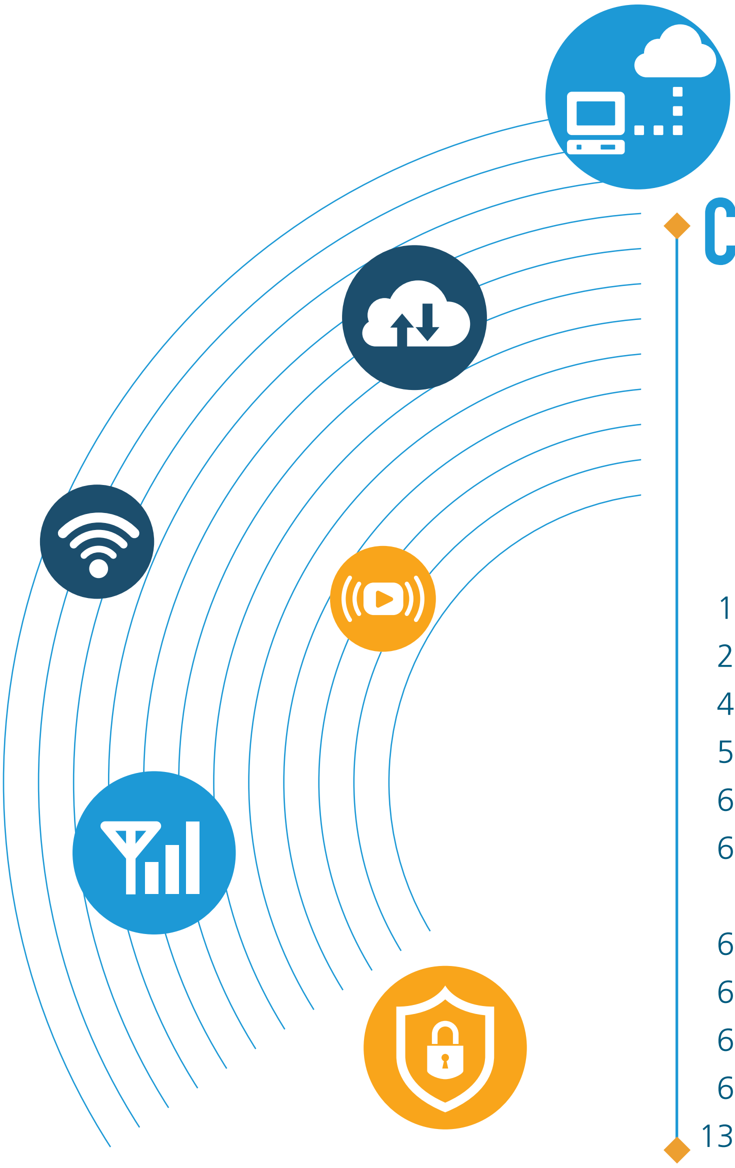
# SUNeVision Holdings Ltd.
# 新意網集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code : 1686

# 2018/19
# ANNUAL REPORT

The technology arm of Sun Hung Kai Properties Limited



# CONTENTS



## CHOICE OF LANGUAGE OR MEANS OF RECEIPT OF CORPORATE COMMUNICATIONS

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

If (i) registered shareholders/noteholders, who have received or chosen to receive a printed copy of this annual report, wish to receive the same in the other language; or (ii) registered shareholders/noteholders, who have received or chosen to receive or are deemed to have consented to receive this annual report by electronic means, wish to receive a printed copy, or who for any reason have difficulty in receiving or gaining access to this annual report on the Company's website, they may obtain the same free of charge by sending a request to (a) in the case of registered shareholders, the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited ("Computershare"), by post to 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by email at sunevision@computershare.com.hk; or (b) in the case of noteholders, the Company's registrar in respect of the convertible notes, Tricor Investor Services Limited ("Tricor"), by post to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or by email at sunevision-ecom@hk.tricorglobal.com.

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

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors
Kwok Ping-luen, Raymond *(Chairman)*
Fung Yuk-lun, Allen *(Vice Chairman)*
Tong Kwok-kong, Raymond *(Chief Executive Officer)*
Tung Chi-ho, Eric

### Non-Executive Directors
Cheung Wing-yui *(Vice Chairman)*
Kwok Kai-wang, Christopher
David Norman Prince
Siu Hon-wah, Thomas
Chan Hong-ki, Robert

### Independent Non-Executive Directors
Li On-kwok, Victor
King Yeo-chi, Ambrose
Wong Kai-man
Kwok Kwok-chuen
Lee Wai-kwong, Sunny

## COMPANY SECRETARY
Au King-lun, Paulina

## AUDIT COMMITTEE
Wong Kai-man *(Committee Chairman)*
Cheung Wing-yui
Li On-kwok, Victor
King Yeo-chi, Ambrose

## REMUNERATION COMMITTEE
King Yeo-chi, Ambrose *(Committee Chairman)*
Fung Yuk-lun, Allen
Cheung Wing-yui
Li On-kwok, Victor
Wong Kai-man

## NOMINATION COMMITTEE
Li On-kwok, Victor *(Committee Chairman)*
Cheung Wing-yui
King Yeo-chi, Ambrose
Wong Kai-man

## CORPORATE GOVERNANCE COMMITTEE
Cheung Wing-yui *(Committee Chairman)*
Fung Yuk-lun, Allen
Kwok Kwok-chuen

## AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES
Fung Yuk-lun, Allen
Au King-lun, Paulina

## REGISTERED OFFICE
PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Unit 3110, 31/F, Standard Chartered Tower
Millennium City 1, 388 Kwun Tong Road
Kwun Tong, Kowloon, Hong Kong

## LEGAL ADVISERS
*As to Hong Kong Law*
Woo Kwan Lee & Lo

*As to Cayman Islands Law*
Maples and Calder

## AUDITOR
Deloitte Touche Tohmatsu

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

## REGISTRAR IN RESPECT OF THE CONVERTIBLE NOTES
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

## PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Sumitomo Mitsui Banking Corporation
Industrial and Commercial Bank of China (Asia) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
China Construction Bank Corporation Hong Kong Branch
Agricultural Bank of China Limited
The Bank of East Asia, Limited
Mizuho Bank, Ltd.

## STOCK CODE
1686

## WEBSITE
www.sunevision.com

## Performance Highlights

### Financial Performance

Revenue Growth
19%

EBITDA Growth
20%

Profit Growth
11%

### Operational Metrics

Operating History
20yrs

DC locations*
5+2

Total DC GFA*
2.8 million square feet

Subsea cable PoPs**
11

Number of cross-connect cables
13,000+

* Including TWTL 428 and TKOTL 131 sites
** Point of Presence

# Financial Highlights and Summary

## FINANCIAL HIGHLIGHTS

| For the period | **1 Jan 19- 30 Jun 19** *HK$'000* | 1 Jul 18- 31 Dec 18 *HK$'000* | 1 Jan 18- 30 Jun 18 *HK$'000* | 1 Jul 17- 31 Dec 17 *HK$'000* |
|---|---|---|---|---|
| Revenue | **865,081** | 760,015 | 723,403 | 641,365 |
| Cost of sales | **(370,898)** | (325,018) | (304,948) | (260,788) |
| Gross profit | **494,183** | 434,997 | 418,455 | 380,577 |
| Other income | **14,020** | 8,213 | 8,939 | 15,885 |
| Operating expenditure* | **(73,726)** | (48,539) | (45,771) | (39,387) |
| Profit from operations | **434,477** | 394,671 | 381,623 | 357,075 |
| Other gains | **105,000** | 90,000 | 71,664 | 93,164 |
| Finance costs | **(17,577)** | (7,243) | (7,340) | – |
| Profit before taxation | **521,900** | 477,428 | 445,947 | 450,239 |
| Income tax expense | **(68,193)** | (65,941) | (61,748) | (58,065) |
| Profit for the period attributable to Owners of the Company | **453,707** | 411,487 | 384,199 | 392,174 |
| EBITDA** (excluding the effect of other gains) | | | | |
| Data centre business | **541,161** | 465,869 | 446,349 | 381,244 |
| Other businesses | **26,233** | 23,092 | 24,758 | 29,054 |
| | **567,394** | 488,961 | 471,107 | 410,298 |

* Selling, general and administrative expenses
** Earnings before interest, tax, depreciation and amortisation

## FINANCIAL SUMMARY

| **Results** | Year ended 30 June | | | | |
|---|---|---|---|---|---|
| | **2019** *HK$'000* | 2018 *HK$'000* | 2017 *HK$'000* | 2016 *HK$'000* | 2015 *HK$'000* |
| Revenue | **1,625,096** | 1,364,768 | 1,141,757 | 998,970 | 918,123 |
| Profit for the year | **865,194** | 776,373 | 631,435 | 548,991 | 569,402 |

| **Assets and Liabilities** | As at 30 June | | | | |
|---|---|---|---|---|---|
| | **2019** *HK$'000* | 2018 *HK$'000* | 2017 *HK$'000* | 2016 *HK$'000* | 2015 *HK$'000* |
| Total assets | **13,636,503** | 7,093,933 | 5,633,746 | 4,622,951 | 4,207,989 |
| Total liabilities | **(9,445,358)** | (3,166,198) | (1,934,800) | (1,044,618) | (691,631) |
| Total equity | **4,191,145** | 3,927,735 | 3,698,946 | 3,578,333 | 3,516,358 |

# Chairman's Statement

# Chairman's Statement

SUNeVision achieved solid results for the financial year ended 30 June 2019, with a profit attributable to the owners of the Company amounted to HK$865.2 million for the year, representing an increase of 11%. The underlying profit attributable to the owners of the Company (excluding the effect of other gains) was HK$670.2 million, with an increase of HK$58.7 million, or 10%, while EBITDA amounted to HK$1,056.4 million, rising 20% year on year.

## FINANCIAL HIGHLIGHTS

The Group's revenue for the year increased 19% to HK$1,625.1 million, driven mainly by revenue growth from the Group's data centre operations. The increase was attributable both to new contracts (including major cloud players) and revenue growth from existing customers. Cost of sales for the year expanded 23% to HK$695.9 million, largely due to higher depreciation charges and increased operating costs as a result of pre-move-in expenses for new customers.

Operating expenditure for the year rose from HK$85.2 million to HK$122.3 million, mainly due to an increase in resources needed to drive the sales and marketing of new data centre capacity; enhancements in customer-facing and business support systems; and legal and professional fees incurred for the Judicial Review against Hong Kong Science and Technology Parks Corporation (HKSTPC) in relation to Tseung Kwan O Industrial Estate (TKOIE).

Profit from operations for the year amounted to HK$829.1 million, an increase of HK$90.4 million over the prior year. EBITDA for the year increased by HK$179.4 million. EBITDA from the data centre business increased 22%, from HK$827.6 million to HK$1,007.0 million. Other gains for the year amounted to HK$195.0 million, wholly attributable to the increase in fair value of investment properties. Finance costs rose to HK$24.8 million, mainly due to the interest expense for increased bank borrowings and the shareholder's loan.

The Group had approximately HK$467.8 million in cash on hand as of 30 June 2019, HK$4,752.7 million of bank borrowings, and HK$3,300.0 million of shareholder's loan. Total borrowings increased to HK$8,052.7 million at the end of the financial year, mainly to fund the Tseung Kwan O Town Lot No.131 (TKOTL 131) site acquisition and capital expenditure investment to enhance various data centre facilities. The gearing as of 30 June 2019, calculated as net borrowings (the difference between cash and bank borrowings) to shareholders' funds was 103%, compared to 39% in the previous year. With the support of the major shareholder and banks, the Group is in a strong position to meet its financing needs.

The Directors recommend the payment of a final dividend of HK16.50 cents per share for the year ended 30 June 2019, compared to HK15.10 cents per share in the previous financial year. The final dividend will be paid on 26 November 2019 following approval at the 2019 Annual General Meeting.

## BUSINESS REVIEW

SUNeVision delivered healthy growth during the year, driven by its core data centre business. MEGA Plus, its flagship data centre located in Tseung Kwan O, has been in full operation for almost two years since completion. It has increasingly delivered a healthy revenue contribution to the Group. The acquisition of the land parcel in Tseung Kwan O (TKOTL 131) was completed in January 2019. The land sits adjacent to MEGA Plus, and the new data centre planned for this site is expected to deliver operational and business synergies with MEGA Plus upon completion. The preliminary design and construction works are now underway.

The other new site acquired back in January 2018 in Tsuen Wan (TWTL 428) is now under construction. Located near *JUMBO* (an existing data centre), this new site will be an addition to the Group's data centre cluster in Tsuen Wan. Upon completion of the two new greenfield data centres, SUNeVision will double its total portfolio gross floor area space to approximately 2.8 million square feet, firmly establishing its market-leading position in Hong Kong.

Development work at MEGA-i is well underway, and will provide additional data centre space and power to support the growing needs of our customers. As a major connectivity hub serving the Asia Pacific region, MEGA-i continues to strengthen its ecosystem with the addition of new customers from new economy sectors, such as video-on-demand, e-commerce, fintech and gaming. Connected by dark fibres, the MEGA Campus (consisting of MEGA Plus, MEGA Two, and MEGA-i) provides excellent connectivity and expandability to cater for increasing customers' needs arising from digitalization, artificial intelligence and 5G developments. SUNeVision's top-tier data centre infrastructure offers its customers outstanding architecture design advantages in international connectivity, high network resilience and low latency performance, supporting them to launch mission-critical applications for their business needs.

The Group's Super e-Technology and Super e-Network businesses continued to perform satisfactorily, and are focused on providing extra-low voltage (ELV) and IT systems as well as value-add services to corporate and residential customers. Super e-Technology secured contracts for the installation of ELV and IT systems totalling approximately HK$145.2 million for the year ended 30 June 2019.

The legal proceedings for Judicial Review against HKSTPC in relation to TKOIE is in progress. The main complaint in the proceedings is whether HKSTPC has taken reasonable steps to enforce those lease restrictions against subletting, licensing or permitting any third party to occupy any part of its leased premises. TKOIE land is heavily subsidised land from the Hong Kong Government. Any subletting inside TKOIE would create unfair advantages to lessees of TKOIE over other data centre players outside as many players have paid "market price" in the open market to secure land for data centres. This will seriously damage the healthy development of Hong Kong data centre industry, without actually raising Hong Kong's competitiveness.

## FUTURE PROSPECTS

SUNeVision will continue its pursuit of creating sustainable growth and profitability amid keen competition. The new TWTL 428 and TKOTL 131 sites will further enhance SUNeVision's capacity to meet customers' needs for high-quality data centre facilities.

The data centre business is capital intensive requiring significant upfront capital investments as well as continued investment to ensure the facilities remain state-of-the-art. The investment horizon is long term and as such the Group will continue to review its debt financing arrangement to support this investment profile.

