to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email at sunevision-ecom@hk.tricorglobal.com.

For registered shareholders/noteholders who wish to change their choice of language or means of receipt of the Company's future corporate communications free of charge, they may at any time notify (i) in the case of registered shareholders, Computershare, by post or by email (at the address or email address mentioned above); or (ii) in the case of noteholders, Tricor, by post or by email (at the address or email address mentioned above).

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Financial Highlights

FINANCIAL HIGHLIGHTS

For the period	1 Jul 18– 31 Dec 18 *HK$'000*	1 Jan 18– 30 Jun 18 *HK$'000*	1 Jul 17– 31 Dec 17 *HK$'000*	1 Jan 17– 30 Jun 17 *HK$'000*
Revenue	760,015	723,403	641,365	584,485
Cost of sales	(325,018)	(304,948)	(260,788)	(219,063)
Gross profit	434,997	418,455	380,577	365,422
Other income	8,213	8,939	15,885	12,949
Operating expenditure*	(48,539)	(45,771)	(39,387)	(38,550)
Profit from operations	394,671	381,623	357,075	339,821
Other gains	90,000	71,664	93,164	75,440
Finance costs	(7,243)	(7,340)	–	–
Profit before taxation	477,428	445,947	450,239	415,261
Income tax expense	(65,941)	(61,748)	(58,065)	(55,248)
Profit for the period	411,487	384,199	392,174	360,013
Attributable to:				
Owners of the Company	411,487	384,199	392,174	360,131
Non-controlling interests	–	–	–	(118)
	411,487	384,199	392,174	360,013
EBITDA** (excluding the effect of other gains)				
Data centre business	465,869	446,349	381,244	352,034
Other businesses	23,092	24,758	29,054	24,982
	488,961	471,107	410,298	377,016

* Selling, general and administrative expenses

** Earnings before interest, tax, depreciation and amortisation

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.

Chairman's Statement

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

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.

Directors' Profile

EXECUTIVE DIRECTORS

Kwok Ping-luen, Raymond (Age: 65)

Chairman

Mr. Kwok has been the Chairman and an Executive Director of the Company since 29 January 2000 and he is a director of certain subsidiaries of the Company. He holds a Master of Arts degree in Law from Cambridge University, a Master's degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong.

Mr. Kwok is the chairman and managing director and a member of the executive committee of Sun Hung Kai Properties Limited ("SHKP"), the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). Prior to the appointment as chairman of SHKP, Mr. Kwok had acted as vice chairman of SHKP. He is also the chairman and a non-executive director of SmarTone Telecommunications Holdings Limited, and a non-executive director of Transport International Holdings Limited and Wing Tai Properties Limited.

In civic activities, Mr. Kwok is a member of the 13th National Committee of the Chinese People's Political Consultative Conference. He is also a director of The Real Estate Developers Association of Hong Kong and a member of the council of The Chinese University of Hong Kong.

Mr. Kwok is the father of Mr. Kwok Kai-wang, Christopher (being a Non-Executive Director of the Company).

Save as disclosed above, Mr. Kwok (i) did not hold any other directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other position in the Company and its subsidiaries; and (iii) does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders (as respectively defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of the Company.

Mr. Kwok has entered into a service agreement with the Company for a period of three years commencing on 1 March 2003 and shall continue thereafter until terminated by either party giving to the other not less than six months' prior written notice, but is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2018, Mr. Kwok received a director's fee of HK$48,000 for being the Chairman of the Company. His director's fee is fixed by the Board while his annual salary is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

Fung Yuk-lun, Allen (Age: 50)

Vice Chairman

Mr. Fung is a Vice Chairman of the Company. He was appointed as a Non-Executive Director of the Company in January 2014 and re-designated as an Executive Director of the Company on 2 April 2018. He is also the Authorised Representative of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Mr. Fung is a member of the Corporate Governance Committee of the Board. He is also a director of certain subsidiaries of the Company. He obtained an undergraduate degree (Modern History) from Oxford University and holds a doctoral degree in History and East Asian Languages from Harvard University. From 1996 to 1997, Mr. Fung was a visiting Assistant Professor of History at Brown University. From 1997 to 2013, he worked in McKinsey & Company Hong Kong, where he became the managing partner and director.

Mr. Fung is an executive director and a member of the executive committee of Sun Hung Kai Properties Limited ("SHKP"), the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as well as the chief executive officer of the SHKP group's non-property related portfolio investments. He is also a director of certain subsidiaries of SHKP. Mr. Fung is a deputy chairman and a non-executive director of SmarTone Telecommunications Holdings Limited. He is also a non-executive director of Transport International Holdings Limited. Mr. Fung was a non-executive director of RoadShow Holdings Limited (now known as Bison Finance Group Limited) (July 2014 – December 2017).

Mr. Fung is a member of the General Committee of the Hong Kong General Chamber of Commerce. He is the president of the Hong Kong Society for the Protection of Children, an honorary treasurer of The Hong Kong Federation of Youth Groups and a council member and an executive committee member of The Hong Kong Management Association. Mr. Fung is also a council member of Sir Edward Youde Memorial Fund. He is a member of the board of the Asian Youth Orchestra, a member of the Advisory Committee on Gifted Education of Education Bureau, The Government of the Hong Kong Special Administrative Region, and a member of the board of the Hong Kong Philharmonic Society Limited.

Save as disclosed above, Mr. Fung (i) did not hold any other directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other position in the Company and its subsidiaries; and (iii) does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders (as respectively defined in the Listing Rules) of the Company.

Mr. Fung has entered into a service agreement with the Company for a period of three years commencing on 2 April 2018 and shall continue thereafter until terminated by either party giving written notice to the other, but is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2018, Mr. Fung received a director's fee of HK$42,000 for being the Vice Chairman of the Company. His director's fee is fixed by the Board while his annual salary is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

Tong Kwok-kong, Raymond (Age: 44)

Chief Executive Officer

Mr. Tong has been an Executive Director and the Chief Executive Officer of the Company since 19 June 2018. He is also a director of certain subsidiaries of the Company. Mr. Tong completed his Management & Technology Dual-Degree Program with honors, with Bachelor of Science in Economics (in Finance) from Wharton School, and Bachelor of Science in Engineering (in Electrical Engineering) from School of Engineering and Applied Science, both from University of Pennsylvania.

