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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 2022

CHAIRMAN'S STATEMENT

FINANCIAL HIGHLIGHTS

(in HK$ million, unless specified)

For the 6 months ended 31 December	2021	2022	% Change
Revenue	995	1,108	+11%
- Revenue from data centre and IT facilities	935	1,019	+9%
EBITDA	728	805	+11%
Profit attributable to owners of the Company	410	433	+6%

RESULTS

During the period under review, the Group's revenue increased 11% year on year to HK$1,108 million, as a result of increased demand from new and existing customers. EBITDA rose 11% year on year to HK$805 million, and profit attributable to owners of the Company increased 6% year on year to HK$433 million.

BUSINESS REVIEW

Despite what is often reported in the media, Hong Kong's role as a connectivity hub in Asia remains strong. This has been reflected in the business of our MEGA-i, which is one of Asia's largest connectivity data centre hubs. Over the past six months, demand continued to be robust, and multiple clients have increased their presence. Several subsea cables are being planned to be connected to Hong Kong, further enhancing the demand for capacity in our data centres.

This strong momentum is also seen in the demand from cloud players. Globally, the cloud players' growth rate seemed to have slowed down based on the recently reported results, but this does not seem to be the case for Asia and certainly not for Hong Kong. During the last six months, we have seen multiple cloud player clients increase their presence in our facilities. Some are already planning for the next wave of expansion with state-of-the-art data centre equipment. These cloud players are looking for high-quality facilities in terms of location, infrastructure and management. Overall the data centre service is a relatively small proportion of their total cost compared to their investment in equipment, fibre and IT infrastructure. Cloud players cannot afford to compromise on the quality of their data centres which is where our strength lies. We shall continue to invest in our data centres to deliver the high-quality service demanded by our customers.

During the period, we saw the beginning of higher inflation resulting in higher costs, specifically electricity prices. Fortunately, most of the electricity costs incurred are "passed through" in our customers' contracts. Having said that, we want to help our customers lower their cost of ownership. Consequently, we have started an investment programme to improve our sites' energy efficiency, which will deliver cost benefits to our customers and for our own operations, as well as to reduce our carbon footprint.

Given the rising interest rate environment, we are carefully managing our balance sheet to ensure a cost-effective capital structure. We view our business as having two sets of assets. Our current data centres are delivering very good earnings and are essentially debt free. Our new suite of upcoming data centres are those that have incurred debt, but future revenue growth for these looks promising, as we have already secured strong customer pre-commitment and interest.

By end of December 2022, the Group's total equity was HK$4.2 billion; this was based on the historical cost of the Group's data centres minus depreciation. If we base the equity on fair market value as at 30 June 2022, as assessed by an independent valuer with reference to open market rents and sales transactions, the Group's total equity would increase to HK$27.0 billion. Based on this market-based valuation, the Group's gearing ratio would be substantially lower at 47% (with shareholder's loan) or 33% (excluding shareholder's loan). The Group will continue to review annually the fair value of its existing and future data centre properties.

The Group is pleased with the final conclusion of the Judicial Review case regarding the subletting issue at the Tseung Kwan O Industrial Estate ("TKOIE") managed by the Hong Kong Science and Technology Parks Corporation ("HKSTPC"). The Court of Appeal refused to grant leave to HKSTPC to appeal, and subsequently, HKSTPC has not lodged an appeal to the Court of Final Appeal by the given deadline, effectively conceding the case. This is an important outcome for SUNeVision and the data centre industry to set a fair, competitive environment to deliver efficiency, innovation and growth. There are clear grounds to suspect there are breaches of lease provision by data centre operators in TKOIE, and HKSTPC should rectify them as soon as possible. We believe this will help eradicate the "rent-seekers" within TKOIE and ensure such land will not be misused for inappropriate data centre use.

