SUNEVISION HOLDINGS LTD.

新意網集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1686)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

CHAIRMAN'S STATEMENT

The first half of this financial year has been successful for the Group with growth in revenue, EBITDA and underlying profit, being the profit attributable to owners of the Company less the fair value gain of investment properties. The commissioning of major new customers continued at its flagship data centre in Tseung Kwan O, MEGA Plus, whilst good progress was achieved on the development of its recently acquired sites in Tseung Kwan O and Tsuen Wan. SUNeVision is well placed to meet the significant growth in customer demand for state-of-the-art data centre facilities.

FINANCIAL HIGHLIGHTS

On 6 November 2019, SUNeVision completed the connected transactions with Sun Hung Kai Properties (SHKP) Group whereby the Group acquired the company owning the MEGA Two facility and disposed of its two companies owning the properties at Millennium City 1 and Kodak House II. These transactions enable the Group to focus its portfolio of assets on growing its data centre business. The financial results relating to the disposed investment properties were treated as discontinued operations for the period.

Continuing operations

The Group's revenue for the period increased 12% to HK$818.6 million, driven mainly by revenue growth from the Group's data centre operations. The revenue increase was attributable to new customer contracts as well as revenue growth from existing customers. Cost of sales for the period rose 12% to HK$358.9 million, largely due to higher depreciation charge and operating costs incurred for the commissioning of new customers. The increase in depreciation charge, following the acquisition of MEGA Two, was offset by the savings in the rental expenses relating to this facility.

Operating expenditure for the period increased from HK$48.2 million to HK$65.0 million, mainly due to more resources deployed in the management and sales team to promote the sales and marketing of the new data centre facilities; the upgrade of business support systems; as well as legal and professional fees incurred for the Judicial Review of the Hong Kong Science and Technology Parks Corporation (HKSTPC) in relation to Tseung Kwan O Industrial Estate (TKOIE).

Profit from operations for the period amounted to HK$401.0 million, an increase of HK$32.6 million over the same period of the previous financial year. EBITDA for the period increased by HK$102.5 million to HK$565.2 million, in which EBITDA from the data centre business increased by HK$102.1 million, or 22% over the same period of previous financial year. The EBITDA for the period was impacted by the adoption of HKFRS 16 "Leases", which resulted in a reclassification of rental expenses to depreciation and interest expenses. As the majority of the Group's data centres are self-owned, the impact on the adoption of HKFRS 16 is insignificant. Excluding such impact, EBITDA for the period would have increased by HK$74.6 million to HK$537.3 million, in which EBITDA from the data centre business would have increased by HK$74.9 million, or 16% over the same period of the previous financial year.

Finance costs rose to HK$20.4 million mainly due to the Group's increased bank borrowings to finance the upgrade of its data centre facilities and for general working capital purposes.

Profit for the period from continuing operations increased by HK$21.3 million to HK$320.8 million, compared to HK$299.5 million for the same period of previous financial year.

The Group's underlying profit for the period attributable to owners of the Company increased by HK$14.0 million to HK$335.5 million. The connected transactions which were effective from 7 November 2019, had a small negative effect on the underlying profit for the period under review when taking into account that the loss of rental income from the disposed investment properties, the additional depreciation, and the financing costs associated with the acquisition of MEGA Two were slightly higher than the savings in rental expenses of MEGA Two. However, this is a beneficial transaction for the Company in view of the quality of the MEGA Two facility, and that ownership enables the Company to deploy this data centre asset to secure growth in customer contracts and revenues over the longer term.

The Group had approximately HK$488.5 million in cash on hand as of 31 December 2019, with bank borrowings and shareholder's loan amounted to HK$5,828.7 million and HK$3,300.0 million respectively. The shareholder's loan was an unsecured 6-year fixed term loan from SHKP Group. Total borrowings increased by HK$1,076.0 million to HK$9,128.7 million at the end of the period under review, mainly to finance the capital expenditure to enhance various data centre facilities and to finance the net consideration for the connected transactions. The gearing ratio as of 31 December 2019 was 220%. If the long-term unsecured shareholder's loan is excluded such ratio would have been 136%, compared to 103% as at 30 June 2019. In December 2019, the Group obtained a HK$3.0 billion long-term unsecured banking facility for refinancing the short-term bank borrowing and business growth. With the continuous support of the major shareholder and banks, the Group is in a strong position to meet its future financing needs.