Mr. Tong has over 20 years of business management and operations experience across different industries. He is a dynamic leader with broad exposure and has spearheaded growth initiatives in his different roles. Before joining the Group, he was the chief operating officer of Maxim's group, responsible for the group's overall growth and execution of Asian expansion strategy, managing information technologies and digital initiatives, and mergers and acquisitions. Prior to this, he was the chief executive officer of Pacific Coffee Company, driving the growth of the chain in Hong Kong and China. Mr. Tong also has rich experience in high-tech as well. He was for a number of years a senior director at CSMC Technologies Corporation (now known as China Resources Microelectronics Limited), a leading Chinese semi-conductor company (subsequently acquired by China Resources group), responsible for international sales and business development. Mr. Tong was an independent non-executive director of Sling Group Holdings Limited (December 2017 – January 2019).

Mr. Tong is a member of the Young Presidents' Organization (YPO), China Pearl River Delta (PRD) Chapter.

Save as disclosed above, Mr. Tong (i) did not hold any other directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other position in the Company and its subsidiaries; and (iii) does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders (as respectively defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of the Company.

Mr. Tong has entered into a service agreement with the Company for a period of three years commencing on 19 June 2018 and shall continue thereafter until terminated by either party giving written notice to the other, but is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. Mr. Tong is entitled to receive a director's fee of HK$42,000 per annum (or a pro rata amount for the duration of his directorship for an incomplete year) and a projected cash emoluments of HK$7.0 million per annum for being an Executive Director and the Chief Executive Officer of the Company. His director's fee is fixed by the Board while his annual salary is determined by the Board from time to time mainly with reference to market pay level and his contributions and is reviewed on an annual basis, and the sum of discretionary bonus (if any) is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

Tung Chi-ho, Eric (Age: 59)

Mr. Tung has been an Executive Director of the Company since 29 January 2000. He holds a Bachelor of Arts degree in Architectural Studies and a Bachelor of Architecture degree from The University of Hong Kong. Mr. Tung is a member of The Hong Kong Institute of Architects and a registered Architect.

Mr. Tung is the chairman of iAdvantage Limited, a subsidiary of the Company and a director of certain subsidiaries of the Company. He has been with the Sun Hung Kai Properties group for more than 30 years and has been an executive director of Sun Hung Kai Properties Limited ("SHKP"), the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), since December 2013. Mr. Tung is a member of the executive committee of SHKP and an executive director of Sun Hung Kai Real Estate Agency Limited, a subsidiary of SHKP. He served as project director for various large-scale residential, commercial and mixed developments and oversaw the completion of data centres for major tenants such as JP Morgan and ING Barings.

Save as disclosed above, Mr. Tung (i) did not hold any other directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other position in the Company and its subsidiaries; and (iii) does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders (as respectively defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of the Company.

Mr. Tung has entered into a service agreement with the Company for a period of three years commencing on 1 March 2003 and shall continue thereafter until terminated by either party giving to the other not less than six months' prior written notice, but is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2018, Mr. Tung received a director's fee of HK$36,000 for being a director of the Company. His director's fee is fixed by the Board while his annual salary is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

NON-EXECUTIVE DIRECTORS

Cheung Wing-yui (Age: 69)

Vice Chairman

Mr. Cheung is a Vice Chairman of the Company and has been a Non-Executive Director of the Company since 29 January 2000. He is the Chairman of the Corporate Governance Committee of the Board and is a member of each of the Audit Committee, Remuneration Committee and Nomination Committee. Mr. Cheung received a Bachelor of Commerce degree in accountancy from The University of New South Wales, Australia and is a member of the CPA Australia. He has been a practising solicitor in Hong Kong since 1979 and is a consultant of the law firm Woo Kwan Lee & Lo. Mr. Cheung was also admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore.

Mr. Cheung is a deputy chairman and a non-executive director of SmarTone Telecommunications Holdings Limited. He is also a non-executive director of Tai Sang Land Development Limited, Tianjin Development Holdings Limited and Transport International Holdings Limited. Mr. Cheung was a non-executive director of SRE Group Limited (November 1999 – December 2015) and an independent non-executive director of Hop Hing Group Holdings Limited (November 1989 – August 2017) and Agile Group Holdings Limited (October 2005 – February 2018). He is a non-executive director of Sun Hung Kai Properties Insurance Limited, which is a wholly-owned subsidiary of Sun Hung Kai Properties Limited, the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

Mr. Cheung is a director of The Community Chest of Hong Kong. He had held the positions of deputy chairman of the council of The Open University of Hong Kong, the deputy chairman of The Hong Kong Institute of Directors Limited, a director of Po Leung Kuk, the vice chairman of the Mainland Legal Affairs Committee of The Law Society of Hong Kong and a member of the Board of Review (Inland Revenue Ordinance).

Mr. Cheung was awarded the Bronze Bauhinia Star (BBS) in 2013.

Mr. Cheung was awarded an honorary degree of Doctor of Business Administration from The Open University of Hong Kong in 2016.

Save as disclosed above, Mr. Cheung (i) did not hold any other directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other position in the Company and its subsidiaries; and (iii) does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders (as respectively defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of the Company.

There is no service contract entered into between the Company and Mr. Cheung. Mr. Cheung received an appointment letter from the Company for his appointment as a Non-Executive Director of the Company for a period not exceeding three years, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2018, Mr. Cheung received a director's fee of HK$216,000 for being the Vice Chairman of the Company and a member of each of the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee of the Board. His director's fee is fixed by the Board while his annual salary, if any, is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

Kwok Kai-wang, Christopher (Age: 32)

Mr. Kwok has been a Non-Executive Director of the Company since 1 February 2017. He holds a Bachelor of Science Degree in Chemistry from Harvard University and a Master's degree in Business Administration from Stanford Graduate School of Business. Mr. Kwok is an executive director and a member of the executive committee of Sun Hung Kai Properties Limited ("SHKP"), the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He worked in an international management consultancy firm before joining the SHKP group in 2011. Mr. Kwok is responsible for sales, project management and leasing of major residential and commercial properties of the SHKP group in Hong Kong and mainland China. He assists Mr. Kwok Ping-luen, Raymond ("Mr. Raymond Kwok", the chairman and managing director of SHKP as well as the Chairman and an Executive Director of the Company) in all other businesses, in particular, the non-property related matters. Mr. Kwok is a son of Mr. Raymond Kwok.