PROSPECTS

Our existing data centres continue to perform well and will continue to grow organically. Looking ahead, SUNeVision is about to enter into a new chapter of growth with the completion of its two self-owned greenfield projects in 2023. The construction of MEGA Gateway in Tsuen Wan has been completed, adding approximately 200,000 square feet GFA and 20MW to the Company's data centre portfolio. Services will commence later this month as customers have started to move in and commence operations. Today we already have more than 60% of space being committed by customers. MEGA IDC, SUNeVision's flagship greenfield project in Tseung Kwan O, will see the completion of its first phase (approximately 500,000 square feet GFA) by the end of the year. This is a truly state-of-the-art facility that has extraordinarily abundant electricity provision and superior infrastructure. There is a robust pipeline of customers showing keen interest in this site.

The completion of the two projects will substantially increase SUNeVision's capacity to serve large cloud service providers and data-intensive customers. The total gross floor area of the Group's data centres in Hong Kong will grow from 1.5 million square feet as at 31 December 2022 to almost 3 million square feet, and its power capacity will increase from 80MW to over 280MW.

We are pleased to announce that the Hong Kong Segment of China Telecom Global's Asia Direct Cable ("ADC"), will be landing at SUNeVision's HKIS-1 cable landing station in the next few months. ADC will be Asia's highest-capacity submarine cable, the landing of which will provide substantially more connectivity between Hong Kong and other countries. This is only the first of a number of new subsea cables to land in Hong Kong in the next few years. These new cables have significant capacity, and our landing stations in Chung Hom Kok are in an ideal position for these cables to land and be connected to our data centres. These subsea cables are also very important for Hong Kong as a whole. They provide the connectivity needed for Hong Kong to be a hub, and facilitate external circulation and connectivity to the world.

As part of our commitment to provide state-of-the-art data centre services, the Group will continue to improve its existing facilities. The power density and the infrastructure of MEGA-i and MEGA Two are both being upgraded to allow existing customers to increase their power usage, and to enable new customers with high-power requirements to establish their presence in the facilities.

The Group maintains a priority to deliver on its Environmental, Social and Governance ("ESG") commitments. The Group will continue to invest in and utilise the best-in-class energy-efficient equipment and infrastructure for its data centres. We adhere to environmentally friendly best practices in managing our data centres, with MEGA-i, MEGA Plus and MEGA Two achieving the highest Excellent grade in the Management aspect of BEAM Plus Certification.

Overall, as the largest carrier-neutral, cloud-neutral and cable-neutral Hong Kong data centre operator, the Group is in a strong position to benefit from the continuous growth in data centre demand in Asia and the Hong Kong market.

APPRECIATION

I want to close by thanking all the Directors and management, and every member of our committed staff for their dedication and hard work to ensure we maintained the high levels of service demanded by our customers. I would also like to thank our shareholders for their continued confidence and support.

Kwok Ping-luen, Raymond
Chairman

Hong Kong, 21 February 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

<u>iAdvantage</u>

SUNeVision operates its data centre business under iAdvantage. As at 31 December 2022, the Group operates six data centres in Hong Kong (with five owned by the Group) and has two self-owned sites under construction. To enhance international connectivity and resilience, the Group owns and operates a cable landing station ("HKIS-1") with another site ("HKIS-2") under construction. iAdvantage is the largest, most connected, carrier-neutral, cloud-neutral and cable-neutral data centre operator in Hong Kong, with best-in-class facilities built around the MEGA Campus (consisting of MEGA-i, MEGA Plus, MEGA Two and MEGA Fanling) and is regarded as the preferred data centre operator to partner with in Hong Kong. Customers of iAdvantage include global and regional cloud service providers, new economy players, telcos, Internet Service Providers ("ISPs"), large multinationals and local enterprises.

Hong Kong's role as a connectivity hub in Asia remained strong. During the period under review, the Group secured new contracts from hyperscalers and colocation customers, reflecting strong demand for high-quality data centre space driven by the ongoing digitalisation trends globally. Demand for connectivity continued to be robust, with multiple clients increasing presence. Several subsea cables are being planned to be connected to Hong Kong, further enhancing the demand for capacity in the Group's data centres. Demand for hyperscale capacity also remained strong, with multiple cloud player clients expanding their capacity at the Group's facilities, a number of which are planning for the next wave of expansion with state-of-the-art data centre equipment.