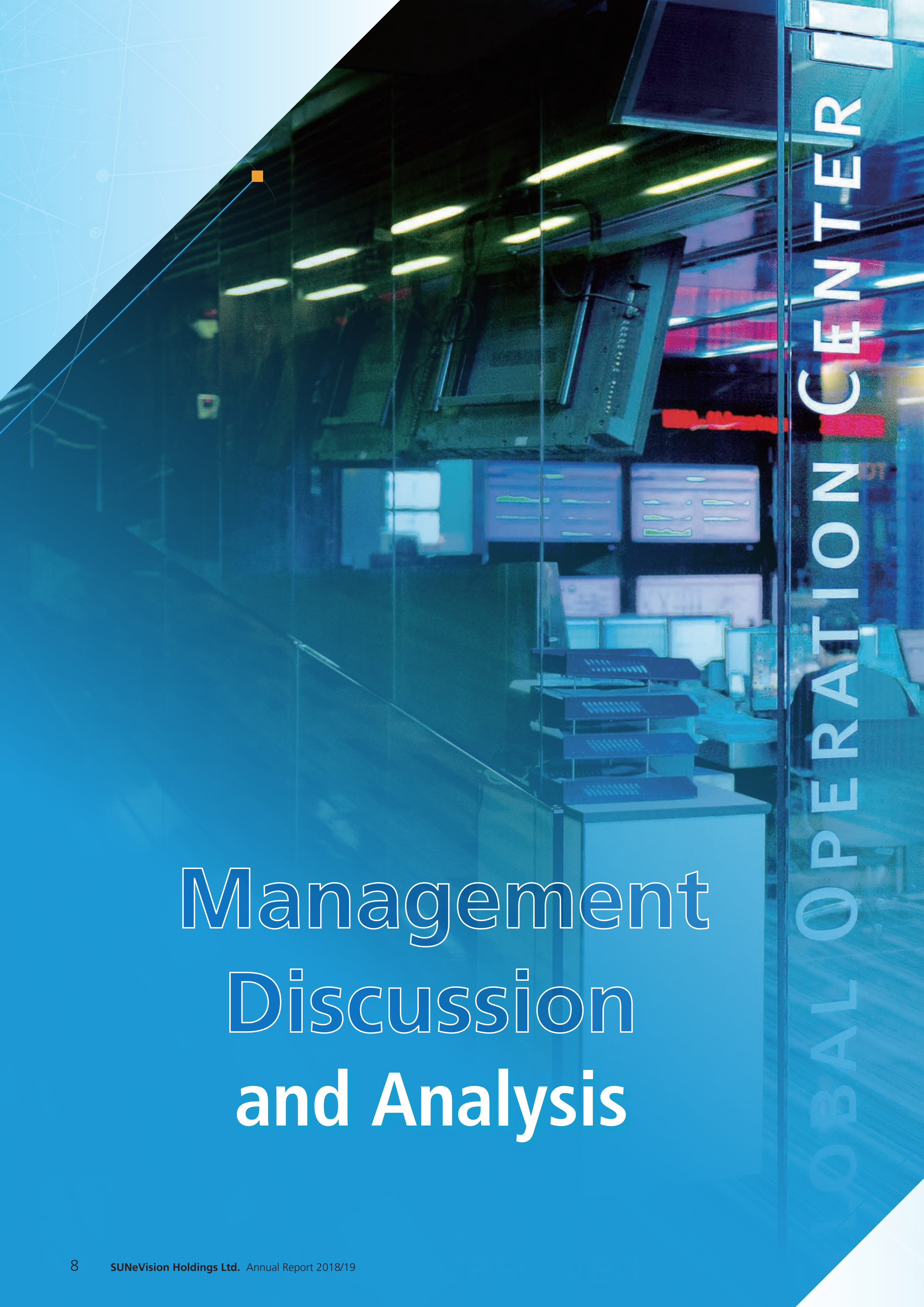
There have been some major macro uncertainties both globally and in Hong Kong. But data centres are a long-term business. The demand for data will only become stronger, and as a leading data centre operator, SUNeVision aspires to capture the opportunity by providing the best infrastructure, connectivity and service possible.

The Group adopts and implements environmental, social and governance principles and practices in accordance with the Environmental, Social and Governance Reporting Guide under the Main Board Listing Rules of the Stock Exchange of Hong Kong. The Board and the Board committees will continue to provide guidance and oversight on governance and sustainability issues, in order to create value for the Group and the community.

## 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, as well as our shareholders for their continued confidence and support.

**Kwok Ping-luen, Raymond**
*Chairman*
Hong Kong, 6 September 2019




# Management Discussion and Analysis

## OVERVIEW

SUNeVision completed the financial year ended 30 June 2019 with a profit attributable to the owners of the Company of HK$865.2 million, sustaining satisfactory growth, primarily from its core data centre business.

## BUSINESS REVIEW

### iAdvantage

iAdvantage continued its position as one of the largest top-tier data centre operators in Hong Kong, serving many regional and global customers. During the financial year, it attracted a number of important and fast-growing new logos into its MEGA Campus. The flagship facility MEGA Plus welcomed several new customers, including another major global cloud service player, in the first half of the year, followed by a regional video-on-demand service provider in the second half. MEGA-i, a major globally recognized connectivity hub, added an international e-commerce leader. MEGA Two, the data centre gateway between mainland and overseas, took onboard a regional internet conglomerate. This is a testament to the strong ecosystem, superior infrastructure and high service level commitment iAdvantage provides to its customers.


The TWTL 428 site in Tsuen Wan is proceeding with construction works. The TKOTL 131 site in Tseung Kwan O is in preliminary design and construction phase as well. These two greenfield sites will add 1.4 million square feet of gross floor area space to the Group's data centre portfolio upon project completion.


Infrastructure facility improvements continued at the existing data centres. The development work at MEGA-i is in progress, and will deliver more data hall space and enhanced power capacity over the coming years. The additional capacity will meet increasing demand from new and existing customers.

The Group also invested additional sales and marketing resources in brand building and customer service improvement.

### Super e-Technology and Super e-Network

Super e-Technology secured contracts for the installation of ELV and IT systems totalling approximately HK$145.2 million during the financial year. Super e-Technology maintains a positive outlook for the ELV sector in the next few years, and will continue to seek opportunities to expand its service offerings.

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


## INVESTMENT

The acquisition of the new TKOTL 131 site is expected to support SUNeVision's business growth, enhancing its income base over the long term. The data centre business is capital intensive, requiring long-term capital investment. The Group is committed to continued investment in existing as well as new infrastructure for 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 30 June 2019 amounted to approximately HK$467.8 million, while it had short-term bank borrowings of HK$2,180.2 million and long-term bank borrowings of HK$2,572.5 million. The Group had an approximately HK$4,284.9 million in total net borrowings, which increased by HK$2,767.6 million or 182% year on year. The increase was mainly to finance the land premium of TKOTL 131 site, capital expenditure for various data centre facilities and general working capital requirements. The gearing ratio as of 30 June 2019 was 182%; if excluding the long-term unsecured shareholder's loan of HK$3,300.0 million from the Sun Hung Kai Properties Group (SHKP Group), such ratio was 103%.

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


As of 30 June 2019, the Group had no contingent liability while the Company had an aggregate of HK$8,097.0 million contingent liabilities in respect of guarantees for general banking facilities utilised 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 30 June 2019, and there was no material acquisition or disposal of subsidiaries or affiliated companies during the financial year.

## EMPLOYEES

The Group had 280 full-time employees as of 30 June 2019. It is committed to talent development and staff retention. The Group continued to offer attractive career progression opportunities and competitive pay and benefits.

Staff costs rose during the year 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 (MPF) contributions, are conducted to ensure competitiveness in the employment market.

Different engagement and culture development initiatives were also implemented to enhance staff communication and team spirit. Selective 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.


## OUTLOOK

Building on SUNeVision's solid performance record, its state-of-the-art infrastructure and connectivity and financial resources, the Group is well positioned to attain business growth for higher returns to shareholders in the medium to long term. In recent months, there have been some major macro uncertainties both globally and in Hong Kong. But data centres are a long-term business. The demand for data will only become stronger, and as a leading data centre operator, SUNeVision aspires to capture the opportunity by providing the best infrastructure, connectivity and service possible. The Group will closely follow developments in the macro environment as well as the competitive landscape, and adjust its business strategies accordingly. iAdvantage will continue to evaluate new growth opportunities, taking a prudent approach. Super e-Technology and Super e-Network will further extend their quality service to new sites and enhance their service offerings.

## EXECUTIVE DIRECTORS

### Kwok Ping-luen, Raymond (Age: 66)

***Chairman***

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

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

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

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

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

Mr. Kwok has entered into a service agreement with the Company for a period of three years commencing on 1 March 2003 and shall continue thereafter until terminated by either party giving to the other not less than six months' prior written notice, but is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2019, Mr. Kwok is entitled to receive a director's fee of HK$60,000 for being the Chairman of the Company. His director's fee is fixed by the Board while his annual salary is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

### Fung Yuk-lun, Allen (Age: 51)

***Vice Chairman***

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

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

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

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

Mr. Fung has entered into a service agreement with the Company for a period of three years commencing on 2 April 2018 and shall continue thereafter until terminated by either party giving written notice to the other, but is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2019, Mr. Fung is entitled to receive a director's fee of HK$52,500 for being the Vice Chairman of the Company. His director's fee is fixed by the Board while his annual salary is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

### Tong Kwok-kong, Raymond (Age: 44)

***Chief Executive Officer***

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

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

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

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

Mr. Tong has entered into a service agreement with the Company for a period of three years commencing on 19 June 2018 and shall continue thereafter until terminated by either party giving written notice to the other, but is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2019, Mr. Tong is entitled to receive a director's fee of HK$52,500 for being the Chief Executive Officer of the Company and other emoluments of approximately HK$8,473,000. His director's fee is fixed by the Board while his annual salary is determined by the Board from time to time mainly with reference to market pay level and his contributions and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

### Tung Chi-ho, Eric (Age: 60)

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

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

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

Mr. Tung has entered into a service agreement with the Company for a period of three years commencing on 1 March 2003 and shall continue thereafter until terminated by either party giving to the other not less than six months' prior written notice, but is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2019, Mr. Tung is entitled to receive a director's fee of HK$45,000 for being a director of the Company. His director's fee is fixed by the Board while his annual salary is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

## NON-EXECUTIVE DIRECTORS

### Cheung Wing-yui (Age: 69)

***Vice Chairman***

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

Mr. Cheung is a deputy chairman and a non-executive director of SmarTone Telecommunications Holdings Limited. He is also a non-executive director of Tai Sang Land Development Limited, Tianjin Development Holdings Limited and Transport International Holdings Limited. Mr. Cheung was a non-executive director of SRE Group Limited (November 1999 – December 2015), an independent non-executive director of Ping An Insurance (Group) Company of China Ltd (May 2003 – June 2009), Hop Hing Group Holdings Limited (November 1989 – August 2017) and Agile Group Holdings Limited (October 2005 – February 2018). He is a non-executive director of Sun Hung Kai Properties Insurance Limited, which is a wholly-owned subsidiary of Sun Hung Kai Properties Limited, the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

Mr. Cheung is currently the chairman of Admissions, Budgets and Allocations Committee and a director of The Community Chest of Hong Kong. He is also a member of Sponsorship & Development Fund Committee and a court member of The Open University of Hong Kong, and an honorary council member of The Hong Kong Institute of Directors Limited. He had held the positions of deputy chairman of the council of The Open University of Hong Kong, the deputy chairman of The Hong Kong Institute of Directors Limited, a director of Po Leung Kuk, the vice chairman of the Mainland Legal Affairs Committee of The Law Society of Hong Kong and a member of the Board of Review (Inland Revenue Ordinance).

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

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

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

There is no service contract entered into between the Company and Mr. Cheung. Mr. Cheung received an appointment letter from the Company for his appointment as a Non-Executive Director of the Company for a period not exceeding three years, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2019, Mr. Cheung is entitled to receive a director's fee of HK$270,000 for being the Vice Chairman of the Company and a member of each of the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee of the Board. His director's fee is fixed by the Board while his annual salary, if any, is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

### Kwok Kai-wang, Christopher (Age: 32)

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

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

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

There is no service contract entered into between the Company and Mr. Kwok. Mr. Kwok received an appointment letter from the Company for his appointment as a Non-Executive Director of the Company for a period not exceeding three years, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2019, Mr. Kwok is entitled to receive a director's fee of HK$45,000 for being a director of the Company. His director's fee is fixed by the Board while his annual salary, if any, is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

### David Norman Prince (Age: 68)

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

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

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

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

There is no service contract entered into between the Company and Mr. Prince. Mr. Prince received an appointment letter from the Company for his appointment as a Non-Executive Director of the Company for a period not exceeding three years, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2019, Mr. Prince is entitled to receive a director's fee of HK$150,000 for being a director of the Company. His director's fee is fixed by the Board while his annual salary, if any, is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

### Siu Hon-wah, Thomas (Age: 66)

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

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

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

There is no service contract entered into between the Company and Mr. Siu. Mr. Siu received an appointment letter from the Company for his appointment as a Non-Executive Director of the Company for a period not exceeding three years, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2019, Mr. Siu is entitled to receive a director's fee of HK$45,000 for being a director of the Company. His director's fee is fixed by the Board while his annual salary, if any, is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

## Chan Hong-ki, Robert (Age: 55)

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

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

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

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

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

There is no service contract entered into between the Company and Mr. Chan. Mr. Chan received an appointment letter from the Company for his appointment as a Non-Executive Director of the Company for a period not exceeding three years, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2019, Mr. Chan is entitled to receive a director's fee of HK$45,000 for being a director of the Company. His director's fee is fixed by the Board while his annual salary, if any, is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### Li On-kwok, Victor (Age: 64)

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

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

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

There is no service contract entered into between the Company and Professor Li. Professor Li received an appointment letter from the Company for his appointment as an Independent Non-Executive Director of the Company for a period not exceeding three years, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2019, Professor Li is entitled to receive a director's fee of HK$240,000 for being a director of the Company and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Board. His director's fee is fixed by the Board while his annual salary, if any, is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

### King Yeo-chi, Ambrose (Age: 84)

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

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

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

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

There is no service contract entered into between the Company and Professor King. Professor King received an appointment letter from the Company for his appointment as an Independent Non-Executive Director of the Company for a period not exceeding three years, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2019, Professor King is entitled to receive a director's fee of HK$240,000 for being a director of the Company and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Board. His director's fee is fixed by the Board while his annual salary, if any, is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

### Wong Kai-man (Age: 69)

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

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

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

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

There is no service contract entered into between the Company and Mr. Wong. Mr. Wong received an appointment letter from the Company for his appointment as an Independent Non-Executive Director of the Company for a period not exceeding three years, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2019, Mr. Wong is entitled to receive a director's fee of HK$240,000 for being a director of the Company and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Board. His director's fee is fixed by the Board while his annual salary, if any, is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

### Kwok Kwok-chuen (Former name: Hui Kwok-chuen) (Age: 65)

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

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

Mr. Kwok has served on numerous committees and boards in Hong Kong. He is now a member of the Hong Kong Maritime and Port Board, a member of the Competition Commission and of its Enforcement Committee, and a member of the Aviation Development and Three-runway System Advisory Committee.

Mr. Kwok also served as the chairman of the Hong Kong Coalition of Service Industries, the vice chairman of the Economic Policy Committee of the Hong Kong General Chamber of Commerce, the honorary economist of the British Chamber of Commerce in Hong Kong, a member of the Steering Committee and the Investment Committee of the HKSAR Government Scholarship Fund and a member of the Investment Committee of the Self-financing Post-secondary Education Fund. He was awarded the Bronze Bauhinia Star in 1999 and was appointed a Justice of the Peace in 2003 by the Government, in recognition of his long and dedicated public service.