In addition, Mr. Kwok is a member of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference.

Save as disclosed above, Mr. Kwok (i) did not hold any other directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other position in the Company and its subsidiaries; and (iii) does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders (as respectively defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of the Company.

There is no service contract entered into between the Company and Mr. Kwok. Mr. Kwok received an appointment letter from the Company for his appointment as a Non-Executive Director of the Company for a period not exceeding three years, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2018, Mr. Kwok received a director's fee of HK$36,000 for being a director of the Company. His director's fee is fixed by the Board while his annual salary, if any, is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

David Norman Prince (Age: 67)

Mr. Prince has been a Non-Executive Director of the Company since 29 October 2016. He is a member of the Chartered Institute of Management Accountants (UK) and the Chartered Institute of Purchasing and Supply (UK). Mr. Prince has been a non-executive director of SmarTone Telecommunications Holdings Limited since 2005. He is also a director of Wilson Group Limited, a wholly-owned subsidiary of Sun Hung Kai Properties Limited ("SHKP"), the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as well as a consultant of Sun Hung Kai Real Estate Agency Limited, a wholly-owned subsidiary of SHKP.

Mr. Prince has over 20 years' experience of operating at board level in an international environment. He is currently a non-executive director and chair of the audit committee of Adecco SA which is the global leader in human resources services. Mr. Prince was previously a non-executive director of Ark Therapeutics plc.

Mr. Prince was group finance director of Cable and Wireless plc. until December 2003 and prior to this, spent some 12 years working in the telecommunications industry in Hong Kong, Mainland China and Asia. From 1994 to 2000 he was finance director and latterly deputy chief executive officer of Hong Kong Telecommunications Limited until it was acquired by PCCW in 2000. Mr. Prince went on to join PCCW plc. as group chief financial officer. In 2002, he left PCCW to join Cable and Wireless as group finance director. Prior to his time in Hong Kong, he held senior management roles for Cable and Wireless. His early career was spent in the gas, oil and electronic industries within Europe and the USA.

Save as disclosed above, Mr. Prince (i) did not hold any other directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other position in the Company and its subsidiaries; and (iii) does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders (as respectively defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of the Company.

There is no service contract entered into between the Company and Mr. Prince. Mr. Prince received an appointment letter from the Company for his appointment as a Non-Executive Director of the Company for a period not exceeding three years, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2018, Mr. Prince received a director's fee of HK$120,000 for being a director of the Company. His director's fee is fixed by the Board while his annual salary, if any, is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

Siu Hon-wah, Thomas (Age: 65)

Mr. Siu has been a Non-Executive Director of the Company since 7 May 2010. He holds a MPhil degree from University of Cambridge and a PhD degree in Information Systems. Mr. Siu is a Certified Public Accountant and is a member of the British Computer Society.

Mr. Siu is a non-executive director of SmarTone Telecommunications Holdings Limited. He was the managing director of Wilson group (until June 2018), which is a major transport infrastructure services provider in Hong Kong and is wholly-owned by Sun Hung Kai Properties Limited, the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), and is currently a consultant of Wilson group. Prior to joining Wilson group, Mr. Siu had more than 25 years of experience in telecommunications and IT sectors. His experience covers finance, business operations and development.

Save as disclosed above, Mr. Siu (i) did not hold any other directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other position in the Company and its subsidiaries; and (iii) does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders (as respectively defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of the Company.

There is no service contract entered into between the Company and Mr. Siu. Mr. Siu received an appointment letter from the Company for his appointment as a Non-Executive Director of the Company for a period not exceeding three years, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2018, Mr. Siu received a director's fee of HK$36,000 for being a director of the Company. His director's fee is fixed by the Board while his annual salary, if any, is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

Chan Hong-ki, Robert (Age: 54)

Mr. Chan has been a Non-Executive Director of the Company since 7 August 2017. He graduated from the Hong Kong Polytechnic University and holds a Bachelor's Degree from the University of Greenwich.

Mr. Chan joined Sun Hung Kai Properties Limited ("SHKP"), the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), in 1993. He is a member of the executive committee of SHKP and an executive director of Sun Hung Kai Real Estate Agency Limited, a wholly-owned subsidiary of SHKP. Mr. Chan served as project director for various key residential, commercial, industrial and mixed developments both in Hong Kong and Mainland China. He is also an executive director of Sun Hung Kai Architects and Engineers Limited, a wholly-owned subsidiary of SHKP, and is responsible for design aspects including architectural, structural, electrical and mechanical, landscape and interior design of various development projects.

Mr. Chan is a member of The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors and a Registered Professional Surveyor. He is also an Authorized Person under the Buildings Ordinance (Chapter 123 of the laws of Hong Kong).

Mr. Chan has been a member of the Appeal Tribunal Panel (Buildings) since January 2007 and a director of BEAM Society Limited since 2014.

Save as disclosed above, Mr. Chan (i) did not hold any other directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other position in the Company and its subsidiaries; and (iii) does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders (as respectively defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of the Company.

There is no service contract entered into between the Company and Mr. Chan. Mr. Chan received an appointment letter from the Company for his appointment as a Non-Executive Director of the Company for a period not exceeding three years, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. Mr. Chan is entitled to receive a director's fee of HK$36,000 per annum (or a pro rata amount for the duration of his directorship for an incomplete year) for being a director of the Company. His director's fee is fixed by the Board while his annual salary, if any, is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li On-kwok, Victor (Age: 64)

Professor Li has been an Independent Non-Executive Director of the Company since 29 January 2000. He is also the Chairman of the Nomination Committee and a member of each of the Audit Committee and Remuneration Committee of the Board. Professor Li received his bachelor's, master's, engineer's and doctoral degrees in Electrical Engineering and Computer Science from the Massachusetts Institute of Technology in 1977, 1979, 1980 and 1981 respectively.