The well-established MEGA-i is a major connectivity hub in Asia, currently carrying around 15,000 cross-connects interconnecting hundreds of global and regional telcos, ISPs, enterprises, cloud and new economy players within its ecosystem. The ongoing upgrade of power capacity at MEGA-i has further strengthened the Group's leading position in connectivity. MEGA Plus, the Group's high-tier flagship data centre located in Tseung Kwan O, continues to see strong demand from global cloud service providers and new economy players. MEGA Two, strategically located in Shatin, serves as a critical pathway for data in and out of mainland China. The revitalisation work on multiple floors of MEGA Two has allowed the Group to capture the rising high power-density demand from hyperscale and cloud customers in this strategic location. MEGA Fanling, the single user data centre project utilising asset-light model became operational in June 2022 and is ramping up as planned. In addition, since most of the data centres are owned by the Group, it provides long-term service stability which is strongly preferred by all its major customers especially cloud players.

The Group has a very robust pipeline and is now entering into a new chapter of growth with the completion of MEGA Gateway and phase 1 of MEGA IDC in 2023.

Construction work for MEGA Gateway, which is designed to be the next connectivity hub complementing MEGA-i, has been completed. Customers have begun to move in according to their commissioning schedule. This will add approximately 200,000 square feet GFA and 20MW to the Group's data centre portfolio. Services will commence later this month as customers have started to move in and commence operations. More than 60% of space has already been committed by customers.

MEGA IDC, the Group's flagship greenfield project in TKOTL 131, Tseung Kwan O has approximately 1.2 million square feet GFA and is designed to support an ultra-high IT power capacity of up to 180MW. This is a truly state-of-the-art facility that has extraordinarily abundant electricity provision and superior infrastructure. It is located right next to MEGA Plus, thus enabling strong operating synergies between the two data centres. It is being built on land approved for data centre use and is free from any subletting restrictions applicable to data centres in the nearby industrial estate. Phase 1 of MEGA IDC has approximately 500,000 square feet GFA and is targeted to be completed in the fourth quarter of 2023. This facility will be the largest data centre in Hong Kong measured by power capacity, and will provide customers with the advantage of being able to support their expansion needs for both space and power. The Group has received strong interest from several cloud service providers and has entered pre-commitment discussions with them. The current target opening for phase 2, consisting of approximately 700,000 square feet GFA, is set for 2026. The Group is adopting state-of-the-art technologies and designs in the construction of MEGA IDC.

Upon commissioning of MEGA Gateway and the completion of Phases 1 and 2 of MEGA IDC, the total gross floor area of the Group's data centres in Hong Kong will grow from 1.5 million square feet as at 31 December 2022 to almost 3 million square feet, and its power capacity will increase from 80MW to over 280MW when the facilities are fully operational.

The Group has recently announced the landing of the Hong Kong Segment of China Telecom Global's Asia Direct Cable ("ADC") at HKIS-1 cable landing station, the first and only carrier-neutral cable landing station in Hong Kong. ADC will be Asia's highest-capacity submarine cable, the landing of which provides substantially more connectivity between Hong Kong and other countries, and reinforces the Group's strategy of providing a one-stop data centre service solution, being a carrier, cloud and now cable-neutral service provider. In March 2022, the Group won the tender for a site in Chung Hom Kok ("RBL1219") to develop its second cable landing station HKIS-2 for international submarine cables. The two neighbouring sites will offer path diversity and expansion capacity for future submarine cables. The addition of cable landing stations to its data centre portfolio will further strengthen the Group's position as the leading connectivity hub in Asia.

Inflationary pressures remained elevated, with various operating costs, specifically electricity prices, continuing to trend higher. However, the Group's business model is such that most of its electricity costs are borne directly by the Group's customers. However, to help the Group's customers lower their cost of ownership, the Group has started an investment programme to improve energy efficiency of its facilities, such efforts will deliver cost benefits to its customers and for the Group's own operations as well as a reduction in carbon footprint.