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

There is no service contract entered into between the Company and Mr. Kwok. Mr. Kwok received an appointment letter from the Company for his appointment as an Independent Non-Executive Director of the Company for a period not exceeding three years, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2019, Mr. Kwok is entitled to receive a director's fee of HK$175,000 for being a director of the Company and a member of the Corporate Governance Committee of the Board. His director's fee is fixed by the Board while his annual salary, if any, is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

### Lee Wai-kwong, Sunny (Age: 60)

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

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

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

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

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

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

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

There is no service contract entered into between the Company and Mr. Lee. Mr. Lee received an appointment letter from the Company for his appointment as an Independent Non-Executive Director of the Company for a period not exceeding three years, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the amended and restated articles of association of the Company. For the financial year ended 30 June 2019, Mr. Lee is entitled to receive a director's fee of HK$150,000 for being a director of the Company. His director's fee is fixed by the Board while his annual salary, if any, is determined by the Board from time to time with reference to his contribution in terms of time, effort and his expertise and is reviewed on an annual basis, and the sum of discretionary bonus, if any, is determined by the Board at its absolute discretion having regard to the operating results of the Company, its subsidiaries and its associated companies from time to time and the performance of the Director.

## SENIOR MANAGEMENT

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

# Directors' Report

The Directors are pleased to present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 30 June 2019.

## PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be holding investments in various subsidiaries. Particulars of the Company's principal subsidiaries, including their respective activities, are set out in note 39 to the consolidated financial statements.

Revenue and contributions to operating results are principally derived from activities in Hong Kong. Segment information about the businesses of the Group for the year ended 30 June 2019 is set out in note 7 to the consolidated financial statements.

## GROUP RESULTS

The results of the Group for the year ended 30 June 2019 are set out in the section headed "Consolidated Statement of Profit or Loss" on page 61.

## DIVIDEND

The board of Directors (the "Board") recommended the payment of a final dividend of HK16.50 cents per share (2018: HK15.10 cents per share) to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Tuesday, 5 November 2019, making a total dividend of HK16.50 cents per share for the full year ended 30 June 2019 (2018: HK15.10 cents per share). The proposed final dividend will be paid on Tuesday, 26 November 2019 following the approval at the forthcoming annual general meeting of the Company (the "2019 AGM"). Shares of the Company will be traded ex-dividend as from Friday, 1 November 2019.

In addition, subject to the resolution for declaring the aforesaid final dividend being duly passed at the 2019 AGM, pursuant to the deed poll constituting the convertible notes dated 25 November 2010 (the "Convertible Notes"), the Company will, on Tuesday, 26 November 2019, pay to the noteholders of the Company (the "Noteholders") whose names appear on the register of Noteholders on Tuesday, 5 November 2019, HK16.50 cents for each share which such Noteholders would have become holders of, had such Noteholders' Convertible Notes then outstanding been converted on Tuesday, 5 November 2019.

The dividend policy of the Company aims at maintaining a stable dividend payout to the Shareholders. The actual dividend payout will be based on the Group's financial performance, capital requirements, future investment plans, cash flow, general business and economic environment, etc.

## BUSINESS REVIEW

A fair review of the business of the Group for the financial year ended 30 June 2019, other important events, and an indication of likely future business development of the Group are provided in "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 7 and pages 8 to 13 respectively. A description of the principal risks and uncertainties facing the Group can be found in the section headed "Risk Management and Internal Control" in the "Corporate Governance Report" on pages 51 to 52. The Group's environmental policies and performance, and key relationships with its stakeholders will be included in a separate Environmental, Social and Governance Report. All such descriptions and discussions form part of this report.

The Group and its activities are subject to requirements under various laws. These include, among others, the Employment Ordinance (Cap. 57), the Trade Descriptions Ordinance (Cap. 362), the Personal Data (Privacy) Ordinance (Cap. 486), the Competition Ordinance (Cap. 619), and the applicable regulations, guidelines, policies and terms of licences issued or promulgated under or in connection with these and other statutes. In addition, the Cayman Islands Companies Law, the Companies Ordinance (Cap. 622), the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the relevant provisions in the Securities and Futures Ordinance (Cap. 571) (the "SFO") in relation to, among other things, the disclosure of information and corporate governance, apply to the Company. The Company seeks to ensure compliance with these requirements through various measures such as internal controls and approval procedures, training and oversight of various business units with designated resources at different levels of the Group. While these measures require considerable internal resources and result in additional operational cost, the Group highly values the importance of ensuring compliance with applicable legal and regulatory requirements.

## GROUP FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for each of the five years ended 30 June 2019 is set out on page 3.

## RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out on page 64 and in note 38 to the consolidated financial statements respectively.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

## PROPERTIES

Particulars of properties held by the Group at 30 June 2019 are set out on page 136.

## INVESTMENT PROPERTIES

The investment properties were revalued at 30 June 2019 and the resulting fair value change of HK$195,000,000 has been credited to the consolidated statement of profit or loss.

Details of the movements during the year in the investment properties of the Group are set out in note 15 to the consolidated financial statements.

## BANK BORROWINGS

Details of bank borrowings as at 30 June 2019 are set out in note 27 to the consolidated financial statements.

## INTEREST CAPITALISED

Interest capitalised during the year amounted to HK$121,143,000.

## SHARES ISSUED

During the year, 1,170,500 shares (2018: 2,795,500 shares) of the Company were issued and allotted as fully paid shares for a total consideration of HK$2,983,460 (2018: HK$6,833,650) as a result of the exercise of share options under the share option scheme of the Company and conversion of convertible notes of the Company.

Details of the movements in the share capital of the Company are set out in note 29 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There are no pre-emptive rights provisions under the amended and restated articles of association of the Company (the "Amended and Restated Articles of Association") or the laws of the Cayman Islands, under which the Company would be required to offer new shares on a pro-rata basis to its existing shareholders.

## DIRECTORS

The Directors during the year ended 30 June 2019 and up to the date of this report were:

### Executive Directors:

Kwok Ping-luen, Raymond
Fung Yuk-lun, Allen
Tong Kwok-kong, Raymond
Tung Chi-ho, Eric

### Non-Executive Directors:

Cheung Wing-yui
Kwok Kai-wang, Christopher
David Norman Prince
Siu Hon-wah, Thomas
Chan Hong-ki, Robert

### Independent Non-Executive Directors:

Li On-kwok, Victor
King Yeo-chi, Ambrose
Wong Kai-man
Kwok Kwok-chuen
Lee Wai-kwong, Sunny

In accordance with Article 116 of the Amended and Restated Articles of Association, Mr. Fung Yuk-lun, Allen, Mr. David Norman Prince, Mr. Siu Hon-wah, Thomas, Professor Li On-kwok, Victor and Professor King Yeo-chi, Ambrose will retire from office by rotation and, being eligible, have offered themselves for re-election at the 2019 AGM.

### 1. Directors' Service Contracts

***Executive Directors***

Each of the Executive Directors has entered into a service agreement with the Company. Each agreement is for a period of three years commencing on 1 March 2003 and shall continue thereafter unless and until terminated by either party giving to the other not less than six months' notice in writing (save the ones for each of Mr. Fung Yuk-lun, Allen and Mr. Tong Kwok-kong, Raymond, which commenced on 2 April 2018 and 19 June 2018 respectively for a period of three years, and which shall continue thereafter until terminated by either party giving written notice to the other).

***Non-Executive Directors***

Each of the Non-Executive Directors (including the Independent Non-Executive Directors) has a fixed term of appointment for a period not exceeding three years, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Amended and Restated Articles of Association.

None of the Directors being proposed for re-election at the 2019 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### 2. Directors' Interests in Transactions, Arrangements and Contracts

During the year, the Group had certain transactions with Sun Hung Kai Properties Limited ("SHKP") and its affiliates other than members of the Group. Details of these transactions are set out in the section headed "Connected Transactions and Continuing Connected Transactions" on pages 34 to 38. Certain Directors, namely Mr. Kwok Ping-luen, Raymond, Mr. Fung Yuk-lun, Allen, Mr. Tung Chi-ho, Eric, Mr. Cheung Wing-yui, Mr. Kwok Kai-wang, Christopher, Mr. David Norman Prince and Mr. Chan Hong-ki, Robert are also directors of, or hold certain posts in, SHKP, its subsidiaries and/or associates from time to time but excluding the Group (the "SHKP Group"), and they had abstained from voting on the board resolutions of the Company to approve the relevant transactions, if any, as they are regarded as materially interested in these transactions or to avoid potential conflict of interests.

Other than as disclosed above, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director or his connected entity had a material interest, whether directly or indirectly, were entered into or subsisted at the end of the year or at any time during the year ended 30 June 2019.

### 3. Independent Non-Executive Directors

***Confirmation of Independence***

The Company has received from each of Professor Li On-kwok, Victor, Professor King Yeo-chi, Ambrose, Mr. Wong Kai-man, Mr. Kwok Kwok-chuen and Mr. Lee Wai-kwong, Sunny an annual confirmation of his independence pursuant to the independence guidelines under the Listing Rules and considers that all the Independent Non-Executive Directors are independent.

## DIRECTORS' PROFILE

The Directors' profile is set out on pages 14 to 23.

## DIRECTORS' INTERESTS

As at 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

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

| | Number of shares held | | | | | | |
|---|---|---|---|---|---|---|---|
| Name of Director | Personal interests (held as beneficial owner) | Family interests (interests of spouse or child under 18) | Other interests | Sub-total | Number of underlying shares held under equity derivatives | Total | % of shares in issue as at 30.06.2019 |
| Kwok Ping-luen, Raymond | – | – | 3,485,000[1] | 3,485,000 | – | 3,485,000 | 0.15 |
| Fung Yuk-lun, Allen | – | – | – | – | 8,000,000[2] | 8,000,000 | 0.34 |
| Tong Kwok-kong, Raymond | 100,000 | – | – | 100,000 | 4,000,000[2] | 4,100,000 | 0.18 |
| Kwok Kai-wang, Christopher | – | – | 13,272,658[1&3] | 13,272,658 | – | 13,272,658 | 0.57 |
| King Yeo-chi, Ambrose | 1,000 | – | – | 1,000 | – | 1,000 | 0.00 |

Notes:

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

2. These underlying shares of the Company held under equity derivatives represented the share options (being regarded for the time being as unlisted physically settled equity derivatives) granted by the Company under its share option scheme. Particulars of these share options and their movements during the year ended 30 June 2019 are set out in the section headed "Share Option Scheme".

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

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

### (a) SHKP

| Name of Director | Number of shares held: Personal interests (held as beneficial owner) | Family interests (interests of spouse or child under 18) | Corporate interests (interests of controlled corporation) | Other interests | Sub-total | Number of underlying shares held under equity derivatives | Total | % of shares in issue as at 30.06.2019 |
|---|---|---|---|---|---|---|---|---|
| Kwok Ping-luen, Raymond | 188,743 | 70,000[1] | – | 524,284,686[2] | 524,543,429 | – | 524,543,429 | 18.10 |
| Kwok Kai-wang, Christopher | 110,000[3] | 60,000[4] | – | 651,238,101[2&5] | 651,408,101 | – | 651,408,101 | 22.48 |
| David Norman Prince | 2,000 | – | – | – | 2,000 | – | 2,000 | 0.00 |
| Siu Hon-wah, Thomas | – | – | – | 7,000[6] | 7,000 | – | 7,000 | 0.00 |
| Kwok Kwok-chuen | – | – | – | 16,942[7] | 16,942 | – | 16,942 | 0.00 |

Notes:

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

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

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

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

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

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

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

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

| Name of Director | Number of shares held: Personal interests (held as beneficial owner) | Other interests | Sub-total | Number of underlying shares held under equity derivatives | Total | % of shares in issue as at 30.06.2019 |
|---|---|---|---|---|---|---|
| Kwok Ping-luen, Raymond | – | 5,162,337[1] | 5,162,337 | – | 5,162,337 | 0.46 |
| Fung Yuk-lun, Allen | 437,359 | – | 437,359 | – | 437,359 | 0.04 |
| Kwok Kai-wang, Christopher | – | 12,011,498[1&2] | 12,011,498 | – | 12,011,498 | 1.07 |

Notes:

1. Messrs. Kwok Ping-luen, Raymond and Kwok Kai-wang, Christopher were deemed to be interested in 5,162,337 shares in SmarTone by virtue of them being beneficiaries of a discretionary trust for the purpose of Part XV of the SFO. Such shares represented the same interests and were therefore duplicated between them.

2. Mr. Kwok Kai-wang, Christopher was also deemed to be interested in 6,849,161 shares in SmarTone by virtue of him being a beneficiary of a discretionary trust for the benefit of the sons of the late Mr. Kwok Ping-sheung, Walter, of Mr. Kwok Ping-kwong, Thomas and of Mr. Kwok Ping-luen, Raymond respectively for the purpose of Part XV of the SFO.

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

| Name of associated corporation | Attributable shares held through corporation | Attributable % of shares in issue through corporation as at 30.06.2019 | Actual shares held through corporation | Actual % of interests in issued shares as at 30.06.2019 |
|---|---|---|---|---|
| Splendid Kai Limited | 2,500 | 25.00 | 1,500[1] | 15.00 |
| Hung Carom Company Limited | 25 | 25.00 | 15[1] | 15.00 |
| Tinyau Company Limited | 1 | 50.00 | 1[1] | 50.00 |
| Open Step Limited | 8 | 80.00 | 4[1] | 40.00 |

Note:

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

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTION SCHEME

### 1. Share Option Scheme of the Company

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

During the year ended 30 June 2019, the Company granted 11,590,000 share options under the 2012 Scheme on 22 May 2019. Particulars of the outstanding share options granted under the 2012 Scheme and their movements during the year ended 30 June 2019 were as follows:

| Grantees | Date of grant | Exercise price per share | Exercise period[1] | Number of share options: Balance as at 01.07.2018 | Granted during the year | Exercised during the year | Cancelled/ Lapsed during the year | Balance as at 30.06.2019 | Closing price per share |
|---|---|---|---|---|---|---|---|---|---|
| | | *HK$* | | | | | | | *HK$* |
| **(i) Directors** | | | | | | | | | |
| Fung Yuk-lun, Allen | 08.03.2016 | 2.45 | 08.03.2017 to 07.03.2021 | 4,000,000 | – | – | – | 4,000,000 | N/A |
| | 22.05.2019 | 6.688 | 22.05.2020 to 21.05.2024 | N/A | 4,000,000 | – | – | 4,000,000 | 6.61[2] |
| Tong Kwok-kong, Raymond | 19.06.2018 | 5.048 | 19.06.2019 to 18.06.2023 | 4,000,000 | – | – | – | 4,000,000 | N/A |
| **(ii) Other employees** | 08.03.2016 | 2.45 | 08.03.2017 to 07.03.2021 | 5,610,000 | – | (1,125,000) | – | 4,485,000 | 6.15[3] |
| | 19.06.2018 | 5.048 | 19.06.2019 to 18.06.2023 | 4,350,000 | – | (45,000) | (1,500,000) | 2,805,000 | 6.84[3] |
| | 22.05.2019 | 6.688 | 22.05.2020 to 21.05.2024 | N/A | 6,190,000 | – | (350,000) | 5,840,000 | 6.61[2] |
| **(iii) Other participants** | 19.06.2018 | 5.048 | 19.06.2019 to 18.06.2023 | 3,000,000 | – | – | (1,500,000) | 1,500,000 | N/A |
| | 22.05.2019 | 6.688 | 22.05.2020 to 21.05.2024 | N/A | 1,400,000 | – | – | 1,400,000 | 6.61[2] |
| **Total** | | | | 20,960,000 | 11,590,000 | (1,170,000) | (3,350,000) | 28,030,000 | |

Notes:

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

2. This represented the closing price of the shares of the Company immediately before the date on which the share options were granted.