Professor Li was an independent non-executive director of Anxin-China Holdings Limited from June 2013 and he had resigned from such position on 1 October 2015.

Professor Li was the head (until 28 February 2018) of the Department of Electrical and Electronic Engineering ("EEED") at The University of Hong Kong ("HKU"), and is Chair Professor of Information Engineering and Cheng Yu-Tung Professor in Sustainable Development of the EEED at HKU. Prior to joining HKU, he was Professor of Electrical Engineering at the University of Southern California ("USC") and director of the USC Communication Sciences Institute. Professor Li has chaired various committees of international professional organisations such as the Technical Committee on Computer Communications of the Institute of Electrical and Electronic Engineers. He was awarded the Bronze Bauhinia Star by the Government of Hong Kong in 2002.

Save as disclosed above, Professor Li (i) did not hold any other directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other position in the Company and its subsidiaries; and (iii) does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders (as respectively defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of the Company.

There is no service contract entered into between the Company and Professor Li. Professor Li received an appointment letter from the Company for his appointment as an Independent Non-Executive Director of the Company for a period not exceeding three years, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2018, Professor Li received a director's fee of HK$192,000 for being a director of the Company and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Board. His director's fee is fixed by the Board while his annual salary, if any, is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

King Yeo-chi, Ambrose (Age: 84)

Professor King has been an Independent Non-Executive Director of the Company since 1 January 2007. He is also the Chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee of the Board. Professor King received his BA from National Taiwan University (1957), MA from National Cheng Chi University (1959), and PhD from the University of Pittsburgh (1970).

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

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

Save as disclosed above, Professor King (i) did not hold any other directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other position in the Company and its subsidiaries; and (iii) does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders (as respectively defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of the Company.

There is no service contract entered into between the Company and Professor King. Professor King received an appointment letter from the Company for his appointment as an Independent Non-Executive Director of the Company for a period not exceeding three years, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2018, Professor King received a director's fee of HK$192,000 for being a director of the Company and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Board. His director's fee is fixed by the Board while his annual salary, if any, is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

Wong Kai-man (Age: 68)

Mr. Wong has been an Independent Non-Executive Director of the Company since 16 January 2007. He is also the Chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee of the Board. Mr. Wong obtained his Bachelor of Science from The University of Hong Kong and Master of Business Administration from The Chinese University of Hong Kong. He is a fellow of the Association of Chartered Certified Accountants, United Kingdom and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Wong is an accountant with 32 years of experience in audit, initial public offering and computer audit.

Mr. Wong is a member of the Financial Reporting Council (FRC) and an independent non-executive director of VTech Holdings Limited. He serves in a number of government committees and the boards of certain non-governmental organisations. Mr. Wong was a non-executive director of the Securities and Futures Commission (May 2009 – May 2015) and an independent non-executive director of China Construction Bank Corporation (November 2007 – December 2013), Shangri-La Asia Limited (July 2006 – May 2015) and Great Wall Pan Asia Holdings Limited (formerly known as Armada Holdings Limited and SCMP Group Limited) (April 2007 – November 2016). He is currently a director of Victor and William Fung Foundation Limited. He was an honorary associate professor of the School of Business of The University of Hong Kong (2005 – January 2018). He was a member of the Growth Enterprise Market Listing Committee of The Stock Exchange of Hong Kong Limited from 1999 to 2003. Mr. Wong was an audit partner of PricewaterhouseCoopers, Hong Kong before his retirement on 30 June 2005.

Mr. Wong was appointed as a Justice of the Peace in 2002, and was awarded Bronze Bauhinia Star in 2007 by the Government of Hong Kong. He was conferred honorary fellowships of Lingnan University, Hong Kong in 2007, City University of Hong Kong in 2013 and The University of Hong Kong in 2016 respectively.

Save as disclosed above, Mr. Wong (i) did not hold any other directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other position in the Company and its subsidiaries; and (iii) does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders (as respectively defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of the Company.

There is no service contract entered into between the Company and Mr. Wong. Mr. Wong received an appointment letter from the Company for his appointment as an Independent Non-Executive Director of the Company for a period not exceeding three years, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2018, Mr. Wong received a director's fee of HK$192,000 for being a director of the Company and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Board. His director's fee is fixed by the Board while his annual salary, if any, is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

Kwok Kwok-chuen (Age: 65)

Mr. Kwok has been an Independent Non-Executive Director of the Company since 5 May 2012. He is a member of the Corporate Governance Committee of the Board. Mr. Kwok holds a Bachelor of Social Sciences degree from The University of Hong Kong, a Master of Philosophy degree in Economics from The Chinese University of Hong Kong and a Master of Social Sciences degree in Public Administration from The University of Hong Kong.

Mr. Kwok is an independent non-executive director of DBS Bank (Hong Kong) Limited. He is the Director of the AsiaGlobal Fellows Program in the Asia Global Institute, and an honorary senior research fellow in the Faculty of Business and Economics at The University of Hong Kong. He was the Government Economist of the Hong Kong SAR Government from 2004 to 2008. Before joining the Hong Kong SAR Government, Mr. Kwok was the regional chief economist of Standard Chartered Bank (Hong Kong) Limited for the East Asia region. He was also a senior economist of The Hongkong and Shanghai Banking Corporation Limited.

Mr. Kwok has served on numerous committees and boards in Hong Kong. He is now a member of the Hong Kong Maritime and Port Board, a member of the Competition Commission and the chairman of its Enforcement Committee, a member of the Aviation Development and Three-runway System Advisory Committee, and a member of the Steering Committee and the Investment Committee of the HKSAR Government Scholarship Fund and a member of the Investment Committee of the Self-financing Post-secondary Education Fund.