As the largest data centre service provider in Hong Kong with Asia's number one connectivity, the Group is pleased to have received W. Media Asia Pacific Cloud & Data Centre Awards 2022 for HKIS-1, in the category of Outstanding Data Centre Project - Connectivity and Innovation. It has also achieved a Rated-4 Certification of "ANSI/TIA-942 DCCC" for HKIS-1. The Group is honoured to have won Data Centre Partner of the Year 2022 award from HKBN Enterprise Solutions. These industry awards are a recognition of the Group's leading position both in Hong Kong's data centre industry and as a provider of connectivity ecosystem in the region. The Group has received the highest Excellent grade in the Management category of "BEAM Plus Existing Buildings Version 2.0 Selective Scheme" for MEGA-i, MEGA Plus and MEGA Two. The recognition reaffirms that the Group's energy-efficient data centre management practice is reinforcing its environmental goals and supporting its customers' sustainability journeys.

With a commitment to creating a sustainable future and improving the Group's environmental performance, the Group has installed solar panels in MEGA Plus for reducing its carbon footprint. To further reduce carbon emissions, the Group was involved in the CLP Retro-Commissioning Charter programme to improve the energy efficiency of its buildings. The Group has also been awarded the InnoESG Prize in the category of "Sustainable Technology Award 2022" from SocietyNext for its proven track record in ESG. These awards serve as a recognition and demonstration of its ongoing commitment to environmental sustainability. The Group will continue to provide world-class data centre infrastructure and services to its customers in a sustainable environment.

Super e-Technology and Super e-Network

Super e-Technology secured contracts for the installation of Extra Low Voltage ("ELV") and IT systems totaling HK$14 million during the period under review. Super e-Technology is seeking new opportunities to enhance its service offerings and maintains a positive outlook for the ELV sector.

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.

FINANCIAL REVIEW

Review of operating results

During the period under review, the Group's revenue increased 11% year on year to HK$1,108 million. Revenue from data centre and IT facilities business rose 9% year on year to HK$1,019 million, driven largely by the demand from both existing and new customers for the Group's existing data centres, and the full period contribution of new contracts signed in the financial year 2021/22. Revenue from ELV and IT systems business increased 47% year on year to HK$89 million as a result of an increased installation fee income. The Group's cost of sales increased 16% year on year to HK$478 million, primarily due to higher depreciation charges and operating costs attributable to the expansion of the Group's data centre facilities. Operating expenditure decreased 6% year on year to HK$78 million predominantly due to labour cost optimisation. The Group's operating expenditure to sales ratio improved from 8% in the previous comparable period to 7%.

Operating profit of the Group rose 11% year on year to HK$558 million. Operating profit from data centre and IT facilities (before corporate expenses, interest and tax) rose 8% year on year to HK$567 million and operating profit from ELV and IT systems (before corporate expenses, interest and tax) increased 19% year on year to HK$19 million due to increasing level of installations services.

EBITDA of the Group increased 11% year on year to HK$805 million, driven mainly by EBITDA growth from the data centre business. The EBITDA margin remained strong at 73%.

Profit attributable to owners of the Company increased 6% year on year to HK$433 million. Finance costs increased 179% year on year to HK$38 million mainly due to the increase in borrowing rate and increased level of borrowings.

Capital Investment

The new data centre developments of MEGA Gateway, MEGA IDC and MEGA Fanling and investment in cable landing stations HKIS-1 and HKIS-2 will enhance and expand the Group's high-tier data centre capacity to meet the increasing data demands and operational requirements of the Group's customers. Data centre business is a capital-intensive industry, requiring long-term capital commitment. The Group is committed to continuing investment in existing and new infrastructure for new business development and regularly reviews its investment profile to take into account of the changing customer and market environment.

Other financial discussion and analysis

The Group had HK$253 million bank balances and deposits as of 31 December 2022, while bank borrowings were HK$9,221 million. Total net bank borrowings increased 15% to HK$8,968 million compared to HK$7,777 million as at 30 June 2022. The shareholder's loan was HK$3,800 million as at 31 December 2022, being an unsecured 6-year term loan from Sun Hung Kai Properties Limited and its subsidiaries (the "SHKP Group") at a fixed interest rate of 3% per annum, maturing in 2025. SHKP Group will continue to support the Group's development in the long term.

The gearing ratio, being net debt divided by equity attributable to owners of the Company, as of 31 December 2022 was 306%; excluding the long-term unsecured shareholder's loan of HK$3,800 million from SHKP Group, such ratio was 215%.