BUSINESS REVIEW

SUNeVision was pleased to receive shareholders' support for the MEGA Two facility acquisition in October 2019 and the acquisition was completed in November 2019. This ownership will allow further enhancements in infrastructure and service quality. The demand for this state-of-the-art facility has further strengthened since the transaction was completed.

Our flagship data centre in Tseung Kwan O, MEGA Plus, continued to attract interest from global cloud service providers and new economy players during the period. MEGA Plus is the only data centre in Tseung Kwan O built on dedicated land without any restrictions on land use, such as subletting. In addition, the Group is developing the greenfield site (TKOTL 131) adjacent to MEGA Plus. The development of this site will provide approximately 1.2 million square feet of gross floor area (GFA) and together with MEGA Plus will enable the Group to achieve significant operating and cost synergies between the two sites and provide customers with seamless facilities for their business expansion. Upon full completion, SUNeVision will have approximately 1.7 million square feet of GFA in Tseung Kwan O, the key data hub in Hong Kong. TKOTL 131 is already in the final stages of design and the preliminary construction works have begun.

The Group has an outstanding court case regarding alleged subletting of heavily subsidized land by data centre operators within the TKOIE. The judgment has not yet been delivered. A media report revealed that a major data centre operator within the Industrial Estate confirmed that it, and HKSTPC, have the right to enter the premises. It also confirmed that it has control over customers' access rights to those premises. In contrast, the Group's data centre in Tseung Kwan O is built on open tender site with no restrictions on subletting and customer usage. The Group can hence serve its customers more effectively and flexibly. Customers in the Group's data centres will hence also enjoy a much higher degree of protection and privacy.

The Group continued the development of the new site in Tsuen Wan (TWTL 428). Located near one of the Group's existing facilities JUMBO, the TWTL 428 site will expand the Group's data centre capacity in Tsuen Wan by approximately 200,000 square feet of GFA. Foundation piling work at the site is underway. SUNeVision looks forward to the opening of TWTL 428 and TKOTL 131 by phases starting in 2022.

In addition to the new site developments, SUNeVision invested in enhancing its existing facilities, particularly in MEGA-i, which is one of the leading connectivity hubs in Asia. The upgrade to this facility will enhance power capacity by as much as 40% and enable a more efficient allocation of space. This upgrade will be completed before the end of the year and will allow us to serve more customers and with more power capacity.

The Group's core data centre business remains resilient amid macro and local uncertainties. Data centres are a long-term business. The demand for data will continue to increase. As the leading data centre operator in Hong Kong, SUNeVision aspires to capture market opportunities by providing the best infrastructure, connectivity and service possible.

APPRECIATION

I would like to close by thanking all the Directors and 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, 21 February 2020

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group reported its unaudited results for the first half of the 2019/20 financial year with HK$409.7 million in profit attributable to owners of the Company, out of which HK$320.8 million was generated from continuing operations primarily from its core data centre business.

BUSINESS REVIEW

iAdvantage

The Group's core business in data centre operations, iAdvantage, continued to attract interest from the market during the period. As the largest carrier-neutral and cloud-neutral data centre operator in Hong Kong with its world-class facilities built around the MEGA Campus (consisting of MEGA-i, MEGA Plus and MEGA Two), iAdvantage is seen as the preferred solution for many companies including global and mainland cloud service providers, new economy players, and large multinational companies.

The successful acquisition of MEGA Two in November 2019 will allow the Group to provide greater flexibility and support for high-growth customers. MEGA Two is the Group's gateway hub to Mainland China and together with the purpose-built flagship facility in Tseung Kwan O (MEGA Plus), and the Asia connectivity hub in Chai Wan (MEGA-i), the Group now owns three large-scale high-tier facilities in different prime locations in Hong Kong. These MEGA Campus facilities are linked with high-speed dark fibre cables, which provide superior connectivity, low network latency and outstanding architecture resilience. This is ideal for customers who require mission-critical technology deployment in multiple locations.