Mr. Kwok also served as the chairman of the Hong Kong Coalition of Service Industries, the vice chairman of the Economic Policy Committee of the Hong Kong General Chamber of Commerce, and the honorary economist of the British Chamber of Commerce in Hong Kong. He was awarded the Bronze Bauhinia Star in 1999 and was appointed a Justice of the Peace in 2003 by the Government, in recognition of his long and dedicated public service.

Save as disclosed above, Mr. Kwok (i) did not hold any other directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other position in the Company and its subsidiaries; and (iii) does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders (as respectively defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of the Company.

There is no service contract entered into between the Company and Mr. Kwok. Mr. Kwok received an appointment letter from the Company for his appointment as an Independent Non-Executive Director of the Company for a period not exceeding three years, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. Mr. Kwok is entitled to receive a director's fee of HK$140,000 per annum (or a pro rata amount for the duration of his membership of the Corporate Governance Committee of the Board for an incomplete year) for being a director of the Company and a member of the Corporate Governance Committee of the Board. His director's fee is fixed by the Board while his annual salary, if any, is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

Directors' Profile

Lee Wai-kwong, Sunny (Age: 59)

Mr. Lee has been an Independent Non-Executive Director of the Company since 1 November 2013. He holds a Bachelor's Degree and Master's Degree in Operations Research & Industrial Engineering, both from Cornell University in the USA. Mr. Lee is a Distinguished Fellow of Hong Kong Computer Society and Fellow of Hong Kong Institute of Engineers.

Mr. Lee is the Vice-President (Administration) of City University of Hong Kong. He has more than 30 years of experience in business and technology management gained in both Hong Kong and overseas. Mr. Lee was the executive director of information technology ("IT") of The Hong Kong Jockey Club ("HKJC"), where he served as member of board of management and had overall responsibility for HKJC's IT strategy and innovation.

Prior to joining HKJC, Mr. Lee served at The Hong Kong and China Gas Company Limited (Towngas) where he was an executive committee member and held a number of key positions thereat, including chief information officer of the group and chief executive officer of two strategic diversification businesses, iCare.com Limited and Towngas Telecommunications Company Limited.

During the early 1990's, Mr. Lee was vice president and systems director of the Bank of America in Hong Kong, where he played a key role in building up IT capabilities to support the bank's business expansion in Asia. He has also held key IT positions in the financial, management consulting and manufacturing industries in the USA.

Mr. Lee takes time to serve in many high level governing and advisory committees in the academic, professional and community arena. He is a board director of The Hong Kong Applied Science and Technology Research Institute Company Limited (ASTRI), the board chairman of Hong Kong Education City and a council member of Hong Kong Management Association. Mr. Lee is also a past president of Hong Kong Computer Society, a past chairman of the Hong Kong Institute of IT Professional Certification, a past council member of Vocational Training Council and a past audit committee member of Hong Kong Housing Society.

Mr. Lee was a recipient of Hong Kong's Ten Outstanding Young Digi Persons Award in 1999, Asia CIO Award in 2002 and 2007, China Top CIO Award in 2007, 2009 Asian IT Influencer recognition, 2009 China Best Value CIO Award, and 2011 Hong Kong CIO Outstanding Achievement Award. He was appointed a Justice of the Peace in 2010 and was a torchbearer of the 2008 Beijing Olympics, representing Hong Kong's IT achievers.

Save as disclosed above, Mr. Lee (i) did not hold any other directorships in the last three years in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other position in the Company and its subsidiaries; and (iii) does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders (as respectively defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of the Company.

There is no service contract entered into between the Company and Mr. Lee. Mr. Lee received an appointment letter from the Company for his appointment as an Independent Non-Executive Director of the Company for a period not exceeding three years, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2018, Mr. Lee received a director's fee of HK$120,000 for being a director of the Company. His director's fee is fixed by the Board while his annual salary, if any, is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

SENIOR MANAGEMENT

The Executive Directors of the Company are also members of senior management of the Group.

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF SUNEVISION HOLDINGS LTD.
新意網集團有限公司

INTRODUCTION

We have reviewed the condensed consolidated financial statements of SUNeVision Holdings Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 20 to 40, which comprise the consolidated statement of financial position as of 31 December 2018 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 February 2019

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 17 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 HK$'000 (unaudited)	30 June 2018 HK$'000 (audited)
Non-current assets			
Investment properties	10	**1,664,000**	1,686,000
Property, plant and equipment	11	**5,116,530**	4,566,952
Available-for-sale investments	12	**–**	55,582
Equity instrument at FVTOCI	12	**3,710**	–
Deposit paid for tender of land	11	**50,000**	–
		6,834,240	6,308,534
Current assets			
Available-for-sale investments	12	**–**	43,044
Debt instruments at FVTOCI	12	**93,808**	–
Inventories		**11,406**	9,967
Trade and other receivables	13A	**254,622**	257,958
Contract assets	13B	**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	14	**1,030,548**	834,538
Contract liabilities	15A	**80,295**	–
Deferred revenue	15B	**–**	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	15A	**59,209**	–
Deferred revenue	15B	**–**	73,174
Bank borrowings	16	**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	17	**232,545**	232,541
Reserve arising from issuance of convertible notes	17	**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 17)	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".

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2018

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**389,340**	268,648
NET CASH USED IN INVESTING ACTIVITIES	**(368,936)**	(204,090)
NET CASH USED IN FINANCING ACTIVITIES	**(54,084)**	(131,124)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(33,680)**	(66,566)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**465,969**	604,303
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(4)**	1
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and deposits	**432,285**	537,738

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

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. 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

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.

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.

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. 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

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".

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 *HK$'000*	Reclassification *HK$'000*	Carrying amounts under HKFRS 15 at 1 July 2018 *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.

(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.

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)

Impact on the consolidated statement of financial position

	As reported *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *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

2.2 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 application of HKFRS 9

Classification and measurement of financial assets

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.

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.

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 application of HKFRS 9 (continued)

Classification and measurement of financial assets (continued)

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.

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.

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.

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 application of HKFRS 9 (continued)

Impairment under ECL model (continued)

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.

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.

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 investment to equity instrument at FVTOCI, which wholly represented the unquoted equity investment previously measured at cost less impairment under HKAS 39.