The Group's self-occupied data centres are recorded at historical cost less depreciation on its financial statements. After taking into account the fair value of the major completed data centres valued by an independent property valuer with reference to open market rents and sales transactions, the Group's equity would be noticeably increased and on this basis, the adjusted gearing ratio including and excluding shareholder's loan would be substantially reduced to 47%[1] and 33%[1] respectively. The Group will continue to review annually the fair value of its existing properties, as well as the properties in the pipeline as when completed, and plan to provide the supplementary adjusted net gearing ratios to facilitate a better understanding of the Group's financial position.

The Group has the capacity to fund its growth plans in the medium term, taking into account the financial resources available including internally generated funds and available banking facilities. The Board's intention is to continue with its current dividend policy.

As of 31 December 2022, the Group had no contingent liability while the Company had an aggregate of HK$9,339 million contingent liabilities in respect of guarantees for general banking facilities utilised by the Group's subsidiaries 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 2022.

EMPLOYEES

The Group employed 452 full-time employees as of 31 December 2022. During the period under review, SUNeVision continued to promote and protect the health and safety of its employees. The Group implemented various measures to safeguard the wellbeing of employees while maintaining the highest service standards to customers at the same time.

To remain competitive in the employment market and to prepare for the challenges of the growing demand for high-end data centre facilities in Hong Kong, SUNeVision continues to focus on the development and retention of its people. Training workshops are organised regularly whereby employees can develop skills to enhance their career. In addition, the Group offers a competitive remuneration package to employees. Fringe benefits, including Mandatory Provident Fund contributions and medical insurance, are reviewed regularly. Share options are granted to selected Directors and employees based on performance and as part of the package to retain talents.

[1] *Adjusted gearing ratios calculated based on fair value of the major completed data centres as of 30 June 2022 and net debt as of 31 December 2022. The adjusted gearing ratios are not defined under HKFRSs and are not presented in accordance with HKFRSs. Further, the adjusted gearing ratios may differ from the gearing ratios used by other companies, including peer companies, potentially limiting the comparability of their financial results to the Company's.*

Consolidated Statement of Profit or Loss

For the six months ended 31 December 2022

	NOTES	Six months ended 31 December 2022 HK$'000 (unaudited)	2021 HK$'000 (unaudited)
Revenue	3	**1,108,123**	995,328
Cost of sales		**(477,504)**	(410,056)
Gross profit		**630,619**	585,272
Other income	4	**5,044**	1,085
Selling expenses		**(15,747)**	(16,473)
Administrative expenses		**(61,760)**	(65,772)
Profit from operations		**558,156**	504,112
Finance costs		**(38,160)**	(13,687)
Profit before taxation		**519,996**	490,425
Income tax expense	5	**(86,872)**	(80,087)
Profit for the period attributable to owners of the Company	6	**433,124**	410,338
Earnings per share based on profit attributable to owners of the Company (reported earnings per share)	8		
Basic		**10.67 cents**	10.11 cents
Diluted		**10.67 cents**	10.10 cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2022

	Six months ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Profit for the period	**433,124**	410,338
Other comprehensive income (expense) for the period		
Items that may be reclassified subsequently to the consolidated statement of profit or loss:		
Exchange differences arising from translation of operations outside Hong Kong	**29**	(11)
	29	(11)
Total comprehensive income for the period	**433,153**	410,327
Total comprehensive income (expense) attributable to:		
Owners of the Company	**433,626**	410,044
Non-controlling interests	**(473)**	283
	433,153	410,327