Infrastructure facility improvements have been continuing in the existing data centres. The revitalization work at MEGA-i is progressing on track and is scheduled for completion before the end of the year. This upgrade will increase power capacity, by up to 40%, to the whole building and will meet the increasing demand by customers for power and efficient use of space. As one of the top connectivity hubs in Asia, MEGA-i remains extremely attractive to global and regional telcos, internet service providers, global and mainland cloud players, and multinational companies. The Group will continue to invest and upgrade MEGA-i and other facilities, ensuring it can continue to offer customers high-standard infrastructure, services and unparalleled connectivity.

Development of the Group's two new sites is on track. The TWTL 428 in Tsuen Wan is proceeding with foundation piling works. The TKOTL 131 in Tseung Kwan O is in the final stages of design and the preliminary construction works have commenced. These two greenfield sites will add approximately 1.4 million square feet of gross floor area space to the Group's data centre portfolio upon project completion.

SUNeVision will actively manage and allocate existing inventory to strategic customers, and to plant seeds for upcoming new inventory (TWTL 428, TKOTL 131) which will come online by phases starting in 2022.

The Group further invested resources in sales and marketing activities to promote its brand and services to overseas as well as mainland customers and continued to upgrade its business support systems to service its growing customer base.

SUNeVision was pleased to be awarded the "2019 Best IDC Provider (Overseas)" in the 14th China IDC Industry Annual Ceremony (IDCC2019), and received the "Innovative Data Centre: Silver Award" from the Communications Association of Hong Kong (CAHK) STAR Awards 2019. These awards recognized the Group's outstanding data centre infrastructure and services, and its leading position in the region. It will continue to differentiate from other providers by offering world-class facilities, renowned connectivity and ecosystem, and high-quality services.

Super e-Technology and Super e-Network

Super e-Technology secured contracts for the installation of ELV and IT systems totalling approximately HK$11.0 million during the first half of the 2019/20 financial year. Super e-Technology maintains a positive outlook for the ELV sector for the second half of the financial year, and is constantly exploring opportunities to enhance its service offerings.

Super e-Network continued to work with broadband and network service providers to expand its service offerings. It has been actively pursuing new opportunities to expand its broadband and Wi-Fi solutions to different sectors.

CAPITAL INVESTMENT

The recent acquisition of the MEGA Two facility will help the Group further focus on data centre business and improve operations support flexibility for customers. The revitalization of MEGA-i, and new sites development of TWTL 428 and TKOTL 131 will enhance and expand SUNeVision's high-tier data centre capacity for increasing data demand. Data centre business is a capital-intensive industry, requiring long-term capital investment. The Group is committed to continuing investment in existing as well as new infrastructure for new business development, and regularly reviews its investment profile to take account of the changing customer and market environment.

OTHER FINANCIAL DISCUSSION AND ANALYSIS

The Group's cash on hand as of 31 December 2019 amounted to approximately HK$488.5 million, while short-term and long-term bank borrowings were HK$2,182.3 million and HK$3,646.4 million respectively. The Group had approximately HK$5,340.2 million in total net bank borrowings, which increased by HK$1,055.3 million or 25%, compared to HK$4,284.9 million as at 30 June 2019. The increase was mainly to finance the capital expenditure to upgrade its data centre facilities, the acquisition of MEGA Two facility (net of the sale proceeds from the disposals of investment properties), and general working capital requirements. The gearing ratio as of 31 December 2019 was 220%; if excluding the long-term unsecured shareholder's loan of HK$3,300.0 million from SHKP Group, such ratio was 136%. In December 2019, the Group had successfully obtained a HK$3.0 billion 5-year term and revolving loan facility from a bank to refinance the short-term bank borrowing due in January 2020 and to fund various existing data centre projects.

SUNeVision has a strong financial position to fund its growth plans in the medium term, taking into account the financial resources available including internally generated funds, available banking facilities, and the loan from SHKP Group.