(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. PRINCIPAL ACCOUNTING POLICIES (continued)

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.

2.4 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 rentals			
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.

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

3. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

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

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 *HK$'000*	2017 *HK$'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 *HK$'000*	2017 *HK$'000*
Increase in fair value of investment properties (note 10)	**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 HK$'000	2017 HK$'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 HK$'000	2017 HK$'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 HK$'000	2017 HK$'000
Earnings for the purposes of basic and diluted earnings per share	**411,487**	392,174

	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

9. EARNINGS PER SHARE (continued)

(a) Reported earnings per share (continued)

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 17.

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	2017
	HK$'000	*HK$'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. INVESTMENT PROPERTIES

	HK$'000
At 1 July 2018	1,686,000
Increase in fair value recognised in the consolidated statement of profit or loss (note 5)	90,000
Transfer to property, plant and equipment (note 11)	(112,000)
At 31 December 2018	1,664,000

The fair value of the Group's investment properties, which are located in Hong Kong, at 31 December 2018 has been determined with reference to a valuation on market value basis carried out by Cushman & Wakefield Limited, independent qualified professional surveyors not connected with the Group. The valuation was arrived at by reference to market evidence of recent transaction prices for similar properties.

The key input used in valuing the Group's investment properties was the market price per square foot, using direct comparison approach and taking into account of the adjustments on the differences in the nature, location and condition, as well as the highest and best use of the properties, which ranged approximately from HK$6,600 to HK$11,200 (30 June 2018: HK$6,100 to HK$10,800). The increase in the market price per square foot would result in an increase in fair value of the investment properties, and vice versa.

All of the fair value measurements of the Group's investment properties were categorised into Level 3 of the fair value hierarchy. Level 3 fair value measurements are those derived from valuation techniques in which unobservable inputs are used. There were no transfers into or out of Level 3 during the period.

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

11. PROPERTY, PLANT AND EQUIPMENT

During the period, additions to property, plant and equipment and transfer from investment properties amounted to approximately HK$539,089,000 and HK$112,000,000 respectively. HK$327,069,000 was paid for purchase of property, plant and equipment during the period.

During the period, the Group submitted a tender of a piece of land, TKOTL 131 with a tender deposit of HK$50,000,000 to the Lands Department of Hong Kong. On 12 December 2018, the tender at a land premium of HK$5,456,008,000 was accepted by the Lands Department of Hong Kong. The tender deposit of HK$50,000,000, which was classified as a non-current asset at 31 December 2018 and as a part of the settlement for the land premium of HK$5,456,008,000 subsequent to the reporting period, was transferred to property, plant and equipment accordingly.

12. AVAILABLE-FOR-SALE INVESTMENTS/EQUITY INSTRUMENT AT FVTOCI/DEBT INSTRUMENTS AT FVTOCI

	31 December 2018 ***HK$'000***	30 June 2018 *HK$'000*
Available-for-sale investments:		
Listed debt instruments, at fair value – in Hong Kong	**–**	94,916
Unlisted equity instrument, at cost less impairment	**–**	3,710
	–	98,626
Debt/equity instruments at FVTOCI:		
Listed debt instruments – in Hong Kong	**93,808**	–
Unlisted equity instrument	**3,710**	–
	97,518	–
	97,518	98,626

	31 December 2018 ***HK$'000***	30 June 2018 *HK$'000*
Carrying amount analysed for reporting purposes as:		
Non-current assets	**3,710**	55,582
Current assets (debt instruments maturing within one year)	**93,808**	43,044
	97,518	98,626

13A. 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.

13B. CONTRACT ASSETS

	31 December 2018 ***HK$'000***	30 June 2018 *HK$'000*
Unbilled revenue for use of data centre and IT facilities	**60,709**	–
Unbilled revenue for installation services	**11,878**	–
Retention receivables of installation services	**11,182**	–
	83,769	–

14. 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

15A. CONTRACT LIABILITIES

The carrying amount of contract liabilities are as follows:

	31 December 2018 ***HK$'000***	30 June 2018 *HK$'000*
Current liabilities (release to the consolidated statement of profit or loss within one year)	**80,295**	–
Non-current liabilities	**59,209**	–
	139,504	–

Included in contract liabilities were upfront lump sum amounts received and service charges received in advance from customers in respect of data centre and IT facilities of HK$95,366,000 and HK$44,138,000 respectively.

15B. DEFERRED REVENUE

The carrying amount of deferred revenue is as follows:

	31 December 2018 ***HK$'000***	30 June 2018 *HK$'000*
Current liabilities (release to the consolidated statement of profit or loss within one year)	**–**	35,941
Non-current liabilities	**–**	73,174
	–	109,115

Deferred revenue wholly represented upfront lump sum amounts received from customers in respect of data centre and IT facilities.

16. 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 within a period of more than two years but not exceeding five years.

17. 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.

18. RELATED PARTY TRANSACTIONS

The significant transactions with related parties during the period are as follows:

(a) Transactions with the Sun Hung Kai Properties Limited and its subsidiaries, other than members of the Group ("SHKP Group")

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Income from maintenance and repair of network infrastructure and security systems	**30,972**	29,199
Income from installation, operation and provision of cable networking	**48,341**	51,943
Space and rack rental income	**1,696**	1,673
Lease, licence and management fee charges	**41,612**	37,517
Property management service fees paid	**8,316**	7,044
Maintenance and repair charges of network infrastructure and security system	**2,139**	1,788
Network infrastructure and security system installation charges	**6,783**	5,183
Management fee charges	**1,000**	1,000
Insurance service charges paid	**1,233**	1,076
Construction work charges	**33,576**	202,423

18. RELATED PARTY TRANSACTIONS (continued)

(b) Transaction with a director

During the period, professional fees of HK$1,279,000 (2017: HK$1,009,000) were paid/payable by the Group to Messrs. Woo Kwan Lee & Lo, a firm of solicitors which provided professional services to the Group. Mr. Cheung Wing-yui, a director of the Company, is a consultant of Messrs. Woo Kwan Lee & Lo.