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

Save as disclosed above, there were no outstanding share options granted under the 2012 Scheme during the year ended 30 June 2019.

Details of the value of the share options granted by the Company during the year ended 30 June 2019, and the accounting policy adopted for the share options are set out in note 30 to the consolidated financial statements.

## 2. Major Terms of the Share Option Scheme

The major terms of the 2012 Scheme are as follows:

1. The purpose of the 2012 Scheme is to attract, retain and motivate talented participants to strive for future developments and expansion of the Group and to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants and for such other purposes as the Board may approve from time to time.

2. The participants of the 2012 Scheme include (i) any executive or non-executive directors (or any persons proposed to be appointed as such) or any employees (whether full-time or part-time) of each member of the Group; (ii) any consultants, professional and other advisers to each member of the Group (or persons, firms or companies proposed to be appointed for providing such services); (iii) any chief executives or substantial shareholders of the Company; (iv) any associates of a director, chief executive or substantial shareholder of the Company; and (v) any employees of the substantial shareholder of the Company, provided that the Board shall have absolute discretion to determine whether or not one falls within the above categories.

3. The total number of shares of the Company which may be issued upon exercise of all options to be granted under the 2012 Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the 2012 Scheme by the Shareholders. The 10% limit may be refreshed with the approval of the Shareholders in general meeting. The maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2012 Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares of the Company in issue from time to time (or such higher percentage as may be allowed under the Listing Rules). As at 6 September 2019, being the date of this report, the number of shares of the Company available for issue under the 2012 Scheme is 227,317,953 shares, representing approximately 9.77% of the issued shares of the Company.

4. The total number of shares of the Company issued and to be issued upon exercise of the share options granted under the 2012 Scheme and any other share option schemes of the Company to each participant (including exercised and outstanding share options) in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue.

5. A share option granted under the 2012 Scheme may be exercised at any time during the option period after the share option has been granted by the Board. A share option period is a period to be determined by the Board at its absolute discretion and notified by the Board to each grantee as being the period during which a share option may be exercised, such period shall not be longer than ten years from the date of grant of the share option.

6. Unless otherwise determined by the Board and specified in the offer letter at the time of the offer, there is neither any performance target that needs to be achieved by the grantee before a share option can be exercised nor any minimum period for which a share option must be held before the share option can be exercised.

7. The acceptance of an offer of the grant of the share options must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee.

8. The exercise price of a share option to subscribe for shares of the Company shall be at least the highest of:

   - the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made to a participant, which must be a business day;

   - the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an offer is made to a participant; and

   - the nominal value of the shares of the Company.

9. The 2012 Scheme shall be valid and effective for a period of ten years commencing on the day on which the 2012 Scheme takes effect.

### 3. Arrangement to Purchase Shares or Debentures

Other than the share option scheme as mentioned above, at no time during the year ended 30 June 2019 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

## CONVERTIBLE NOTES

During the year ended 30 June 2019, no Convertible Notes have been issued, and Convertible Notes in the amount of HK$50 were converted into 500 shares of the Company upon the exercise of the conversion rights attached to the Convertible Notes at the conversion price of HK$0.10 per share.

Save as aforesaid, none of the Company or any of its subsidiaries had any outstanding convertible securities, options, warrants or similar rights as at 30 June 2019. Save as disclosed above, there has been no issue or exercise of any convertible securities, options, warrants or similar rights during the year.

## GROUP'S EMOLUMENT POLICY

### 1. General Description of the Emolument Policy and Long Term Incentive Schemes of the Group

#### (a) Emolument Policy

The philosophy of the emolument policy of the Group is summarised as follows:

- The Group conducts benchmarking study periodically with the market to ensure the competitiveness of the overall package

- The Group adopts a performance driven policy so that each individual is motivated to perform to the best he/she can

- Individual competence, contribution and responsibility are taken into account when considering the remuneration level for each staff

- Different remuneration elements are adopted for different functions, such as commission schemes for sales and special allowances for staff working on shift, to meet the special characteristics of each function

- The Group also offers provident fund, medical and leave benefits to provide basic coverage to staff for sickness, retirement, rest and relaxation reasons

- Share option grants are made from time to time to better link the corporate performance as reflected in the share price performance and the contributions made by the senior staff in the intermediate to longer time frame

- The economic factors and the affordability of the Group are taken into account in coming up with the overall remuneration budget for the Group

#### (b) Incentive Scheme

To enhance the performance culture, the Group has also adopted a discretionary bonus scheme. A couple of factors, such as the overall financial performance, the affordability of the Group and individual performance, have been taken into account before determining the payout for each individual. The payout of the bonus still remains at the sole discretion of the Group.

2. Basis of Determining Emolument to Directors

The remuneration philosophy of the Group also applies to the Directors. Apart from benchmarking against the market, the Group also looks into individual competence and contributions and the affordability of the Group in determining the exact level of remuneration for each Director. Provision in medical, provident fund and leave are made to ensure that the Executive Directors could have basic coverage in sickness and retirement as well as for rest and relaxation. Share options scheme is also in place to gain a better line of sight between the overall performance of the Group in terms of share price and the contributions made by the Directors.

## PERMITTED INDEMNITY

The Amended and Restated Articles of Association provides that every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted. In addition, the liabilities in respect of legal action against the Directors are insured and covered by the existing directors and officers liability insurance policy of SHKP, the holding company of the Company.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 30 June 2019, none of the Directors has interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2019, the interests or short positions of the persons, other than Directors or chief executive of the Company, in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

| Name | Number of shares held | Number of underlying shares held under equity derivatives | Total | % of shares in issue as at 30.06.2019 |
|---|---|---|---|---|
| Sunco Resources Limited ("Sunco")[1] | 1,719,427,500 | 1,719,427,500[2] | 3,438,855,000 | 147.81 |
| SHKP[3] | 1,719,427,500 | 1,719,427,500[2] | 3,438,855,000 | 147.81 |
| HSBC Trustee (C.I.) Limited ("HSBCCI")[4] | 1,721,567,500 | 1,719,427,500[2] | 3,440,995,000 | 147.90 |
| The Capital Group Companies, Inc. ("Capital Group")[5] | 116,852,000 | – | 116,852,000 | 5.02 |

Notes:

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

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

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

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

5. Capital Group is deemed to have interest in 116,852,000 shares of the Company held by a corporation in which Capital Group is entitled to control the exercise of one-third or more of the voting power at its general meetings.

Save as disclosed above, as at 30 June 2019, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 30 June 2019 are disclosed in note 31 to the consolidated financial statements. Some of these transactions also constituted connected transactions or continuing connected transactions under the Listing Rules, as identified below.

## CONNECTED TRANSACTIONS

### I. Building Contract

On 22 May 2015, Wealth Up Development Limited ("Wealth up", a wholly-owned subsidiary of the Company) entered into the Building Contract (as defined and as more particularly described in the announcement of the Company dated 22 May 2015) with Sanfield Engineering Construction Limited (the "Main Contractor", a wholly-owned subsidiary of SHKP, which in turn is the controlling shareholder of the Company), pursuant to which the Main Contractor has agreed to carry out, take full responsibility for the care of, and complete the construction of a high-tier data centre consisting of two towers on Tseung Kwan O Town Lot No.122 from pile cap upwards with an estimated maximum gross floor area of approximately 44,000 square metres and certain fitting-out works and all external works (the "Project") at a contract sum of HK$1,038,800,000, subject to adjustments. The entering into of the Building Contract constituted a major and connected transaction of the Company under Chapters 19 and 20 of the then Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange ("GEM Listing Rules"). Further particulars of the Building Contract were set out in the announcement of the Company dated 22 May 2015.

At the extraordinary general meeting of the Company held on 3 July 2015, an ordinary resolution approving the Building Contract and the transactions contemplated thereunder (as more particularly described in the circular of the Company to its Shareholders dated 15 June 2015) was duly passed by the then independent Shareholders.

### II. Building Works and Managed Services Agreement

On 25 November 2016, Wealth Up further entered into a building works and managed services agreement (as more particularly described in the announcement of the Company dated 25 November 2016) (the "Building Works and Managed Services Agreement") with the Main Contractor, pursuant to which the Main Contractor has agreed to supply, construct and complete the builder's works for the enhancement of the Project in order to meet the builder's works requirement arising from the newly enhanced design of the Project with reference to the Building Contract for increasing capacities of the Project and addressing the latest demand requirements from the market at a contract sum of HK$124,380,000 (subject to adjustments). The entering into of the Building Works and Managed Services Agreement constituted a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Further particulars of the Building Works and Managed Services Agreement were set out in the announcement of the Company dated 25 November 2016.

III. Project Management Agreement

On 16 May 2018, iAdvantage Limited ("iAdvantage", a wholly-owned subsidiary of the Company) entered into a project management agreement (the "Project Management Agreement") with Sun Hung Kai Real Estate Agency Limited ("SHKREA", a wholly-owned subsidiary of SHKP) in relation to the appointment of SHKREA as the project manager to generally manage, supervise and control the projects for (i) the development of a high grade industrial building to be constructed on a piece of land located at Ma Kok Street, Tsuen Wan, New Territories, Hong Kong and registered in the Land Registry as Tsuen Wan Town Lot No. 428 (the "Tsuen Wan Project"); and (ii) the revitalization of MEGA-iAdvantage located at 399 Chai Wan Road and 1 Sun Yip Street, Chai Wan, Hong Kong and registered in the Land Registry as Chai Wan Inland Lot No. 30 (the "Chai Wan Project") at a project management fee in an aggregate sum of HK$11,000,000 (comprising HK$7,000,000 for the Tsuen Wan Project and HK$4,000,000 for the Chai Wan Project). SHKREA is an associate of SHKP and a connected person of the Company under the Listing Rules. The entering into of the Project Management Agreement therefore constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Further particulars of the Project Management Agreement were set out in the announcement of the Company dated 16 May 2018.

IV. Works Contracts

On 23 May 2018, iAdvantage entered into the Works Contracts comprising the Sanfield A&A Works Contract and the Lik On Security System Works Contract (all as defined and as more particularly described in the announcement of the Company dated 23 May 2018) with the Main Contractor and Lik On Security Limited ("Lik On") respectively. The Main Contractor and Lik On are both wholly-owned subsidiaries of SHKP and connected persons of the Company under Chapter 14A of the Listing Rules. Pursuant to the Sanfield A&A Works Contract, the Main Contractor has agreed to carry out, be responsible for, and complete the A&A (i.e. addition and alteration) builder's works, fitting out works and building services installation at the ground floor to the fourth floor of MEGA-iAdvantage which form part of the Chai Wan Project at a contract sum not exceeding HK$59,070,000. Pursuant to the Lik On Security System Works Contract, Lik On has agreed to carry out, be responsible for, and complete the security systems enhancement works of MEGA-iAdvantage which form part of the Chai Wan Project at a contract sum not exceeding HK$20,160,000. The entering into of the Sanfield A&A Works Contract and the Lik On Security System Works Contract constituted connected transactions of the Company under Chapter 14A of the Listing Rules. Further particulars of the Works Contracts were set out in the announcement of the Company dated 23 May 2018.

## CONTINUING CONNECTED TRANSACTIONS

During the year ended 30 June 2019, the Group conducted the following transactions which constituted continuing connected transactions under the Listing Rules.

### Continuing Connected Transactions 2017–2020

On 2 May 2017, the Company renewed and entered into new agreements (the "Agreements") governing the Transactions Requiring Approval and the Transactions Exempt from Approval (both as defined and as more particularly described in the announcement of the Company dated 2 May 2017) with SHKP, a substantial shareholder of the Company, or Sun Hung Kai Properties Insurance Limited ("SHKI", a wholly-owned subsidiary of SHKP) (as the case may be), each for a term of three years commencing from 1 July 2017 and ending on 30 June 2020.

Details of the Transactions Requiring Approval and the Transactions Exempt from Approval (together the "Continuing Connected Transactions 2017–2020") are as follows:

1. Transactions Requiring Approval

At the extraordinary general meeting of the Company held on 23 June 2017, ordinary resolutions approving the Transactions Requiring Approval (as defined and as more particularly described in the circular of the Company to its Shareholders dated 23 May 2017) were duly passed by the then independent Shareholders in respect of the following continuing connected transactions subject to the caps for the respective periods as stated below:

(a) *Design, installation, operation and provision of cable networking on a project basis by the Group for buildings owned and/or managed by the SHKP Group*

Members of the Group provided services to members of the SHKP Group in connection with the design, installation, operation and provision of satellite master antenna television system ("SMATV")/communal aerial broadcasting distribution ("CABD"), access control and other security systems and laying of network cabling system (such as voice and data network, building services access, and power supply), optical fiber network, broadband network and other information technology ("IT") infrastructure networks in buildings owned and/or managed by the SHKP Group on a project basis (the "Networking Arrangement"). The Group charged the relevant members of the SHKP Group service fees for the provision of such services.

The annual cap for service fees in respect of the Networking Arrangement receivable by the Group during each of the three financial years ending 30 June 2020 is HK$109,300,000.

During the year ended 30 June 2019, the aggregate amount of service fees in respect of the Networking Arrangement received/receivable by the Group from the SHKP Group was HK$103,124,000.

(b) *Maintenance and repair of network infrastructure and security systems on a project basis by the Group for buildings owned and/or managed by the SHKP Group*

Members of the Group were engaged by certain members of the SHKP Group to carry out maintenance and repair works for SMATV/CABD, access control and other security systems and cabling systems (such as voice and data network, building services access, and power supply), optical fiber network, broadband network, computer systems and other IT infrastructure networks in buildings owned and/or managed by the SHKP Group on a project basis (the "Maintenance Arrangement"). The Group charged the relevant members of the SHKP Group fees for services provided under the Maintenance Arrangement.

The annual cap for service fees in respect of the Maintenance Arrangement receivable by the Group during each of the three financial years ending 30 June 2020 is HK$77,700,000.

During the year ended 30 June 2019, the aggregate amount of service fees in respect of the Maintenance Arrangement received/receivable by the Group from the SHKP Group was HK$64,381,000.

(c) *Sub-contracting of works in connection with the Networking Arrangement*

In connection with the Networking Arrangement for which the Group was engaged as the main contractor by the SHKP Group on a project basis, not all of the works involved were performed by members of the Group directly and the Group sub-contracted part of the works involved in the individual projects to other sub-contractors. Such arrangement of sub-contracting works of the main contractors is a normal and common market practice, and it happened that these sub-contractors included certain members of the SHKP Group. The Group had from time to time engaged members of the SHKP Group to perform part of the works in connection with the Networking Arrangement that the Group had to sub-contract to others (the "Networking Sub-contracting Arrangement"). The relevant members of the SHKP Group charged the relevant members of the Group fees for the provision of such services.

The annual cap for service fees in respect of the Networking Sub-contracting Arrangement payable by the Group to the SHKP Group during each of the three financial years ending 30 June 2020 is HK$20,100,000.

During the year ended 30 June 2019, the aggregate amount of service fees in respect of the Networking Sub-contracting Arrangement paid/payable by the Group to the SHKP Group was HK$10,691,000.