As of 31 December 2019, the Group had no contingent liability while the Company had an aggregate of HK$9,174.3 million contingent liabilities in respect of guarantees for general banking facilities utilized by the Group's subsidiaries for increased 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 2019. On 6 November 2019, the Group completed the connected transactions with SHKP Group, comprising the acquisition of the company owning the MEGA Two facility in Sha Tin from SHKP Group at a consideration of HK$2.2 billion and the disposals of two companies owning the properties at Millennium City 1 in Kwun Tong and Kodak House II in North Point to SHKP Group at a total consideration of HK$1.8 billion.

EMPLOYEES

The Group had 314 full-time employees as of 31 December 2019. The management team and staff team were strengthened for expanded business and to better serve large-scale global strategic customers. The Group is committed to talent development and staff retention. The Group continued to provide attractive career advancement opportunities and competitive pay and benefits.

Staff costs increased during the period as the Group recruited more talent to support its expanded data centre operations. Periodical compensation reviews including other benefits such as medical coverage and Mandatory Provident Fund contributions, were conducted to ensure competitiveness in the employment market.

Various engagement and culture development initiatives were also implemented to enhance staff communication and team spirit. Different training and development opportunities continued to be provided to enhance employee capability to support business growth.

The Group operates a share option scheme and grants share options to selected directors and employees to recognize their significant contribution.

Consolidated Statement of Profit or Loss

For the six months ended 31 December 2019

	NOTES	Six months ended 31 December 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited) (restated)
Continuing operations			
Revenue	3	**818,620**	728,611
Cost of sales		**(358,914)**	(320,218)
Gross profit		**459,706**	408,393
Other income	4	**6,337**	8,213
Selling expenses		**(14,486)**	(13,858)
Administrative expenses		**(50,550)**	(34,353)
Profit from operations		**401,007**	368,395
Finance costs		**(20,447)**	(7,243)
Profit before taxation		**380,560**	361,152
Income tax expense	5	**(59,748)**	(61,610)
Profit for the period from continuing operations		**320,812**	299,542
Discontinued operations			
Profit for the period from discontinued operations		**88,926**	111,945
Profit for the period attributable to owners of the Company	6	**409,738**	411,487
Earnings per share based on profit from continuing and discontinued operations attributable to owners of the Company (reported earnings per share)	8(a)		
Basic (Remark (i))		**10.12 cents**	10.17 cents
Diluted (Remarks (i) and (ii))		**10.11 cents**	10.16 cents
Earnings per share excluding the effect of increase in fair value of investment properties (underlying earnings per share)	8(b)		
Basic (Remark (i))		**8.29 cents**	7.95 cents
Diluted (Remarks (i) and (ii))		**8.28 cents**	7.94 cents
Earnings per share based on profit from continuing operations attributable to owners of the Company (earnings per share from continuing operations)	8(c)		
Basic (Remark (i))		**7.93 cents**	7.40 cents
Diluted (Remarks (i) and (ii))		**7.92 cents**	7.40 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 2019 has been taken into account of 4,772,880 (2018: 4,880,668) potential ordinary shares in existence arising from certain share options granted.

Details of earnings per share calculation and the Company's share capital are set out in notes 8 and 13 respectively.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2019

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Profit for the period	**409,738**	411,487
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 debt instruments measured at fair value through other comprehensive income ("FVTOCI")	**(567)**	(473)
Exchange differences arising from translation of operations outside Hong Kong	**2**	4
	(565)	(469)
Total comprehensive income for the period	**409,173**	411,018
Total comprehensive income (expense) attributable to:		
Owners of the Company	**409,362**	411,497
Non-controlling interests	**(189)**	(479)
	409,173	411,018