(c) Compensation of key management personnel

Fees, salaries and other benefits paid/payable by the Group to the key management personnel during the period amounted to HK$5,846,000 (2017: HK$4,342,000).

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value at the end of each reporting period. The level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	31 December 2018 *HK$'000*	30 June 2018 *HK$'000*
Listed debt instruments (Level 1)	**93,808**	94,916
Unlisted equity instrument (Level 3)	**3,710**	–

Fair values of the listed debt instruments have been determined by reference to bid prices quoted in active markets.

Fair value of the unlisted equity investment have been determined by dividend discount model that are not based on observable market data.

The carrying amounts of financial assets and financial liabilities recorded at amortised costs in the condensed consolidated financial statements approximate to their fair values.

There was no transfer of financial assets and financial liabilities between fair value hierarchy classifications during the six months ended 31 December 2018 and 2017.

20. CAPITAL COMMITMENTS

	31 December 2018 *HK$'000*	30 June 2018 *HK$'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**6,343,824**	554,301

21. 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 save as disclosed in note 11. 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).

DIRECTORS' INTERESTS

As at 31 December 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

1. Long position in shares and underlying shares of the Company

	Number of shares held						
Name of Director	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Other interests	Sub-total	Number of underlying shares held under equity derivatives	Total	% of shares in issue as at 31.12.2018
Kwok Ping-luen, Raymond	–	–	3,485,000[1]	3,485,000	–	3,485,000	0.15
Fung Yuk-lun, Allen	–	–	–	–	4,000,000[2]	4,000,000	0.17
Tong Kwok-kong, Raymond	–	–	–	–	4,000,000[2]	4,000,000	0.17
Kwok Kai-wang, Christopher	–	–	13,272,658[1&3]	13,272,658	–	13,272,658	0.57
King Yeo-chi, Ambrose	1,000	–	–	1,000	–	1,000	0.00

Notes:

1. Messrs. Kwok Ping-luen, Raymond and Kwok Kai-wang, Christopher were deemed to be interested in 3,485,000 shares in the Company by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated between them.

2. These underlying shares of the Company held under equity derivatives represented the share options (being regarded for the time being as unlisted physically settled equity derivatives) granted by the Company under its share option scheme. Particulars of these share options and their movements during the six months ended 31 December 2018 are set out in the section headed "Share Option Scheme".

3. Mr. Kwok Kai-wang, Christopher was also deemed to be interested in 9,787,658 shares in the Company by virtue of him being a beneficiary of a discretionary trust for the benefit of the sons of the late Mr. Kwok Ping-sheung, Walter, of Mr. Kwok Ping-kwong, Thomas and of Mr. Kwok Ping-luen, Raymond respectively for the purpose of Part XV of the SFO.

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

(a) *Sun Hung Kai Properties Limited ("SHKP")*

Name of Director	Number of shares held: Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Other interests	Sub-total	Number of underlying shares held under equity derivatives	Total	% of shares in issue as at 31.12.2018
Kwok Ping-luen, Raymond	188,743	70,000[1]	–	524,284,686[2]	524,543,429	–	524,543,429	18.11
Tung Chi-ho, Eric	–	–	–	–	–	100,000[3] (personal interests in share options)	100,000	0.00
Kwok Kai-wang, Christopher	110,000[4]	60,000[5]	–	651,238,101[2&6]	651,408,101	–	651,408,101	22.48
David Norman Prince	2,000	–	–	–	2,000	–	2,000	0.00
Siu Hon-wah, Thomas	–	–	–	7,000[7]	7,000	–	7,000	0.00
Kwok Kwok-chuen	–	–	–	16,942[8]	16,942	–	16,942	0.00

Notes:

1. These shares in SHKP were held by the spouse of Mr. Kwok Ping-luen, Raymond.

2. Messrs. Kwok Ping-luen, Raymond and Kwok Kai-wang, Christopher were deemed to be interested in 524,284,686 shares in SHKP by virtue of them being beneficiaries of certain discretionary trusts for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated between them.

3. These underlying shares of SHKP held under equity derivatives represented the share options (being regarded for the time being as unlisted physically settled equity derivatives) granted by SHKP under its share option scheme. Particulars of these share options and their movements during the six months ended 31 December 2018 were as follows:

Name of Director	Date of grant	Exercise price per share HK$	Exercise period	Number of share options: Balance as at 01.07.2018	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Balance as at 31.12.2018
Tung Chi-ho, Eric	11.07.2014	106.80	11.07.2015 to 10.07.2019	100,000	–	–	–	100,000

The share options of SHKP can be exercised up to 30% of the grant from the first anniversary of the date of grant, up to 60% of the grant from the second anniversary of the date of grant, and in whole or in part of the grant from the third anniversary of the date of grant.

4. These shares in SHKP were held jointly with the spouse of Mr. Kwok Kai-wang, Christopher.

5. These shares in SHKP were held by the spouse of Mr. Kwok Kai-wang, Christopher.

6. Mr. Kwok Kai-wang, Christopher was also deemed to be interested in 126,953,415 shares in SHKP by virtue of him being a beneficiary of a discretionary trust for the benefit of the sons of the late Mr. Kwok Ping-sheung, Walter, of Mr. Kwok Ping-kwong, Thomas and of Mr. Kwok Ping-luen, Raymond respectively for the purpose of Part XV of the SFO.

7. These shares in SHKP were held jointly with the spouse of Mr. Siu Hon-wah, Thomas.

8. These shares in SHKP were held jointly with the spouse of Mr. Kwok Kwok-chuen.

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

Name of Director	Number of shares held: Personal interests (held as beneficial owner)	Other interests	Sub-total	Number of underlying shares held under equity derivatives	Total	% of shares in issue as at 31.12.2018
Kwok Ping-luen, Raymond	–	5,111,968[1]	5,111,968	–	5,111,968	0.46
Fung Yuk-lun, Allen	437,359	–	437,359	–	437,359	0.04
Kwok Kai-wang, Christopher	–	11,894,301[1&2]	11,894,301	–	11,894,301	1.06

Notes:

1. Messrs. Kwok Ping-luen, Raymond and Kwok Kai-wang, Christopher were deemed to be interested in 5,111,968 shares in SmarTone by virtue of them being beneficiaries of a discretionary trust for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated between them.