(d) *Sub-contracting of works in connection with the Maintenance Arrangement*

In connection with the Maintenance Arrangement for which the Group was engaged as the main contractor by the SHKP Group on a project basis, not all of the maintenance and repair works involved were performed by members of the Group directly and the Group sub-contracted part of the works involved in the individual projects to other sub-contractors. Such arrangement of sub-contracting works of the main contractors is a normal and common market practice, and it happened that these sub-contractors included certain members of the SHKP Group. The Group had from time to time engaged members of the SHKP Group to perform part of the works in connection with the Maintenance Arrangement that the Group had to sub-contract to others (the "Maintenance Sub-contracting Arrangement"). The relevant members of the SHKP Group charged the relevant members of the Group fees for the provision of such services.

The annual cap for service fees in respect of the Maintenance Sub-contracting Arrangement payable by the Group to the SHKP Group during each of the three financial years ending 30 June 2020 is HK$8,600,000.

During the year ended 30 June 2019, the aggregate amount of service fees in respect of the Maintenance Sub-contracting Arrangement paid/payable by the Group to the SHKP Group was HK$4,650,000.

(e) *The HK Lease Arrangements*

Members of the Group leased and licensed from members of the SHKP Group certain premises in Hong Kong for the purpose of providing data centres and related services to the customers of the Group (the "HK Lease Arrangements"). The relevant members of the SHKP Group charged the relevant members of the Group rental, license fee, management fee and other charge for the leasing and licensing of the premises in Hong Kong which the relevant members of the Group leased or licensed from the SHKP Group.

The annual cap for the aggregate amount of rental, license fee, management fee and other charge in respect of the HK Lease Arrangements payable by the Group to the SHKP Group during each of the three financial years ending 30 June 2020 is HK$91,900,000.

During the year ended 30 June 2019, the aggregate amount of rental, license fee, management fee and other charge in respect of the HK Lease Arrangements paid/payable by the Group to the SHKP Group was HK$79,218,000.

2. Transactions Exempt from Approval

(a) *Space and rack rental*

Members of the SHKP Group rented and licensed space and racks located in the Group's data centres (the "Space and Rack Rental Arrangement"). The Group charged the relevant members of the SHKP Group rental or license fees at rates comparable with the rates at which the Group charged other independent third party customers taking into account the area of space and/or number of racks rented or licensed and the rental or license term.

The annual cap for the rental and license fees in respect of the Space and Rack Rental Arrangement receivable by the Group during each of the three financial years ending 30 June 2020 is HK$3,600,000.

During the year ended 30 June 2019, the aggregate amount of rental and license fees in respect of the Space and Rack Rental Arrangement received/receivable by the Group from the SHKP Group was HK$3,375,000.

(b) *Provision of property management services by the SHKP Group to the Group*

Kai Shing Management Services Limited, a wholly-owned subsidiary of SHKP, is the building manager of both Kodak House II at North Point, Hong Kong and Millennium City at Kwun Tong, Kowloon. The building manager is appointed by the owners of the relevant buildings, and performs duties for the benefit of all owners of the relevant buildings in accordance with the terms of the relevant deeds of mutual covenant. As the Group owns certain units of these two buildings, the relevant members of the Group paid property management fees to the relevant building manager, which was on the same basis as the other owners of the relevant buildings in accordance with the relevant deeds of mutual covenant (the "Building Management Services").

Members of the SHKP Group also provided cleaning and sanitary services, security guard services, ad hoc facilities fixing services, small scale and miscellaneous repairs services in relation to data centres owned or leased by iAdvantage and premises owned by other members of the Group. Such properties include ONE-iAdvantage in Millennium City at Kwun Tong, Kowloon, JUMBO-iAdvantage at Tsuen Wan, the New Territories and MEGA-iAdvantage at Chai Wan, Hong Kong and other premises leased from members of the SHKP Group. iAdvantage and other members of the Group paid service fees to the members of the SHKP Group for the services provided at the same rates as those charged by the SHKP Group to other owners/tenants requesting for the same types of services (the "Extra Management Services", which together with the arrangements under the Building Management Services are collectively referred to as the "Property Management Arrangement").

The annual cap for service fees in respect of the Property Management Arrangement payable by the Group to the SHKP Group during each of the three financial years ending 30 June 2020 is HK$18,600,000.

During the year ended 30 June 2019, the aggregate amount of service fees in respect of the Property Management Arrangement paid/payable by the Group to the SHKP Group was HK$17,685,000.

(c) *Provision of insurance services by SHKI to the Group*
Various members of the Group maintained insurance cover with or through SHKI for members of the Group (the "Insurance Arrangement").

The annual cap for insurance premiums in respect of the Insurance Arrangement payable by the Group to SHKI during each of the three financial years ending 30 June 2020 is HK$4,900,000.

During the year ended 30 June 2019, the aggregate amount of insurance premiums in respect of the Insurance Arrangement paid/payable by the Group to SHKI was HK$2,898,000.

The Independent Non-Executive Directors have reviewed the Continuing Connected Transactions 2017–2020 for the year ended 30 June 2019 and confirmed that the Continuing Connected Transactions 2017–2020 for the year ended 30 June 2019 have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company has performed procedures in respect of the Continuing Connected Transactions 2017–2020 for the year ended 30 June 2019 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and has confirmed that for the year ended 30 June 2019, nothing has come to its attention that causes it to believe that the Continuing Connected Transactions 2017–2020 (a) have not been approved by the Board; (b) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group; (c) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (d) have exceeded the annual caps as set by the Company.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions and the continuing connected transactions entered into by the Group during the year ended 30 June 2019.

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

During the year ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

## SIGNIFICANT CONTRACTS

During the year ended 30 June 2019, the Group had certain transactions with SHKP and its affiliates other than members of the Group. Details of these transactions are set out in the section headed "Connected Transactions and Continuing Connected Transactions" on pages 34 to 38 and in note 31 "Related Party Transactions and Balances" to the consolidated financial statements. There was no other contract of significance between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries subsisting during or at the end of the year. Furthermore, there was no other contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisting during or at the end of the year.

## MANAGEMENT CONTRACTS

No contracts relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest suppliers of the Group accounted for about 45% of the Group's total operating costs and the largest supplier, being the SHKP Group, accounted for about 29% of the total operating costs.

During the year, the five largest customers of the Group accounted for about 36% of the Group's total revenue from sales of goods or rendering of services and the largest customer, being the SHKP Group, accounted for about 11% of the total revenue from sales of goods or rendering of services.

As at 30 June 2019, (a) certain Directors had equity interests in the SHKP Group as stated in detail in the section headed "Directors' Interests"; (b) HSBC Trustee (C.I.) Limited, a substantial Shareholder of the Company, was also a substantial shareholder of SHKP; and (c) The Capital Group Companies, Inc., the parent company of investment advisers to funds and accounts which owned more than 5% of the number of issued shares of the Company, also had certain interests in some of the five largest suppliers and customers of the Group.

Save as disclosed above, none of the Directors, their respective close associates and Shareholders (which to the knowledge of the Directors own more than 5% of the number of issued shares of the Company) had any interest in any of the five largest suppliers or customers of the Group for the financial year ended 30 June 2019.

## AUDITOR

A resolution will be proposed at the 2019 AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor and to authorise the Directors to fix its remuneration.

## AUDIT COMMITTEE

The Audit Committee has reviewed the final results for the year ended 30 June 2019 and has provided advice and comments thereon.

## PENSION SCHEME

With effect from 1 December 2000, the Group has participated in a Mandatory Provident Fund Scheme (the "MPF Scheme") for all its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Pursuant to the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the scheme at 5% of their monthly relevant income, up to HK$1,500 per month.

On top of the mandatory contributions, employees who have served for one year or more may elect to make voluntary contribution at 5% on their salaries less the amount of mandatory contribution. For employees making such an election, the Group will match an equal amount of contribution. Contributions of the Group to the MPF Scheme are charged to consolidated statement of profit or loss as incurred. During the year, the retirement benefit scheme contributions borne by the Group amounted to HK$4,000,000.

Three Executive Directors participate in a retirement benefit scheme which is operated by the SHKP Group for all qualified employees. The assets of this scheme are held separately from those of the SHKP Group in independently managed and administered funds. Contributions to this scheme are made by both the employer and employees at 10% and 5% on the employees' salaries respectively.

There is HK$43,000 forfeited contributions available at the balance sheet date to reduce the contributions payable in future years.

## CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 41 to 54.

The Company Secretary is Ms. Au King-lun, Paulina ("Ms. Au"), who is the Head of Finance of the Group, and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Au has been appointed as the Company Secretary in place of Mr. Tang Ching-kong with effect from 24 August 2019.

## SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the Listing Rules.

On behalf of the Board

**Kwok Ping-luen, Raymond**
*Chairman*

Hong Kong, 6 September 2019

# Corporate Governance Report

## INTRODUCTION

Maintaining high standards of business ethics and corporate governance practices has always been one of the goals of SUNeVision Holdings Ltd. (the "Company") and its subsidiaries (collectively the "Group"). The Group believes that by conducting its business in a socially responsible and honest manner, the long-term interests of the Group can be best achieved and the shareholders' interests can be maximised.

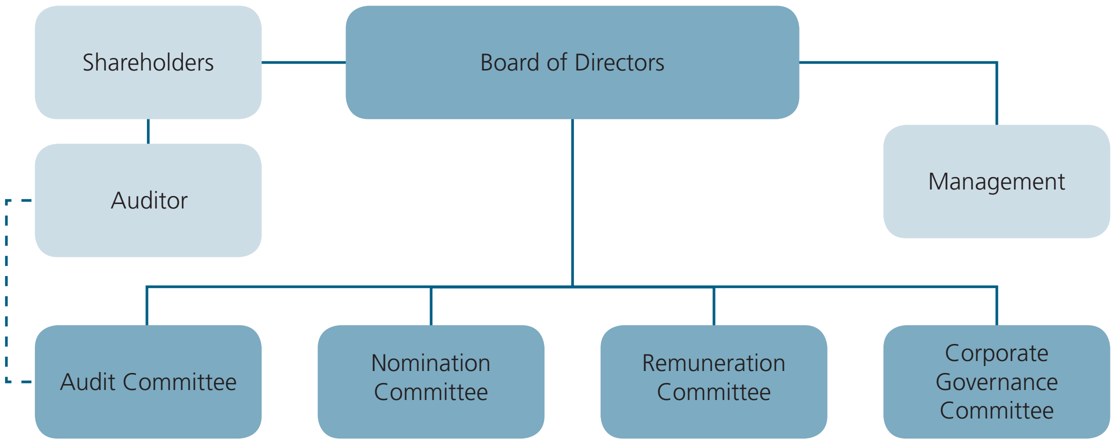
## CORPORATE GOVERNANCE PRACTICES

By applying rigorous corporate governance practices, the Group believes that its accountability and transparency will be improved and further instill confidence into shareholders of the Company (the "Shareholders") and the public in the Group. Throughout the year ended 30 June 2019, the Group has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except that the Chairman of the board of Directors of the Company (the "Board") was unable to attend the annual general meeting of the Company held on 26 October 2018 (the "2018 AGM") due to other commitment.

The Board has continued to monitor and review the corporate governance principles and practices to ensure compliance.

### Governance Structure

Set out below is the governance structure of the Group.




## THE BOARD OF DIRECTORS

The Board has overall responsibility for the leadership, strategic direction, control and performance of the Group and for promoting the success of the Group by directing and supervising its affairs.

The Board is also responsible for supervising the management of the Group (the "Management") and has delegated the responsibility for day-to-day operations and management of the Group's businesses to the Management.

### Composition

The Board currently comprises fourteen Directors, including the Chairman (being an Executive Director), three other Executive Directors (one of them being a Vice Chairman), five Non-Executive Directors (one of them being a Vice Chairman) and five Independent Non-Executive Directors. An updated list of Directors identifying their roles and functions and whether they are Independent Non-Executive Directors has been published on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx") respectively. Biographical details of the Directors are set out in the section headed "Directors' Profile" on pages 14 to 23.

The Board believes that the balance between Executive and Non-Executive Directors (including the Independent Non-Executive Directors) is reasonable and adequate to provide sufficient checks and balances for safeguarding the interests of the Shareholders and the Group. The Non-Executive Directors provide the Group with a wide range of expertise and experience and play an important role in the work of the Board, as well as ensure that the interests of all Shareholders are taken into account. They contribute to the development of the Group's strategy and policies through their informed comments and criticism. They are also responsible for participating in the Board meetings, dealing with potential conflicts of interests, scrutinising the Group's performance and reporting, and attending general meetings and developing a balanced understanding of the views of the Shareholders. Some of them also serve on the Audit, Remuneration, Nomination and Corporate Governance Committees. Through their participation, they provide the Board and its Committees (the "Board Committees" as mentioned herein below) on which they serve with the benefit of their skills, expertise and experience, and the management process can be critically reviewed and controlled.

The overall responsibilities of the Board include considering and making decisions on the following matters:

- setting the corporate goals of the Group and formulating the Group's strategy and monitoring the implementation thereof;
- diversification and extension of activities into new business areas/cessation of operation of any material parts of its existing businesses;
- approving the annual and interim results;
- dividend policy;
- material changes to capital structure;
- major financing arrangements;
- material acquisitions and disposals;
- ensuring the integrity of the Group's accounting and financial reporting system and public announcements;
- reviewing and monitoring the Group's risk management and internal control systems;
- the Group's policies and practices on corporate governance and effective compliance practice;
- approval of resolutions and corresponding documentation for Shareholders' approval;
- Board membership and other appointments;
- membership and terms of reference of the Board Committees; and
- monitoring the performance of the Management.

The Company currently has five Independent Non-Executive Directors, representing one-third of the members of the Board, and at least one of whom has appropriate professional qualifications or accounting or related financial management expertise. The Group has received from each Independent Non-Executive Director an annual confirmation of his independence, and the Group considers such Directors to be independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules (the "Independence Guidelines"). The re-election of the Independent Non-Executive Directors at the forthcoming annual general meeting of the Company (the "2019 AGM") has been reviewed by the Nomination Committee and further details are set out in the section headed "Nomination Committee and Appointment of Directors" below.

All Independent Non-Executive Directors are identified as such in all corporate communications containing the names of the Directors.

Mr. Kwok Ping-luen, Raymond (being the Chairman) is the father of Mr. Kwok Kai-wang, Christopher (being a Non-Executive Director). Save as disclosed above, there are no family or other material relationships among the members of the Board.

Formal service agreements and letters of appointment have been issued to the Executive Directors and the Non-Executive Directors (including the Independent Non-Executive Directors) respectively setting out the key terms and conditions of their respective appointments.

The liabilities in respect of legal action against the Directors is insured and covered by the existing directors and officers liability insurance policy of Sun Hung Kai Properties Limited ("SHKP", being the holding company of the Company).

Materials setting out the duties and responsibilities of directors of a listed company under the Listing Rules, the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO"), and other regulatory requirements are provided to each newly appointed Director, if any. Updates on legal and regulatory changes are delivered to the Directors from time to time for their information when necessary. All Directors give sufficient time and attention to the affairs of the Group. Directors also disclose to the Company at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments together with the identities of these public companies or organisations and the time involved. The Company also confirms with the Directors regularly in respect of any offices which they may hold in other public companies or organisations.