Consolidated Statement of Financial Position

At 31 December 2022

	NOTES	31 December 2022 HK$'000 (unaudited)	30 June 2022 HK$'000 (audited)
Non-current assets			
Investment property		**58,000**	58,000
Property, plant and equipment		**18,251,412**	17,275,625
Equity instrument at fair value through other comprehensive income		**3,710**	3,710
		18,313,122	17,337,335
Current assets			
Inventories		**11,649**	5,654
Trade and other receivables	9	**492,365**	450,904
Contract assets		**42,922**	39,220
Bank balances and deposits		**253,273**	309,669
		800,209	805,447
Current liabilities			
Trade and other payables	10	**1,338,560**	1,075,034
Contract liabilities		**127,433**	82,028
Lease liabilities		**6,584**	10,137
Tax payables		**130,711**	189,017
Bank borrowings	11	**2,298,152**	2,296,304
		3,901,440	3,652,520
Net current liabilities		**(3,101,231)**	(2,847,073)
Total assets less current liabilities		**15,211,891**	14,490,262
Non-current liabilities			
Contract liabilities		**6,362**	9,079
Lease liabilities		**2,294**	1,153
Deferred tax liabilities		**292,326**	297,661
Bank borrowings	11	**6,922,750**	5,790,833
Shareholder's loan	12	**3,800,000**	3,800,000
		11,023,732	9,898,726
Net assets		**4,188,159**	4,591,536
Capital and reserves			
Share capital	13	**233,906**	233,906
Reserve arising from issuance of convertible notes	13	**172,002**	172,002
Other reserves	13	**3,767,958**	4,170,862
Equity attributable to owners of the Company		**4,173,866**	4,576,770
Non-controlling interests		**14,293**	14,766
Total equity		**4,188,159**	4,591,536

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2022

	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$'000	**Property valuation reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 July 2022 (audited)	233,906	2,377,540	172,002	58,096	2,288	48,639	1,684,299	4,576,770	14,766	4,591,536
Profit for the period	-	-	-	-	-	-	433,124	433,124	-	433,124
Exchange differences arising from translation of operations outside Hong Kong	-	-	-	-	502	-	-	502	(473)	29
Total comprehensive income (expense) for the period	-	-	-	-	502	-	433,124	433,626	(473)	433,153
Recognition of equity-settled share-based payments	-	-	-	7,757	-	-	-	7,757	-	7,757
Final dividend and distribution paid (note 7)	-	-	-	-	-	-	(844,287)	(844,287)	-	(844,287)
At 31 December 2022 (unaudited)	**233,906**	**2,377,540**	**172,002**	**65,853**	**2,790**	**48,639**	**1,273,136**	**4,173,866**	**14,293**	**4,188,159**

	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$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2021 (audited)	233,767	2,368,218	172,002	34,532	1,923	1,624,781	4,435,223	15,109	4,450,332
Profit for the period	-	-	-	-	-	410,338	410,338	-	410,338
Exchange differences arising from translation of operations outside Hong Kong	-	-	-	-	(294)	-	(294)	283	(11)
Total comprehensive (expense) income for the period	-	-	-	-	(294)	410,338	410,044	283	410,327
Exercise of share options (note 13)	67	4,539	-	(948)	-	-	3,658	-	3,658
Recognition of equity-settled share-based payments	-	-	-	12,221	-	-	12,221	-	12,221
Final dividend and distribution paid (note 7)	-	-	-	-	-	(787,313)	(787,313)	-	(787,313)
At 31 December 2021 (unaudited)	233,834	2,372,757	172,002	45,805	1,629	1,247,806	4,073,833	15,392	4,089,225

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 2022 and 2021. As a result, the Convertible Notes in the amount of HK$172,001,633.30 remained outstanding as at 31 December 2022 and 2021.

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 any time after the issue of the Convertible Notes, subject to the terms and conditions of the deed poll constituting the Convertible Notes. The Convertible Notes were recognised as equity and are presented in reserves as "reserve arising from issuance of convertible notes".

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2022

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$3,101,231,000 as at 31 December 2022. In the opinion of the directors of the Company, the Group has a number of sources of finance available to fund its operations, including but not limited to internal resources, available unutilised facilities from financial institutions or obtaining additional financing from financial institutions, taking into account the fair value of the Group's assets which are not 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 certain property and financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of the amendments to 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 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 July 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds Before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020

The application of the amendments to HKFRSs 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.

3. SEGMENT INFORMATION

Disaggregation of revenue

For the six months ended 31 December 2022

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	**1,018,747**	**-**	**1,018,747**
Installation and maintenance fee of extra-low voltage ("ELV") and IT systems	**-**	**89,376**	**89,376**
Revenue from contract with customers	**1,018,747**	**89,376**	**1,108,123**

For the six months ended 31 December 2021

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 IT facilities	934,615	-	934,615
Installation and maintenance fee of ELV and IT systems	-	60,713	60,713
Revenue from contract with customers	934,615	60,713	995,328

All revenue is generated from Hong Kong for the six months ended 31 December 2022 and 2021.