Consolidated Statement of Financial Position

At 31December 2019

	NOTES	**31 December 2019 HK$'000 (unaudited)**	30 June 2019 HK$'000 (audited)
Non-current assets			
Investment properties		**-**	1,769,000
Property, plant and equipment		**13,698,523**	10,960,684
Equity instrument at FVTOCI		**3,710**	3,710
		13,702,233	12,733,394
Current assets			
Debt instrument at FVTOCI		**-**	51,089
Inventories		**7,121**	7,141
Trade and other receivables	9	**294,497**	294,760
Contract assets and unbilled revenue		**82,259**	82,309
Bank balances and deposits		**488,505**	467,810
		872,382	903,109
Current liabilities			
Trade and other payables	10	**994,992**	956,893
Contract liabilities		**99,962**	85,087
Lease liabilities		**1,450**	-
Tax payables		**141,083**	83,600
Bank borrowings	11	**2,182,335**	2,180,153
		3,419,822	3,305,733
Net current liabilities		**(2,547,440)**	(2,402,624)
Total assets less current liabilities		**11,154,793**	10,330,770
Non-current liabilities			
Contract liabilities		**31,320**	42,679
Lease liabilities		**296**	-
Deferred tax liabilities		**233,028**	224,398
Bank borrowings	11	**3,646,396**	2,572,548
Shareholder's loan	12	**3,300,000**	3,300,000
		7,211,040	6,139,625
Net assets		**3,943,753**	4,191,145
Capital and reserves			
Share capital	13	**232,855**	232,658
Reserve arising from issuance of convertible notes	13	**172,002**	172,002
Other reserves		**3,524,692**	3,772,092
Equity attributable to owners of the Company		**3,929,549**	4,176,752
Non-controlling interests		**14,204**	14,393
Total equity		**3,943,753**	4,191,145

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2019

	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
	Attributable to owners of the Company									
At 1 July 2019 (audited)	232,658	2,326,982	172,002	10,500	2,673	567	1,431,370	4,176,752	14,393	4,191,145
Profit for the period	-	-	-	-	-	-	409,738	409,738	-	409,738
Exchange differences arising from translation of operations outside Hong Kong	-	-	-	-	191	-	-	191	(189)	2
Change in fair value of debt instrument measured at FVTOCI	-	-	-	-	-	(567)	-	(567)	-	(567)
Total comprehensive income (expense) for the period	-	-	-	-	191	(567)	409,738	409,362	(189)	409,173
Exercise of share options (note 13)	197	5,525	-	(829)	-	-	-	4,893	-	4,893
Recognition of equity-settled share-based payments	-	-	-	6,555	-	-	-	6,555	-	6,555
Final dividend and distribution paid (note 7)	-	-	-	-	-	-	(668,013)	(668,013)	-	(668,013)
At 31 December 2019 (unaudited)	**232,855**	**2,332,507**	**172,002**	**16,226**	**2,864**	**-**	**1,173,095**	**3,929,549**	**14,204**	**3,943,753**

	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
	Attributable to owners of the Company									
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	4	110	-	(16)	-	-	-	98	-	98
Recognition of equity-settled share-based payments	-	-	-	3,589	-	-	-	3,589	-	3,589
Final dividend and distribution paid (note 7)	-	-	-	-	-	-	(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

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 the 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 were exercised and converted into ordinary shares by noteholders during the six months ended 31 December 2019 and 2018. As a result, the Convertible Notes in the amount of HK$172,001,683.30 (31 December 2018: HK$172,001,733.30) remained outstanding as at 31 December 2019.

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 have the same right as the shareholders to receive dividend. 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”.

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$2,547,440,000 as at 31 December 2019. 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 facility from Sun Hung Kai Properties Limited Group ("SHKP Group"), 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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2019.

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 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs and the interpretation in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

2.1.1 Key changes in accounting policies resulting from applications of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

2. PRINCIPAL ACCOUNTING POLICIES – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" – continued

2.1.1 *Key changes in accounting policies resulting from application of HKFRS 16* - continued

As a lessee – continued

Right-of-use assets - continued

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property, plant and equipment", the same line item as that within which the corresponding underlying assets would be presented if they were owned.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2. PRINCIPAL ACCOUNTING POLICIES – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" – continued

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 - continued

As a lessee - continued

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

2. PRINCIPAL ACCOUNTING POLICIES – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" – continued

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 - continued

As a lessee – continued

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 July 2019, the Group applies HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2. PRINCIPAL ACCOUNTING POLICIES – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" – continued

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 July 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 July 2019.