## Board Meetings

The Board held four regular meetings during the year ended 30 June 2019. At least 14 days' formal notice of regular Board meetings were given to all Directors, who were all given an opportunity to attend and include matters in the agenda for discussion. The finalised agenda and accompanying Board papers were sent to all Directors at least 3 days prior to the regular Board meetings or Board Committees meetings. For the other Board meetings (if any), Directors would be given reasonable notice. The Board papers and related materials were in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it. The Directors received prompt and full response whenever they raised any queries.

The company secretary of the Company (the "Company Secretary") assists the Chairman in preparing the agenda for each Board meeting and Board Committees meeting, keeping minutes of Board meetings and Board Committees meetings, and ensures that all applicable rules and regulations are followed. Draft Board minutes and Board Committees minutes are respectively circulated to all Directors and committee members for comment as soon as practicable after the meeting. The minutes of each Board meeting and Board Committees meeting recording in sufficient detail the matters considered and decisions reached at the meeting are available for inspection at any reasonable time on reasonable notice by any Director.

The attendance records of the Directors at the Board meetings held during the year ended 30 June 2019 are as follows:

| **Directors** | **Number of meetings Attended/Total** |
|---|---|
| **Executive Directors** | |
| Kwok Ping-luen, Raymond *(Chairman)* | 4/4 |
| Fung Yuk-lun, Allen *(Vice Chairman)* | 4/4 |
| Tong Kwok-kong, Raymond | 4/4 |
| Tung Chi-ho, Eric | 4/4 |
| **Non-Executive Directors** | |
| Cheung Wing-yui *(Vice Chairman)* | 4/4 |
| Kwok Kai-wang, Christopher | 4/4 |
| David Norman Prince | 4/4 |
| Siu Hon-wah, Thomas | 4/4 |
| Chan Hong-ki, Robert | 3/4 |
| **Independent Non-Executive Directors** | |
| Li On-kwok, Victor | 4/4 |
| King Yeo-chi, Ambrose | 3/4 |
| Wong Kai-man | 4/4 |
| Kwok Kwok-chuen | 4/4 |
| Lee Wai-kwong, Sunny | 4/4 |

All Directors have access to relevant and timely information at all times as the Management will supply the Board and the Board Committees with all relevant information in a timely manner. They may make further enquiries if in their opinion it is necessary or appropriate to request for further information. They also have unrestricted access to the advice and services of the Company Secretary, who is responsible to the Board for providing the Directors with Board papers and related materials, and for ensuring that all Board procedures and all applicable rules and regulations are followed. If considered to be necessary and appropriate by the Directors, they may upon reasonable request seek independent professional advice at the Company's expense.

Except for those circumstances permitted by the amended and restated articles of association of the Company (the "Amended and Restated Articles of Association") and the Listing Rules, a Director who is considered to be materially interested in any transaction, arrangement or contract or any other kind of proposal put forward to the Board for consideration will abstain from voting on the relevant resolution.

## Chairman of the Company

The Chairman of the Company is Mr. Kwok Ping-luen, Raymond and the Chief Executive Officer of the Company is Mr. Tong Kwok-kong, Raymond. The roles of the Chairman and the Chief Executive Officer are segregated and not performed by the same individual to avoid power being concentrated on any one individual. The Chairman is primarily responsible for the management of the Board, whereas the Chief Executive Officer is primarily responsible for overseeing the various businesses of the Group. Their respective roles and responsibilities are summarised as follows:

## Responsibilities of the Chairman

- leading the Board and ensuring that the Board functions effectively and smoothly;
- chairing the Board and Shareholders' meetings;
- approving the agenda for each Board meeting, taking into account, where appropriate, any matters proposed by the other Directors and the Company Secretary for inclusion in the agenda;
- ensuring that all Directors receive all relevant information prior to each meeting and are properly briefed on issues arising at Board meetings;
- ensuring all key and appropriate issues are discussed by the Board in a timely and constructive manner;
- encouraging all Directors, including the Independent Non-Executive Directors, to actively participate in all Board and Board Committees meetings and promoting a culture of openness for the Directors to share and voice out their concerns on all matters during each meeting;
- holding at least one meeting with the Independent Non-Executive Directors annually without the presence of the other Directors;
- ensuring good corporate governance practices and procedures are established and followed; and
- taking appropriate steps to provide effective communication with Shareholders and to ensure that Shareholders' views are communicated to the Board as a whole.

## Responsibilities of the Chief Executive Officer

- implementing the Group's policy and strategies as set by the Board;
- strategic planning of different business and functions;
- closely monitoring operational and financial results in accordance with plans and budgets;
- assuming full accountability to the Board for all aspects of the Group's operations and performance;
- maintaining ongoing dialogue with the Chairman and the other Directors;
- developing and leading an effective executive team;
- putting adequate operational, planning and financial-control systems in place; and
- representing the Company and managing the Group's day-to-day business.

## Training and Support for Directors

All Directors, including Non-Executive Directors and Independent Non-Executive Directors, should keep abreast of their collective responsibilities as Directors and of the businesses and activities of the Group. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Group is also responsible for providing briefings and other training to develop and refresh the Directors' knowledge and skills, and updating all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance practices as appropriate.

During the year ended 30 June 2019, the Directors provided their training records to the Company in respect of their participation in training activities such as attending or giving talks at seminars and/or conferences and/or forums and/or briefings, or reading materials on various topics including the Group's businesses, corporate governance matters, and the statutory and regulatory obligations of a director of a listed company, particulars of which are as follows:

| Directors | Types of training |
|---|---|
| **Executive Directors** | |
| Kwok Ping-luen, Raymond | A, B |
| Fung Yuk-lun, Allen | A, B |
| Tong Kwok-kong, Raymond | B |
| Tung Chi-ho, Eric | A, B |
| **Non-Executive Directors** | |
| Cheung Wing-yui | A, B |
| Kwok Kai-wang, Christopher | A, B |
| David Norman Prince | A, B |
| Siu Hon-wah, Thomas | A, B |
| Chan Hong-ki, Robert | A, B |
| **Independent Non-Executive Directors** | |
| Li On-kwok, Victor | A, B |
| King Yeo-chi, Ambrose | A, B |
| Wong Kai-man | A, B |
| Kwok Kwok-chuen | A, B |
| Lee Wai-kwong, Sunny | A, B |

A: attending or giving talks at seminars and/or conferences and/or forums and/or briefings

B: reading materials relevant to the businesses of the Group, corporate governance matters, and the Directors' duties and responsibilities

### Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct for Directors in their dealings in the securities of the Company. Upon the Group's specific enquiry, each Director has confirmed that during the year ended 30 June 2019, he has fully complied with the Model Code and there is no event of non-compliance. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code.

## DELEGATION BY THE BOARD

As stated above, the Board is responsible for decisions in relation to the overall strategy and development of the Group's businesses, for setting its corporate goals, and for supervising the overall management and operation of the businesses and affairs of the Group. Due to the diversity and volume of the Group's business, responsibilities in relation to the daily operations and execution of the strategic business plans are delegated to the Management. The Management reports back and in certain situations has to obtain prior approval from the Board before making decisions on the Company's behalf. The Board gives clear directions as to the powers of the Management, and periodically reviews all delegations to the Management to ensure that such delegations are appropriate and continue to be beneficial to the Group as a whole.

The Management, led by the Chief Executive Officer and comprising a team of senior managers who have broad experience and expertise in different areas, is responsible for managing the day-to-day operations, implementing the strategies set by the Board, and assisting the Board in formulating and implementing corporate strategies.

The Board has established the Board Committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee (all chaired by an Independent Non-Executive Director), as well as the Corporate Governance Committee, all with specific terms of reference clearly defining the powers and responsibilities of the respective Board Committees. All Board Committees are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any actions. All Board Committees have adopted the applicable practices and procedures used in Board meetings for their respective meetings.

The Company Secretary is responsible to the Board for providing Directors with Board papers and related materials, for ensuring that all Board procedures and all applicable laws, rules and regulations are followed, and for reporting to the Chairman and the Chief Executive Officer on governance matters. All members of the Board have unrestricted access to the advice and services of the Company Secretary. The Company Secretary also keeps minutes of all meetings which are available for inspection at any reasonable time on reasonable notice by any Director.

The appointment and removal of the Company Secretary is subject to the Board's approval at physical Board meeting. The Company Secretary has complied with all the qualifications, experience and training requirements of the Listing Rules.

## AUDIT COMMITTEE AND ACCOUNTABILITY

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's performance and prospects. The Directors acknowledge their responsibility for preparing the accounts, which give a true and fair view of the financial position of the Group on a going concern basis, and for presenting a balanced, clear and understandable assessment in its annual and interim reports, and other financial disclosures required by the Listing Rules. The Management provides sufficient explanation and all relevant information and record to the Board enabling the Board to make the above assessment and to prepare the accounts and other financial disclosures. The Management also provides the Board with monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their responsibilities. In addition, an explanation of the basis on which the Company generates or preserves value over the longer term and the strategy for delivering the Company's objectives is included in the section headed "Management Discussion and Analysis" on pages 8 to 13. A statement by the external auditor of the Company in respect of their reporting responsibilities is set out in the section headed "Independent Auditor's Report" on pages 55 to 60.

The Audit Committee was established in 2000. The Chairman of the Audit Committee is Mr. Wong Kai-man, an Independent Non-Executive Director, and the other members are Mr. Cheung Wing-yui, Professor Li On-kwok, Victor and Professor King Yeo-chi, Ambrose. All members are Non-Executive Directors and the majority of them is Independent Non-Executive Directors.

The Audit Committee's primary duties include reviewing the Group's financial reports, and its risk management and internal control systems in order to ensure the presentation of a true and balanced assessment of the Group's financial position and corporate governance; making recommendation to the Board on the appointment of auditor; and reviewing financial and accounting policies and practices adopted by the Group. Other duties of the Audit Committee are set out in its specific terms of reference, which are posted on the websites of the Company and HKEx respectively. The Audit Committee is provided with sufficient resources enabling it to perform its duties.

No former partner of the Company's existing auditing firm acted as a member of the Audit Committee within two years from the date of ceasing to be a partner or ceasing to have any financial interest in the auditing firm, whichever is the later.

The Company Secretary keeps minutes of all Audit Committee meetings. In line with the practices adopted for Board meetings and meetings of the other Board Committees, draft and final versions of the minutes of the Audit Committee meetings are circulated to all members of the Audit Committee as soon as practicable after each meeting.

During the year ended 30 June 2019, the Audit Committee held six meetings. The attendance records of the members at the Audit Committee meetings are as follows:

| Committee Members | Number of meetings Attended/Total |
|---|---|
| Wong Kai-man *(Committee Chairman)* | 6/6 |
| Cheung Wing-yui | 5/6 |
| Li On-kwok, Victor | 5/6 |
| King Yeo-chi, Ambrose | 4/6 |

During the year ended 30 June 2019, the Audit Committee reviewed the interim and annual results of the Group as well as discussed and reviewed financial and other reports for the year. The Audit Committee also reviewed and discussed the amendments to its terms of reference, the Group's risk management and internal control systems, risk assessment result and internal audit activities, cyber security audit and audit plans for the upcoming year. Details of the relevant review are set out in the section headed "Risk Management and Internal Control" on pages 51 to 52.

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor.

The Audit Committee monitors the audit and non-audit services rendered to the Group by the external auditor and ensures that the engagement of the external auditor in other non-audit services, if any, will not impair its audit independence or objectivity. An independence confirmation has been obtained from Deloitte Touche Tohmatsu which confirms that for the year ended 30 June 2019 and thereafter to the date of this report, it is independent of the Group in accordance with the independence requirements of the Hong Kong Institute of Certified Public Accountants.

The fees in respect of audit and non-audit services provided by the external auditor to the Group for the year ended 30 June 2019 amounted to approximately HK$1,265,000 and HK$726,000 respectively. The non-audit services represented consultancy, advisory and other review services.

## REMUNERATION COMMITTEE

The Remuneration Committee was established in 2005. The Chairman of the Remuneration Committee is Professor King Yeo-chi, Ambrose, an Independent Non-Executive Director, and the other members are Mr. Fung Yuk-lun, Allen, Mr. Cheung Wing-yui, Professor Li On-kwok, Victor and Mr. Wong Kai-man. Mr. Fung Yuk-lun, Allen has been appointed as a member with effect from 23 August 2019. The majority of the members of the Remuneration Committee is Independent Non-Executive Directors.

The Remuneration Committee is responsible for formulating and recommending to the Board the remuneration policy, determining and reviewing the remuneration of the Executive Directors and members of senior management of the Company, as well as reviewing and making recommendations on the grant of share options, if any, under the Company's share option scheme, bonus structure, provident fund and other compensation-related issues. Details of remuneration paid to members of senior management are set out on pages 105 and 106. The Remuneration Committee consults the Chairman and/or Chief Executive Officer on its proposals and recommendations, and also has access to independent professional advice if deemed necessary. The Remuneration Committee is also provided with sufficient resources enabling it to perform its duties. The specific terms of reference of the Remuneration Committee are posted on the websites of the Company and HKEx respectively.

During the year ended 30 June 2019, the Remuneration Committee held three meetings. The attendance records of the members at the Remuneration Committee meetings are as follows:

| Committee Members | Number of meetings Attended/Total |
|---|---|
| King Yeo-chi, Ambrose *(Committee Chairman)* | 2/3 |
| Cheung Wing-yui | 3/3 |
| Li On-kwok, Victor | 3/3 |
| Wong Kai-man | 3/3 |

During the year ended 30 June 2019, the Remuneration Committee reviewed matters relating to the remuneration packages and emoluments of the Directors and senior management, and the grant of share options to a Director, as well as discussed the level of the Directors' fees of the Company. The Group's emolument policy is set out on page 32.

## NOMINATION COMMITTEE AND APPOINTMENT OF DIRECTORS

The Nomination Committee was established in 2005. The Chairman of the Nomination Committee is Professor Li On-kwok, Victor, an Independent Non-Executive Director, and the other members are Mr. Cheung Wing-yui, Professor King Yeo-chi, Ambrose and Mr. Wong Kai-man. All members are Non-Executive Directors and the majority of them is Independent Non-Executive Directors.

The Nomination Committee is responsible for formulating nomination policy, and making recommendations to the Board on nomination, appointment and re-appointment of Directors and Board succession. The Nomination Committee develops selection procedures of candidates for nomination, reviews the size, structure and composition of the Board, as well as assesses the independence of the Independent Non-Executive Directors. The Nomination Committee is provided with sufficient resources to perform its duties and, where necessary, it can seek independent professional advice at the expense of the Company to perform its responsibilities. The specific terms of reference of the Nomination Committee are posted on the websites of the Company and HKEx respectively.

During the year ended 30 June 2019, the Nomination Committee reviewed the nomination policy of the Company (the "Nomination Policy") which was then approved and adopted by the Board for formalising the current nomination practice of the Company. It sets out the criteria and procedures for the selection, appointment and re-appointment of the Directors. Nomination procedures under the Nomination Policy include identification and nomination of qualified individuals by the Nomination Committee, and review and approval of such nominations by the Board. The Nomination Committee will consider and evaluate the potential candidates by considering various factors such as their professional expertise, industry and business experience, personal ethics and integrity, time commitments, potential contribution to board diversity, any material conflict of interest with the Group, and independence with reference to the Independence Guidelines if they will be appointed as Independent Non-Executive Directors. The Nomination Committee will then make recommendation of the suitable candidates to the Board for consideration of appointment. In cases of re-appointment of existing Directors who will retire at annual general meetings or general meetings of the Company, the Nomination Committee will review the rotation and retirement of Directors and make recommendations to the Board accordingly.