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.

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 2022

	Data centre and IT facilities *HK$'000*	**ELV and IT systems** *HK$'000*	**Elimination** *HK$'000*	**Consolidated total** *HK$'000*
REVENUE				
External	**1,018,747**	**89,376**	**-**	**1,108,123**
Inter-segment	**-**	**95**	**(95)**	**-**
Total	**1,018,747**	**89,471**	**(95)**	**1,108,123**
RESULTS				
Segment results	**567,384**	**18,912**	**-**	**586,296**
Unallocated corporate expenses				**(30,470)**
Interest income				**2,188**
Investment income				**142**
Finance costs				**(38,160)**
Profit before taxation				**519,996**

For the six months ended 31 December 2021

	Data centre and IT facilities *HK$'000*	ELV and IT systems *HK$'000*	Elimination *HK$'000*	Consolidated total *HK$'000*
REVENUE				
External	934,615	60,713	-	995,328
Inter-segment	-	95	(95)	-
Total	934,615	60,808	(95)	995,328
RESULTS				
Segment results	523,201	15,949	-	539,150
Unallocated corporate expenses				(35,491)
Interest income				311
Investment income				142
Finance costs				(13,687)
Profit before taxation				490,425

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	
	2022	2021
	HK$'000	*HK$'000*
Interest income	**2,188**	311
Investment income	**142**	142
Miscellaneous	**2,714**	632
	5,044	1,085

5. INCOME TAX EXPENSE

	Six months ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
Current tax		
- Hong Kong Profits Tax	**92,208**	83,783
Deferred tax credit	**(5,336)**	(3,696)
	86,872	80,087

Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) on the estimated assessable profits for the period.

6. PROFIT FOR THE PERIOD

	Six months ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Staff costs including directors' emoluments	**118,848**	112,554
Share-based payments	**7,757**	12,221
Retirement benefit scheme contributions	**3,777**	3,146
Total staff costs	**130,382**	127,921
Depreciation of property, plant and equipment	**249,429**	224,217
Loss on disposal of property, plant and equipment	**-**	356
Credit loss allowance on trade and other receivables	**-**	1,061
Interest on bank borrowings	**123,246**	30,220
Interest on shareholder's loan	**57,468**	51,838
Other finance costs	**15,106**	9,126
Less: amounts capitalised	**(157,833)**	(77,668)
	37,987	13,516
Interest on lease liabilities	**173**	171
Total finance costs	**38,160**	13,687

7. DIVIDENDS

During the period, a final dividend of HK20.80 cents per share in respect of the year ended 30 June 2022 (2021: a final dividend of HK19.40 cents per share in respect of the year ended 30 June 2021) 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$844,287,000 (2021: HK$787,313,000).

The board of directors does not recommend the payment of an interim dividend for the six months ended 31 December 2022 (2021: nil).

8. EARNINGS PER SHARE

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	
	2022	2021
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**433,124**	410,338

	2022	2021
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,059,073,666**	4,058,073,356
Effect of dilutive potential ordinary shares: Share options	**-**	5,549,234
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,059,073,666**	4,063,622,590

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 all (2021: 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 2022. Save as the share options mentioned above, there were no other dilutive potential ordinary shares in existence during the six months ended 31 December 2022 and 2021.

9. TRADE AND OTHER RECEIVABLES

	31 December 2022 HK$'000	30 June 2022 HK$'000
Trade receivables	**280,488**	267,729
Less: allowance for credit losses	**(599)**	(881)
	279,889	266,848
Unbilled revenue for use of data centre and IT facilities (note)	**65,734**	56,696
Other receivables, prepayments and deposits paid	**146,742**	127,360
	492,365	450,904

Note: It represents receivables from contracts with customers for the services provided but not billed. The amounts are unconditional and will be billed according to the billing arrangement agreed with the customers.