As at 1 July 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 3.00%.

2. PRINCIPAL ACCOUNTING POLICIES – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" – continued

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 – continued

As a lessee - continued

	At 1 July 2019
	HK$'000
Operating lease commitments disclosed as at 30 June 2019	169,401

Lease liabilities discounted at relevant incremental borrowing rates	163,059
Add: Extension options reasonably certain to be exercised	5,383
Less: Practical expedient – leases with lease term ending within 12 months from the date of initial application	(1,099)

Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 July 2019	167,343
	======
Analysed as:	
Current	70,996
Non-current	96,347

	167,343
	======

The carrying amount of right-of-use assets as at 1 July 2019 comprises the following:

	Right-of-use assets
	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	167,343
	======

Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 in property, plant and equipment under leased properties.

2. PRINCIPAL ACCOUNTING POLICIES – continued

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" - continued

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 - continued

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 July 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 July 2019. However, effective on 1 July 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and should be adjusted to reflect the discounting effect at transition. No adjustment was made as discounting effect was not material.

(c) Effective on 1 July 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 July 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30 June 2019	Adjustments	Carrying amounts under HKFRS 16 at 1 July 2019
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	10,960,684	167,343	11,128,027
Current liabilities			
Lease liabilities	-	70,996	70,996
Non-current liablilites			
Lease liabilities	-	96,347	96,347

3. SEGMENT INFORMATION

Disaggregation of revenue

For the six months ended 31 December 2019

Segments	**Data centre and IT facilities** *HK$'000*	**ELV and IT systems** *HK$'000*	**Total** *HK$'000*
Types of services recognised over time			
Income from data centre and information technology ("IT") facilities	**729,300**	**-**	**729,300**
Installation and maintenance fee of extra-low voltage ("ELV") and IT systems	**-**	**89,320**	**89,320**
Revenue from contract with customers	**729,300**	**89,320**	**818,620**

For the six months ended 31 December 2018

Segments	Data centre and IT facilities *HK$'000*	ELV and IT systems *HK$'000*	Total *HK$'000* *(restated)*
Types of services recognised over time			
Income from data centre and IT facilities	644,385	-	644,385
Installation and maintenance fee of ELV and IT systems	-	84,226	84,226
Revenue from contract with customers	644,385	84,226	728,611

Segment revenue and results

Segment profit represents the profit earned by each segment without allocation of central administrative costs, directors' emoluments, 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) ELV and IT systems comprise installation and maintenance services for the respective systems.

An operating segment regarding the properties holding was discontinued upon the disposal of subsidiaries in the current period. The segment information reported as below does not include any amounts for these discontinued operations. The comparative figures for the six months ended 31 December 2018 were restated to exclude the properties holding segment from continuing operations.

3. SEGMENT INFORMATION – continued

Segment revenue and results - continued

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 2019

Continuing operations

	Data centre and IT facilities	**ELV and IT systems**	**Elimination**	**Consolidated total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
External	**729,300**	**89,320**	**-**	**818,620**
Inter-segment	**-**	**176**	**(176)**	**-**
Total	**729,300**	**89,496**	**(176)**	**818,620**
RESULTS				
Segment results	**398,363**	**19,088**	**-**	**417,451**
Unallocated corporate expenses				**(21,310)**
Interest income				**4,724**
Finance costs				**(20,447)**
Investment income				**142**
Profit before taxation from continuing operations				**380,560**

For the six months ended 31 December 2018 (restated)

Continuing operations

	Data centre and IT facilities	ELV and IT systems	Elimination	Consolidated total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
External	644,385	84,226	-	728,611
Inter-segment	-	180	(180)	-
Total	644,385	84,406	(180)	728,611
RESULTS				
Segment results	362,955	15,742	-	378,697
Unallocated corporate expenses				(17,664)
Interest income				7,220
Finance costs				(7,243)
Investment income				142
Profit before taxation from continuing operations				361,152

3. SEGMENT INFORMATION – continued

Segment revenue and results - continued

Inter-segment sales are charged at prevailing market rates.