During the year ended 30 June 2019, the Nomination Committee held three meetings. The attendance records of the members at the Nomination Committee meetings are as follows:

| Committee Members | Number of meetings Attended/Total |
|---|---|
| Li On-kwok, Victor *(Committee Chairman)* | 3/3 |
| Cheung Wing-yui | 3/3 |
| King Yeo-chi, Ambrose | 2/3 |
| Wong Kai-man | 3/3 |

During the year ended 30 June 2019, the Nomination Committee discussed and reviewed the structure, size and composition of the Board, as well as other related matters, including, among other things, the re-election of retiring Directors at the 2018 AGM.

The Nomination Committee also established a board diversity policy (the "Diversity Policy"), which was adopted by the Board on 7 May 2013. The Diversity Policy sets out the approach to achieve diversity on the Board and the factors (including but not limited to age, gender, cultural and educational background, professional experience, skill and knowledge) to be considered in determining the optimum composition of the Board so as to contribute to the achievement of the Group's corporate goals and strategic objectives. The Nomination Committee will review the Nomination Policy as well as the Diversity Policy when appropriate to ensure their effectiveness and will discuss any revisions that may require further consideration and approval by the Board. The Nomination Committee is of the view that the current Nomination Policy and the diversity of the Board are appropriate.

In addition, the Nomination Committee reviewed the retirement and re-election of Directors at the 2019 AGM, including the re-election of two Independent Non-Executive Directors, Professor Li On-kwok, Victor and Professor King Yeo-chi, Ambrose (the "Retiring INEDs"), both of whom have served the Company for more than nine years. The Retiring INEDs have met the Independence Guidelines and each has made an annual confirmation of independence pursuant thereto. The Nomination Committee considered the biographies of the Retiring INEDs and taking into consideration their knowledge, experience, capability and various diversity aspects as set out in the Diversity Policy, the Nomination Committee is of the view that the Retiring INEDs will continue to contribute to the Board with their respective perspectives, skills and experience. The Nomination Committee also considered that their long service will not affect their exercise of independent judgement and was satisfied that they have the required integrity and experience to continue fulfilling the role of Independent Non-Executive Directors.

### Term of Appointment and Re-election

All Non-Executive Directors (including Independent Non-Executive Directors) are appointed for a specific term of not more than three years. All Directors shall retire from office by rotation and are subject to re-election at annual general meetings at least once every three years.

According to the Amended and Restated Articles of Association, Directors who are appointed to fill casual vacancies shall hold office only until the next following general meeting after their appointment, and are subject to re-election by Shareholders. When an Independent Non-Executive Director proposed for re-election has served the Company for more than nine years, his re-election will be subject to a separate resolution to be approved at annual general meeting.

## CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee was established in February 2012. The Chairman of the Corporate Governance Committee is Mr. Cheung Wing-yui, a Non-Executive Director, and the other members are Mr. Fung Yuk-lun, Allen, an Executive Director, and Mr. Kwok Kwok-chuen, an Independent Non-Executive Director.

The duties of the Corporate Governance Committee include developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board, reviewing the training and continuous professional development of Directors, and reviewing the Company's compliance with the code provisions in the Code and disclosures in this report.

During the year ended 30 June 2019, the Corporate Governance Committee held one meeting. The attendance records of the members at the Corporate Governance Committee meetings are as follows:

| **Committee Members** | **Number of meeting Attended/Total** |
|---|---|
| Cheung Wing-yui *(Committee Chairman)* | 1/1 |
| Fung Yuk-lun, Allen | 1/1 |
| Kwok Kwok-chuen | 1/1 |

During the year ended 30 June 2019, the Corporate Governance Committee reviewed and discussed each of the code provisions of the Code to ascertain whether the Group has complied with the code provisions of the Code. In addition, the Corporate Governance Committee established a disclosure policy, which was adopted by the Board with effect from 1 January 2013 and which would be updated from time to time where appropriate. The disclosure policy sets out the procedures to ensure that any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining sound and effective systems of risk management and internal control, which include financial, operational and compliance controls, to safeguard the Group's assets and Shareholders' interests, as well as for reviewing the effectiveness of such systems. Sound and effective systems of risk management and internal control are designed to identify and manage the risk of failure to achieve business objectives.

The Group has formulated and adopted a risk management policy (the "Policy") that depicts the systems to effectively identify, assess, mitigate, report and monitor key business risks across all business units. The "Top-Down" approach is adopted in the Policy, which is facilitated by strong oversight exercised by the Board, the Audit Committee, the Risk Management Taskforce (the "RMTF") and senior management in the establishment and maintenance of the Policy, framework and program. At least on an annual basis, the RMTF identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritises the identified risks according to a set of standard criteria. Risk owners are assigned for different risks and mitigation plans are then formulated by risk owners for those risks considered to be significant.

### Principal Risks and Uncertainties

The following are the key risks that are considered to be of most significance to the Group at this time. They may adversely impact the Group's businesses, financial conditions, results of operations and growth prospects if they are not managed effectively. These key risks are not comprehensive, and there may be other risks, in addition to those set out below, which are not known to the Group or which may not be material now but could turn out to be material in the future.

Key risks related to the Group's businesses and to the industries in which the Group operates include:

***Cyber Security*** – Cyber-attacks have become a major threat to companies operating in today's IT environment. Cyber-attacks may affect the performance of network and the Group's ability to provide services to customers according to committed service levels. Sensitive business or customer data may be leaked or even lost due to cyber-attacks or by careless/malicious staff.

***Progress of Construction Project*** – The Group's operation depends on its ability to produce data halls inventory on time to meet market demand in order to maintain the market share.

***Competition*** – The Group operates in markets and industries with competition from the local and overseas rivals, which has led to pricing pressure and increased marketing costs. The Group has operated in this competitive landscape for a few years and has had to adapt its business strategies in light of the changed market conditions.

***People*** – The Group's success and ability to grow depends largely on its ability to attract, train, retain, and motivate highly skilled and qualified managerial, sales, marketing, operating, and technical personnel. The loss of key personnel, or the inability to find additional qualified personnel, could adversely affect the Group's prospects and results of operations.

### Mitigating Principal Risks Faced by the Group

The risk management and internal control systems have been designed to operate proactively to ensure that principal risks are not only identified, measured and monitored but also mitigated. Under such systems, management staff of various departments would identify suitable internal controls and countermeasures to mitigate principal risks faced by the Group. When formulating mitigating measures, important factors such as regulatory requirements, risk appetite, adequacy and effectiveness of mitigating actions proposed, risk owners in place to implement and possibility of transferring risks to third parties were taken into consideration. The objective of these risk mitigating plans is to ensure that principal risks are well managed and governed effectively.

The risk management process is embedded into the day-to-day operations of the Group and is an on-going process carried out by everyone in the Group. Key procedures are being established and implemented to ensure that there are appropriate and effective risk management and internal control systems which includes (a) setting core values and beliefs which form the basis of the Group's overall risk philosophy and appetite; (b) having an organisational structure in place with defined lines of responsibility and delegation of authority which hold individuals accountable for their risk management and internal control responsibilities; (c) imposing an organisational structure which provides necessary information flow for risk analysis and management decision-making; (d) imposing budgetary and management accounting controls to efficiently allocate resources and providing timely financial and operational performance indicators to manage business activities and risks; (e) ensuring effective financial reporting controls to record complete, accurate and timely accounting and management information; and (f) expanding the roles and responsibilities of the Audit Committee to include the review of risk management and internal control systems.

In addition, the Group has an Internal Audit Department which is responsible for performing independent reviews on the effectiveness of the Group's risk management and internal control systems. Deficiencies in the design and implementation of such systems are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the RMTF, the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

The Audit Committee, as delegated by the Board, discussed the risk management and internal control systems for the financial year under review with Management to ensure that Management has performed its duty to have an effective risk management and internal control systems in place. The Board ensured that the resources, staff qualifications and experience, training programmes and the budget of the Group's accounting, internal control and financial reporting functions were adequate. The Board concluded that in general, the Group had set up control environment and installed necessary control mechanisms to monitor and correct non-compliance or material internal control defects, if any.

The Board, through the Audit Committee and with the assistance of the Internal Audit Department, has conducted an annual review on the effectiveness of the risk management and internal control systems of the Group for the financial year ended 30 June 2019 and considers that the Group's risk management and internal control systems for the financial year was effective and adequate. No significant areas of concern that may affect the financial, operational, compliance controls, and risk management functions of the Group have been identified. The systems are designed to manage rather than eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

### Procedures and internal controls for the handling and dissemination of inside information

The Group has complied with the relevant applicable requirements of the SFO and the Listing Rules in respect of dissemination of inside information. The Group has disclosed inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided for in the SFO. Before the information is fully disclosed to the public, the Group ensures that the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements and other public disclosures are not false or misleading as to a material fact or as a result of the omission of a material fact by presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

## SHAREHOLDERS RELATIONS

The Company is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its Shareholders. This commitment to fair disclosure and comprehensive and transparent reporting of the Group's activities can be reflected in many aspects.

The Board strives to encourage and maintain constant dialogue with the Shareholders through various means. The Chairman (with the assistance of the Company Secretary and the other Directors) has established a shareholders' communication policy to ensure that appropriate steps are taken to provide effective communication with the Shareholders. The annual general meetings and other general meetings, if any, of the Company are good communication channels for the Board to meet and exchange views with the Shareholders. The Directors use their best endeavour to attend the general meetings so that they may answer any questions from the Shareholders.

The chairman of each of the Audit Committee and the Nomination Committee, the members of the Remuneration Committee and the Corporate Governance Committee, and the external auditor attended the 2018 AGM and were available to answer questions that were raised by the Shareholders. The Chairman of the Board was not able to attend the 2018 AGM due to other commitment.

The attendance records of the Directors at the general meeting held during the year ended 30 June 2019 are as follows:

| Directors | Number of meeting Attended/Total |
|---|---|
| **Executive Directors** | |
| Kwok Ping-luen, Raymond *(Chairman)* | 0/1 |
| Fung Yuk-lun, Allen *(Vice Chairman)* | 1/1 |
| Tong Kwok-kong, Raymond | 1/1 |
| Tung Chi-ho, Eric | 1/1 |
| **Non-Executive Directors** | |
| Cheung Wing-yui *(Vice Chairman)* | 0/1 |
| Kwok Kai-wang, Christopher | 0/1 |
| David Norman Prince | 1/1 |
| Siu Hon-wah, Thomas | 1/1 |
| Chan Hong-ki, Robert | 1/1 |
| **Independent Non-Executive Directors** | |
| Li On-kwok, Victor | 1/1 |
| King Yeo-chi, Ambrose | 0/1 |
| Wong Kai-man | 1/1 |
| Kwok Kwok-chuen | 1/1 |
| Lee Wai-kwong, Sunny | 1/1 |

The 2018 AGM circular (incorporating the notice of annual general meeting and setting out details in relation to each resolution proposed, information on voting arrangement and other relevant information) was sent to all Shareholders at least 20 clear business days prior to the 2018 AGM. Separate resolutions for each substantially separate issue (including the re-election of each of the retiring Directors) were proposed at the 2018 AGM. The procedures for conducting a poll were clearly explained at the 2018 AGM. All resolutions put to Shareholders at the 2018 AGM were voted by way of poll and passed; and the results were published on the websites of the Company and HKEx respectively.

The Company also communicates to its Shareholders through its annual and interim reports. All such reports can also be accessed via the websites of the Company and HKEx. The Directors, the Company Secretary or other appropriate members of Management, and the branch share registrar and transfer office of the Company also respond to inquiries from Shareholders and investors promptly.

The dividend policy of the Company is set out in the section headed "Dividend" in the "Directors' Report" on page 24.

Extraordinary general meetings shall be convened on the written requisition of any two or more Shareholders deposited at the principal office of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. Extraordinary general meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. Shareholders may put forward proposals at general meetings of the Company by sending the same to the Company at the principal office of the Company in Hong Kong.

Shareholders may send their enquiries to the Board by sending the same to the Company at the principal office of the Company in Hong Kong or by email to the Company at enquiry@SUNeVision.com.

The Company is committed to protecting the privacy right on all personal data collected from Shareholders. When collecting personal data from the Shareholders, the Company will specify in the relevant documents the purpose of collection and the use of personal data etc. Contact details are also provided to the Shareholders for accessing and correcting their personal data.

## INVESTOR RELATIONS

The Group continues to promote and strengthen its relationship with investors and potential investors. The Group meets regularly with analysts and participates in investor conferences.

As a channel to further enhance communications, the Company will disseminate announcements, corporate notice, and other financial and non-financial information through the Company's website in a timely manner.

In order to (i) bring the memorandum and articles of association of the Company in line with the relevant requirements of the Listing Rules, the Companies Law of the Cayman Islands and the Companies Ordinance of Hong Kong; (ii) reflect consequential changes in view of the transfer of listing of the shares of the Company from the then Growth Enterprise Market to the Main Board of the Stock Exchange on 22 January 2018; and (iii) make some other housekeeping amendments, the Company has approved and adopted the amended and restated memorandum and articles of association as the memorandum and articles of association of the Company, in substitution for, and to the exclusion of, the previous memorandum and articles of association of the Company at the 2018 AGM.