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 2022 HK$'000	30 June 2022 HK$'000
0 - 60 days	**257,386**	242,966
61 - 90 days	**5,682**	3,815
> 90 days	**16,821**	20,067
	279,889	266,848

As at 31 December 2022, out of the past due balances, HK$16,821,000 (30 June 2022: HK$20,067,000) 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 material default history noted.

10. TRADE AND OTHER PAYABLES

	31 December 2022 HK$'000	30 June 2022 HK$'000
Trade payables aged within 60 days	**27,635**	23,071
Trade payables aged over 60 days	**2,036**	925
Other payables and accruals	**1,149,741**	892,583
Deposits received	**159,148**	158,455
	1,338,560	1,075,034

11. BANK BORROWINGS

During the period, the Group did not obtain any new long term banking facility (2021: HK$3,000,000,000) and raised HK$1,150,000,000 (2021: HK$400,000,000) from its existing unutilised banking facilities to fund various new and existing data centre projects. As at 31 December 2022, the Group has available unutilised banking facility of HK$1,000,000,000 (30 June 2022: HK$2,150,000,000).

At 31 December 2022, the carrying amount of the Group's unsecured bank loans amounted to approximately HK$9,220,902,000 (30 June 2022: HK$8,087,137,000). All loans carry interest at the Hong Kong Interbank Offered Rate plus specific margins.

The carrying amounts of the unsecured bank loans are repayable:

	31 December 2022	30 June 2022
	HK$'000	*HK$'000*
Within one year	**2,298,152**	2,296,304
Within a period of more than one year but less than two years	**2,985,000**	-
Within a period of more than two years but less than five years	**3,937,750**	5,790,833
	9,220,902	8,087,137

12. SHAREHOLDER'S LOAN

On 28 December 2018, the Group and Sun Hung Kai Properties Limited and its subsidiaries, other than members of the Group ("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. The fixed interest rate of 4% per annum was then amended to 3% per annum effective from 1 August 2020. At the end of the reporting period, HK$3,800,000,000 (30 June 2022: HK$3,800,000,000) 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 AND OTHER RESERVES

	Number of ordinary shares	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 July 2021, 31 December 2021, 1 July 2022 and **31 December 2022**	**10,000,000,000**	**1,000,000**
Issued and fully paid:		
At 1 July 2022 and **31 December 2022**	**2,339,057,333**	**233,906**
At 1 July 2021	2,337,669,333	233,767
Exercise of share option	674,000	67
At 31 December 2021	2,338,343,333	233,834

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 2022, 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 2022 and **31 December 2022**	**1,720,016,333**	**172,002**

Upon conversion of all the outstanding Convertible Notes, the issued share capital of the Company would be 4,059,073,666 (30 June 2022: 4,059,073,666) 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 2022, no (2021: 674,000) shares were issued upon exercise of share options.

(iii) Other reserves represented share premium, share option reserve, exchange reserve, property valuation reserve and retained profits. A dividend declared and paid of HK$844,287,000 (2021: HK$787,313,000) has been debited in the retained profits during the period.

DIVIDEND

The board of Directors (the "Board") does not recommend the payment of an interim dividend for the six months ended 31 December 2022 (2021: Nil).

REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim results for the six months ended 31 December 2022 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 2022/23 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 2022 and has provided advice and comments thereon.

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

During the six months ended 31 December 2022, 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 2022, the Company has complied with the code provisions of the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Listing Rules.

By order of the Board
SUNEVISION HOLDINGS LTD.
Bonnie Lau
Company Secretary

Hong Kong, 21 February 2023

As at the date of this announcement, the Board comprises five Executive Directors, being Kwok Ping-luen, Raymond, Fung Yuk-lun, Allen, Tong Kwok-kong, Raymond, Tung Chi-ho, Eric and Chan Man-yuen, Martin; six Non-Executive Directors, being Cheung Wing-yui, Kwok Kai-wang, Christopher, David Norman Prince, Siu Hon-wah, Thomas, Chan Hong-ki, Robert and Lau Yeuk-hung, Fiona; and six Independent Non-Executive Directors, being Li On-kwok, Victor, King Yeo-chi, Ambrose, Wong Kai-man, Lee Wai-kwong, Sunny, Cheng Ka-lai, Lily and Leong Kwok-kuen Lincoln.