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

4. OTHER INCOME

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Interest income	**4,724**	7,220
Investment income	**142**	142
Miscellaneous	**1,471**	851
	---------	---------
	6,337	8,213
	=====	=====

5. INCOME TAX EXPENSE

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Current tax		
- Hong Kong Profits Tax	**48,158**	33,180
Deferred tax charge	**11,590**	28,430
	---------	---------
	59,748	61,610
	=====	=====

Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) on the estimated assessable profits for the period.

6. PROFIT FOR THE PERIOD

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Profit for the period from continuing operations has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment (including depreciation of right-of-use assets of HK$26,160,000 (2018: Nil))	**168,872**	101,511
Interest on bank borrowings	**61,974**	21,872
Interest on shareholder's loan	**66,542**	-
Other finance costs	**8,001**	4,194
Less: amounts capitalised	**(117,763)**	(18,823)
	18,754	7,243
Interest on lease liabilities	**1,693**	-
Total finance costs	**20,447**	7,243

7. DIVIDENDS

During the period, a final dividend of HK$16.50 cents per share in respect of the year ended 30 June 2019 (2018: a final dividend of HK$15.10 cents per share in respect of the year ended 30 June 2018) 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$668,013,000 (2018: HK$610,866,000).

The board of directors does not recommend the payment of an interim dividend for the six months ended 31 December 2019 (2018: Nil).

8. EARNINGS PER SHARE

(a) Reported earnings per share

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

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**409,738**	411,487

8. EARNINGS PER SHARE - continued

(a) Reported earnings per share - continued

	2019 **Number of shares**	2018 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,047,811,715**	4,045,450,318
Effect of dilutive potential ordinary shares: share options	**4,772,880**	4,880,668
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,052,584,595**	4,050,330,986

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

The computation of diluted earnings per share does not assume the exercise of certain Company's share options because the exercise price of those share options was higher than the average market price for shares for the six months ended 31 December 2019 and 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 2019 and 2018.

(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$335,486,000 (2018: HK$321,487,000), excluding the effect of increase in fair value of investment properties (included in profits from discontinued operations). A reconciliation of profit is as follows:

	Six months ended 31 December	
	2019 ***HK$'000***	2018 *HK$'000*
Profit attributable to owners of the Company as shown in the consolidated statement of profit or loss	**409,738**	411,487
Less: increase in fair value of investment properties	**(74,252)**	(90,000)
Underlying profit attributable to owners of the Company	**335,486**	321,487

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

8. EARNINGS PER SHARE - continued

(c) Earnings per share from continuing operations

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
		(restated)
Profit attributable to owners of the Company as shown in the consolidated statement of profit or loss	**409,738**	411,487
Less: Profit from discontinued operations	**(88,926)**	(111,945)
Earnings for the purpose of basic and diluted earnings per share from continuing operations	**320,812**	299,542

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

(d) Earnings per share from discontinued operations

Basic earnings per share for the discontinued operations is HK2.19 cents per share (2018: HK2.77 cents per share) and diluted earnings per share for the discontinued operations is HK2.19 cents per share (2018: HK2.76 cents per shares), based on the profit for the period from discontinued operations of HK$88,926,000 (2018: HK$111,945,000) and the denominators detailed above for both basic and diluted reported earnings per share.

9. TRADE AND OTHER RECEIVABLES

	31 December 2019	30 June 2019
	HK$'000	*HK$'000*
Trade receivables	**138,796**	165,760
Less: allowance for credit losses	**(922)**	(1,060)
	137,874	164,700
Other receivables, prepayments and deposits paid	**156,623**	130,060
	294,497	294,760

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

	31 December 2019	30 June 2019
	HK$'000	*HK$'000*
0 - 60 days	**117,452**	139,819
61 - 90 days	**5,973**	6,326
> 90 days	**14,449**	18,555
	137,874	164,700

As at 31 December 2019, out of the past due balances, HK$14,449,000 (30 June 2019: HK$18,555,000) 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.