2. Mr. Kwok Kai-wang, Christopher was also deemed to be interested in 6,782,333 shares in SmarTone by virtue of him being a beneficiary of a discretionary trust for the benefit of the sons of the late Mr. Kwok Ping-sheung, Walter, of Mr. Kwok Ping-kwong, Thomas and of Mr. Kwok Ping-luen, Raymond respectively for the purpose of Part XV of the SFO.

(c) Each of Messrs. Kwok Ping-luen, Raymond and Kwok Kai-wang, Christopher had the following interests in shares of the following associated corporations of the Company:

Name of associated corporation	Attributable shares held through corporation	Attributable % of shares in issue through corporation as at 31.12.2018	Actual shares held through corporation	Actual % of interests in issued shares as at 31.12.2018
Splendid Kai Limited	2,500	25.00	1,500[1]	15.00
Hung Carom Company Limited	25	25.00	15[1]	15.00
Tinyau Company Limited	1	50.00	1[1]	50.00
Open Step Limited	8	80.00	4[1]	40.00

Note:

1. Messrs. Kwok Ping-luen, Raymond and Kwok Kai-wang, Christopher were deemed to be interested in these shares by virtue of them being beneficiaries of a discretionary trust for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated between them.

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

1. Share Option Scheme of the Company

By an ordinary resolution of the Company passed at its annual general meeting held on 1 November 2012, the Company adopted a share option scheme which became effective on 15 November 2012 following the passing of an ordinary resolution approving the same by the then shareholders of SHKP at its annual general meeting held on 15 November 2012 (the "2012 Scheme").

During the six months ended 31 December 2018, no share options have been granted under the 2012 Scheme. Particulars of the outstanding share options granted under the 2012 Scheme and their movements during the six months ended 31 December 2018 were as follows:

				Number of share options					
Grantees	Date of grant	Exercise price per share	Exercise period[1]	Balance as at 01.07.2018	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Balance as at 31.12.2018	Closing price per share
		HK$							*HK$*
(i) Directors									
Fung Yuk-lun, Allen	08.03.2016	2.45	08.03.2017 to 07.03.2021	4,000,000	–	–	–	4,000,000	N/A
Tong Kwok-kong, Raymond	19.06.2018	5.048	19.06.2019 to 18.06.2023	4,000,000	–	–	–	4,000,000	N/A
(ii) Other employees	08.03.2016	2.45	08.03.2017 to 07.03.2021	5,610,000	–	(40,000)	–	5,570,000	5.22[2]
	19.06.2018	5.048	19.06.2019 to 18.06.2023	4,350,000	–	–	–	4,350,000	N/A
(iii) Other participants	19.06.2018	5.048	19.06.2019 to 18.06.2023	3,000,000	–	–	(1,500,000)	1,500,000	N/A
Total				20,960,000	–	(40,000)	(1,500,000)	19,420,000	

Notes:

1. The share options of the Company can be exercised up to 30% of the grant from the first anniversary of the date of grant, up to 60% of the grant from the second anniversary of the date of grant, and in whole or in part of the grant from the third anniversary of the date of grant.

2. This represented the weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised.

Save as disclosed above, there were no outstanding share options granted under the 2012 Scheme during the six months ended 31 December 2018.

2. Arrangement to Purchase Shares or Debentures

Other than the share option scheme as mentioned above, at no time during the six months ended 31 December 2018 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, the interests or short positions of the persons, other than Directors or chief executive of the Company, in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

Name	Number of shares held	Number of underlying shares held under equity derivatives	Total	% of shares in issue as at 31.12.2018
Sunco Resources Limited ("Sunco")[1]	1,719,427,500	1,719,427,500[2]	3,438,855,000	147.88
SHKP[3]	1,719,427,500	1,719,427,500[2]	3,438,855,000	147.88
HSBC Trustee (C.I.) Limited ("HSBCCI")[4]	1,721,567,500	1,719,427,500[2]	3,440,995,000	147.97

Notes:

1. Sunco is the beneficial owner of the 1,719,427,500 shares of the Company and the derivative interests referred to in Note 2 below.

2. These represented the interests in the underlying shares of the Company in respect of the convertible notes (which are unlisted, non-transferable, irredeemable and physically settled equity derivatives) in the amount of HK$171,942,750 convertible into 1,719,427,500 shares of the Company at the conversion price of HK$0.10 per share (subject to adjustment in accordance with the deed poll constituting the convertible notes dated 25 November 2010) upon the exercise of the conversion rights attached to the convertible notes.

3. As Sunco is a wholly-owned subsidiary of SHKP, SHKP is deemed to have interest in the 3,438,855,000 shares of the Company (including 1,719,427,500 underlying shares referred to in Note 2 above) held by Sunco for the purpose of Part XV of the SFO.

4. As HSBCCI is entitled to control the exercise of one-third or more of the voting power at general meetings of SHKP, HSBCCI is deemed to have interest in the 3,438,855,000 shares of the Company (including 1,719,427,500 underlying shares referred to in Note 2 above) held indirectly by SHKP for the purpose of Part XV of the SFO.

Save as disclosed above, as at 31 December 2018, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

INTERESTS OF OTHER PERSONS

During the six months ended 31 December 2018, other than the interests in shares and underlying shares of the Company and its associated corporations held by the Directors, the chief executive and the substantial shareholders of the Company stated above, there were no other persons with interests recorded in the register required to be kept by the Company under Section 336 of the SFO.

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 is set out on page 19 of this 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 Listing Rules. The Audit Committee has reviewed 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 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code in Appendix 10 to the Listing Rules as the code of conduct for the Directors and the relevant employees who are likely to possess inside information of the Group in their dealings in the securities of the Company. Upon the Company's specific enquiry, each Director has confirmed that during the six months ended 31 December 2018, he has fully complied with the Model Code and there is no event of non-compliance.

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.

On behalf of the Board

Kwok Ping-luen, Raymond
Chairman

Hong Kong, 22 February 2019

As at the date of this report, 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.

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