10. TRADE AND OTHER PAYABLES

	31 December 2019	30 June 2019
	HK$'000	*HK$'000*
Trade payables aged within 60 days	**72,032**	33,553
Trade payables aged over 60 days	**7,571**	6,183
Other payables and accruals	**759,213**	748,507
Deposits received	**156,176**	168,650
	994,992	956,893

11. BANK BORROWINGS

During the period, the Group raised an unsecured bank loan of HK$1,070,000,000 (2018: HK$582,750,000) from its existing unutilised banking facility and did not repay any bank loans.

At 31 December 2019, the carrying amount of the Group's unsecured bank loans amounted to approximately HK$5,828,731,000 (30 June 2019: HK$4,752,701,000). All loans carry interest at the Hong Kong Interbank Offered Rate plus specific margins.

The carrying amounts of the unsecured bank loans are repayables:

	31 December 2019 *HK$'000*	30 June 2019 *HK$'000*
Within one year	**2,182,335**	2,180,153
Within a period of more than one year but less than two years	**-**	-
Within a period of more than two years but less than five years	**3,646,396**	2,572,548
	5,828,731	4,752,701

During the period, the Group obtained another long-term banking facility of HK$3,000,000,000 to refinance its existing short-term bank loan and to fund various existing data centre projects. Such banking facility had not been utilised at the end of the reporting period and subsequent to the end of the reporting period, HK$2,200,000,000 was drawn down for the repayment to the short-term bank loan with a principal amount of HK$2,182,400,000.

12. SHAREHOLDER'S LOAN

During the year ended 30 June 2019, the Group and the SHKP Group entered into a loan agreement pursuant to which the SHKP Group had agreed to make available unsecured term loan facility in an aggregate amount of HK$3,800,000,000 to the Group for a term of 72 months at a fixed interest rate of 4% per annum. At the end of the reporting period, HK$3,300,000,000 (30 June 2019: HK$3,300,000,000) had been drawn down from such facility which was used to fund various existing data centre projects and for working capital requirements.

13. SHARE CAPITAL

	Number of ordinary shares	Amount
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 July 2019 and **31 December 2019**	**10,000,000,000**	**1,000,000**
Issued and fully paid:		
At 1 July 2019	2,326,582,833	232,658
Exercise of share options (Note (ii))	1,965,000	197
At 31 December 2019	**2,328,547,833**	**232,855**

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 2019, 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 2019 and **31 December 2019**	**1,720,016,833**	**172,002**

Upon conversion of all the outstanding Convertible Notes, the issued share capital of the Company would be 4,048,564,666 (30 June 2019: 4,046,599,666) 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 2019, 1,965,000 (2018: 40,000) shares were issued upon exercise of share options.

DIVIDEND

The board of Directors (the "Board") does not recommend the payment of an interim dividend for the six months ended 31 December 2019 (2018: Nil).

REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim results for the six months ended 31 December 2019 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by Messrs. Deloitte Touche Tohmatsu, whose report on review of condensed consolidated financial statements will be set out in the 2019/20 interim report.

AUDIT COMMITTEE

The Audit Committee has four members comprising three Independent Non-Executive Directors, Mr. Wong Kai-man (Chairman of the Committee), Professor Li On-kwok, Victor and Professor King Yeo-chi, Ambrose, and one Non-Executive Director, Mr. Cheung Wing-yui, with written terms of reference in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Audit Committee has reviewed the interim results for the six months ended 31 December 2019 and has provided advice and comments thereon.

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

During the six months ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 31 December 2019, 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 30 October 2019 due to other commitment.

By order of the Board
SUNEVISION HOLDINGS LTD.
Au King-lun, Paulina
Company Secretary

Hong Kong, 21 February 2020

As at the date of this announcement, the Board comprises six Executive Directors, being Kwok Ping-luen, Raymond, Fung Yuk-lun, Allen, Tong Kwok-kong, Raymond, Tung Chi-ho, Eric, Chan Man-yuen, Martin and Lau Yeuk-hung, Fiona; 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 six Independent Non-Executive Directors, being Li On-kwok, Victor, King Yeo-chi, Ambrose, Wong Kai-man, Kwok Kwok-chuen, Lee Wai-kwong, Sunny and Cheng Ka-lai, Lily.