Deloitte. 德勤

**TO THE MEMBERS OF SUNEVISION HOLDINGS LTD.**
**新意網集團有限公司**
*(incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of SUNeVision Holdings Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 61 to 135, which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## KEY AUDIT MATTERS (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Valuation of investment properties*** | |
| We identified the valuation of investment properties as a key audit matter due to the significance of the Group's investment properties in the context of the Group's consolidated financial statements as a whole and because significant judgement is involved in determining the inputs used in the valuation.<br><br>As at 30 June 2019, the Group's investment properties, which are located in Hong Kong, amounted to HK$1,769,000,000, which represented 13% of the Group's total assets. Increase in fair values of investment properties of HK$195,000,000 was recognised in the consolidated statement of profit or loss for the year then ended.<br><br>The Group's investment properties are carried at fair value based on valuation performed by independent qualified professional surveyors ("Valuers"). The valuations are dependent on certain key inputs that involve the management's and Valuers' judgements, including market price per square foot, using direct comparison approach and taking into account of the adjustments on the differences in the nature, location and condition, as well as the highest and best use of the properties. Details of the valuation techniques and key inputs used in the valuations are disclosed in note 15 to the consolidated financial statements. | Our procedures in relation to the valuation of investment properties included:<br><br>• Evaluating the competence, capabilities and objectivity of the Valuers;<br><br>• Obtaining an understanding from the Valuers about the valuation techniques, the performance of the property markets, significant assumptions adopted, critical judgemental areas, key inputs and data used in the valuations;<br><br>• Evaluating the appropriateness and reasonableness of the significant assumptions and methodology adopted in the valuations based on our knowledge of the property industry in Hong Kong; and<br><br>• Evaluating the reasonableness of the key inputs used in the valuations with reference to market prices of comparable properties and our knowledge of the nature, location and condition of the properties. |

## KEY AUDIT MATTERS (continued)

| Key audit matter (continued) | How our audit addressed the key audit matter (continued) |
|---|---|
| ***Capitalisation and measurement of costs of property, plant and equipment***<br><br>We identified the capitalisation and measurement of costs of property, plant and equipment as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the judgements required in applying the criteria for capitalisation in accordance with HKAS 16 "Property, Plant and Equipment" and HKAS 23 "Borrowing Costs".<br><br>The judgement involved includes assessing the costs whether it is probable that future economic benefits associated with the items will flow to the Group in accordance with HKAS 16.<br><br>The Group's properties in the course of construction for production, supply or administrative purposes (i.e. construction in progress) are carried at costs, less any recognised impairment loss. Costs include construction costs, professional fees, and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.<br><br>As disclosed in note 16 to the consolidated financial statements, the addition of the Group's property, plant and equipment amounted to HK$6,523,763,000, including addition of construction in progress amounted to approximately HK$6,513,872,000. | Our procedures in relation to the capitalisation and measurement of costs of property, plant and equipment included:<br><br>• Understanding the management processes relating to the approval of construction contracts and construction payments for purchases of property, plant and equipment, management's review of capitalisation of construction costs and borrowing costs, and determination of budgeted costs to complete and estimated accruals for the construction costs at the end of the reporting period;<br><br>• Reviewing the progress of construction in progress by referencing to the project time table, independent architect/engineers' reports (if applicable) and the latest budgets and discussing with management the current status of the construction, including the costs incurred to date, the remaining critical milestones and estimated costs to complete including contract claims, and the assessment of the financial implications to the Group;<br><br>• Reassessing the appropriateness and reperforming the calculations of borrowing costs eligible for capitalisation into construction in progress with reference to HKAS 23; and<br><br>• Checking the amounts of acquisition costs and construction costs incurred for property, plant and equipment during the year and reassessing the nature of the costs incurred and their future economic benefits associated with the costs, on a sample basis, by reference to the suppliers' invoices, interim certificates certifying the value of work performed and other supporting documents. |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Sze Ching Yiu.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
6 September 2019

# Consolidated Statement of Profit or Loss

*For the year ended 30 June 2019*

| | NOTES | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|---|
| Revenue | 6 | **1,625,096** | 1,364,768 |
| Cost of sales | | **(695,916)** | (565,736) |
| Gross profit | | **929,180** | 799,032 |
| Other income | 8 | **22,233** | 24,824 |
| Selling expenses | | **(25,382)** | (23,375) |
| Administrative expenses | | **(96,883)** | (61,783) |
| Profit from operations | | **829,148** | 738,698 |
| Other gains | 9 | **195,000** | 164,828 |
| Finance costs | | **(24,820)** | (7,340) |
| Profit before taxation | | **999,328** | 896,186 |
| Income tax expense | 10 | **(134,134)** | (119,813) |
| Profit for the year attributable to owners of the Company | 11 | **865,194** | 776,373 |
| Earnings per share based on profit attributable to owners of the Company (reported earnings per share) | 14(a) | | |
| Basic (Remark (i)) | | **21.39 cents** | 19.20 cents |
| Diluted (Remarks (i) and (ii)) | | **21.36 cents** | 19.16 cents |
| Earnings per share excluding the effect of other gains (underlying earnings per share) | 14(b) | | |
| Basic (Remark (i)) | | **16.57 cents** | 15.12 cents |
| Diluted (Remarks (i) and (ii)) | | **16.54 cents** | 15.09 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 year ended 30 June 2019 has been taken into account of 5,577,088 (2018: 6,695,897) 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 14 and 29 respectively.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

*For the year ended 30 June 2019*

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| Profit for the year | **865,194** | 776,373 |
| Other comprehensive (expense) income for the year | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Change in fair value of available-for-sale investments | **–** | (1,640) |
| Change in fair value of debt instruments measured at fair value through other comprehensive income ("FVTOCI") | **(1,096)** | – |
| Exchange differences arising from translation of operations outside Hong Kong | **5** | (18) |
| | **(1,091)** | (1,658) |
| Total comprehensive income for the year | **864,103** | 774,715 |
| Total comprehensive income (expense) attributable to: | | |
| Owners of the Company | **864,618** | 774,369 |
| Non-controlling interests | **(515)** | 346 |
| | **864,103** | 774,715 |

# Consolidated Statement of Financial Position

*At 30 June 2019*

| | NOTES | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Investment properties | 15 | **1,769,000** | 1,686,000 |
| Property, plant and equipment | 16 | **10,960,684** | 4,566,952 |
| Available-for-sale investments | 17 | **–** | 55,582 |
| Equity instrument at FVTOCI | 17 | **3,710** | – |
| | | **12,733,394** | 6,308,534 |
| Current assets | | | |
| Available-for-sale investments | 17 | **–** | 43,044 |
| Debt instrument at FVTOCI | 17 | **51,089** | – |
| Inventories | 18 | **7,141** | 9,967 |
| Trade and other receivables | 19 | **294,760** | 257,958 |
| Contract assets and unbilled revenue | 20 | **82,309** | – |
| Amounts due from customers for contract works | 21 | **–** | 8,461 |
| Bank balances and deposits | 22 | **467,810** | 465,969 |
| | | **903,109** | 785,399 |
| Current liabilities | | | |
| Trade and other payables | 23 | **956,893** | 834,538 |
| Contract liabilities | 24 | **85,087** | – |
| Deferred revenue | 25 | **–** | 35,941 |
| Tax payables | | **83,600** | 75,820 |
| Bank borrowings | 27 | **2,180,153** | – |
| | | **3,305,733** | 946,299 |
| Net current liabilities | | **(2,402,624)** | (160,900) |
| Total assets less current liabilities | | **10,330,770** | 6,147,634 |
| Non-current liabilities | | | |
| Contract liabilities | 24 | **42,679** | – |
| Deferred revenue | 25 | **–** | 73,174 |
| Deferred tax liabilities | 26 | **224,398** | 163,392 |
| Bank borrowings | 27 | **2,572,548** | 1,983,333 |
| Shareholder's loan | 28 | **3,300,000** | – |
| | | **6,139,625** | 2,219,899 |
| Net assets | | **4,191,145** | 3,927,735 |
| Capital and reserves | | | |
| Share capital | 29 | **232,658** | 232,541 |
| Reserve arising from issuance of convertible notes | 29 | **172,002** | 172,002 |
| Other reserves | | **3,772,092** | 3,508,284 |
| Equity attributable to owners of the Company | | **4,176,752** | 3,912,827 |
| Non-controlling interests | | **14,393** | 14,908 |
| Total equity | | **4,191,145** | 3,927,735 |

The consolidated financial statements on pages 61 to 135 were approved and authorised for issue by the Board of Directors on 6 September 2019 and are signed on its behalf by:

*DIRECTORS:*

**Kwok Ping-luen, Raymond**

**Tong Kwok-kong, Raymond**

# Consolidated Statement of Changes in Equity

*For the year ended 30 June 2019*

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Reserve arising from issuance of convertible notes HK$'000 (Note) | Share option reserve HK$'000 | Exchange reserve HK$'000 | Investments revaluation reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| At 1 July 2017 | 232,261 | 2,315,904 | 172,003 | 3,873 | 2,517 | 3,303 | 954,523 | 3,684,384 | 14,562 | 3,698,946 |
| Profit for the year | – | – | – | – | – | – | 776,373 | 776,373 | – | 776,373 |
| Exchange differences arising from translation of operations outside Hong Kong | – | – | – | – | (364) | – | – | (364) | 346 | (18) |
| Change in fair value of available-for-sale investments | – | – | – | – | – | (1,640) | – | (1,640) | – | (1,640) |
| Total comprehensive income (expense) for the year | – | – | – | – | (364) | (1,640) | 776,373 | 774,369 | 346 | 774,715 |
| Exercise of share options (note 29) | 279 | 7,697 | – | (1,143) | – | – | – | 6,833 | – | 6,833 |
| Conversion of Convertible Notes (note 29) | 1 | – | (1) | – | – | – | – | – | – | – |
| Recognition of equity-settled share-based payments | – | – | – | 1,095 | – | – | – | 1,095 | – | 1,095 |
| Final dividend and distribution paid (note 13) | – | – | – | – | – | – | (553,854) | (553,854) | – | (553,854) |
| At 30 June 2018 | 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 year | – | – | – | – | – | – | 865,194 | 865,194 | – | 865,194 |
| Exchange differences arising from translation of operations outside Hong Kong | – | – | – | – | 520 | – | – | 520 | (515) | 5 |
| Change in fair value of debt instruments measured at FVTOCI | – | – | – | – | – | (1,096) | – | (1,096) | – | (1,096) |
| Total comprehensive income (expense) for the year | – | – | – | – | 520 | (1,096) | 865,194 | 864,618 | (515) | 864,103 |
| Exercise of share options (note 29) | 117 | 3,381 | – | (515) | – | – | – | 2,983 | – | 2,983 |
| Conversion of Convertible Notes (note 29) | –* | – | –* | – | – | – | – | – | – | – |
| Recognition of equity-settled share-based payments | – | – | – | 7,190 | – | – | – | 7,190 | – | 7,190 |
| Final dividend and distribution paid (note 13) | – | – | – | – | – | – | (610,866) | (610,866) | – | (610,866) |
| At 30 June 2019 | **232,658** | **2,326,982** | **172,002** | **10,500** | **2,673** | **567** | **1,431,370** | **4,176,752** | **14,393** | **4,191,145** |

* Less than HK$1,000

Note:

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

Reserve arising from issuance of convertible notes was then capitalised from the Company's share premium account for the purpose of issue of new shares upon conversion of the Convertible Notes. This reserve balance represented the aggregate amount of the Convertible Notes outstanding at the year end. The Convertible Notes in the amount of HK$50.00 (2018: HK$650.00) were exercised and converted into 500 (2018: 6,500) ordinary shares by noteholders during the year ended 30 June 2019. As a result, the Convertible Notes in the amount of HK$172,001,683.30 (2018: HK$172,001,733.30) remained outstanding as at 30 June 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 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".

# Consolidated Statement of Cash Flows

*For the year ended 30 June 2019*

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Profit before taxation | **999,328** | 896,186 |
| Adjustments for: | | |
| Provision for (reversal of) allowance for credit losses | **538** | (304) |
| Depreciation of property, plant and equipment | **241,051** | 160,339 |
| Equity-settled share-based payments | **7,190** | 1,095 |
| Finance costs | **24,820** | 7,340 |
| Loss on disposal of property, plant and equipment | **980** | 1 |
| Interest income | **(13,846)** | (17,631) |
| Investment income | **(142)** | (142) |
| Increase in fair value of investment properties | **(195,000)** | (159,000) |
| Increase in fair value of investment at fair value through profit or loss ("FVTPL") | **–** | (5,828) |
| Operating cash flows before movements in working capital | **1,064,919** | 882,056 |
| Decrease (increase) in inventories | **2,826** | (468) |
| Increase in trade and other receivables | **(97,239)** | (118,360) |
| Increase in contract assets and unbilled revenue | **(15,673)** | – |
| Decrease in investment at FVTPL | **–** | 49,906 |
| Decrease in amounts due from customers for contract works | **–** | 138 |
| Increase in trade and other payables | **37,273** | 19,573 |
| Decrease in contract liabilities | **(29,815)** | – |
| Decrease in deferred revenue | **–** | (27,601) |
| **CASH GENERATED FROM OPERATIONS** | **962,291** | 805,244 |
| Hong Kong Profits Tax paid | **(65,348)** | (65,706) |
| **NET CASH FROM OPERATING ACTIVITIES** | **896,943** | 739,538 |
| **INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | **(6,328,776)** | (1,454,627) |
| Proceeds from redemption of debt instrument at FVTOCI | **41,850** | – |
| Interest received | **16,451** | 21,477 |
| Investment income received | **142** | 142 |
| Proceeds from redemption of available-for-sale investments | **–** | 142,453 |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(6,270,333)** | (1,290,555) |
| **FINANCING ACTIVITIES** | | |
| New shareholder's loan raised | **3,300,000** | – |
| New bank loans raised | **2,782,400** | 1,000,000 |
| Proceeds from issuance of shares | **2,983** | 6,833 |
| Dividends and distribution paid | **(610,866)** | (553,854) |
| Interest paid | **(77,667)** | (20,296) |
| Arrangement fees paid | **(21,615)** | (20,000) |
| **NET CASH FROM FINANCING ACTIVITIES** | **5,375,235** | 412,683 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **1,845** | (138,334) |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | **465,969** | 604,303 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | **(4)** | – |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR,** represented by bank balances and deposits | **467,810** | 465,969 |

## 1. GENERAL

SUNeVision Holdings Ltd. (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Sun Hung Kai Properties Limited ("SHKP"), a company incorporated in Hong Kong with its shares listed on the main board of the Stock Exchange and its immediate holding company is Sunco Resources Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report. SHKP together with its subsidiaries, other than members of the Group, are hereinafter referred to as the "SHKP Group".

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 39.

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is same as the functional currency of the Company.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the 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$2,402,624,000 as at 30 June 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 SHKP Group's facility, available unutilised banking facility or obtain additional financing from financial institutions by taking into account the current value of the Group's assets which have not been pledged. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND AN INTERPRETATION

### New and amendments to HKFRSs and an interpretation that are mandatorily effective for the current year

In the current year, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"):

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

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND AN INTERPRETATION (continued)

### New and amendments to HKFRSs and an interpretation that are mandatorily effective for the current year (continued)

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

#### 3.1 HKFRS 15 "Revenue from Contracts with Customers"

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

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

The Group recognises revenue from the following major sources which arise from contracts with customers:

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

(ii) Installation and maintenance fee of extra-low voltage ("ELV") and IT systems;

(iii) Building management service income; and

(iv) Property rental recognised under HKAS 17 "Leases".

Information about the Group's accounting policies and the performance obligations resulting from application of HKFRS 15 are disclosed in note 4.

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND AN INTERPRETATION (continued)

### New and amendments to HKFRSs and an interpretation that are mandatorily effective for the current year (continued)

#### 3.1 HKFRS 15 "Revenue from Contracts with Customers" (continued)

*Summary of effects arising from initial application of HKFRS 15*

The application of HKFRS 15 has had no material impact on the timing and amounts of revenue recognised during the year ended 30 June 2019 and on retained profits and other components of equity at 1 July 2018 in the consolidated financial statements.

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

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

Notes:

(a) At the date of initial application of HKFRS 15, retention receivables of HK$11,293,000 are arising from service contracts which are conditional on the expiration of defect liability period, and hence such balance was reclassified from trade and other receivables to contract assets. The amounts also included reclassification of unbilled revenue for use of data centre and IT facilities of HK$46,882,000.

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

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

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

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND AN INTERPRETATION (continued)

### New and amendments to HKFRSs and an interpretation that are mandatorily effective for the current year (continued)

3.1 HKFRS 15 "Revenue from Contracts with Customers" (continued)

*Summary of effects arising from initial application of HKFRS 15 (continued)*

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 30 June 2019 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

**Impact on the consolidated statement of financial position**

| | As reported *HK$'000* | Adjustments *HK$'000* | Amounts without application of HKFRS 15 *HK$'000* |
|---|---|---|---|
| **Current assets** | | | |
| Trade and other receivables | 294,760 | 77,951 | 372,711 |
| Contract assets and unbilled revenue | 82,309 | (82,309) | – |
| Amounts due from customers for contract works | – | 4,358 | 4,358 |
| **Current liabilities** | | | |
| Trade and other payables | 956,893 | 50,799 | 1,007,692 |
| Contract liabilities | 85,087 | (85,087) | – |
| Deferred revenue | – | 34,288 | 34,288 |
| **Non-current liabilities** | | | |
| Contract liabilities | 42,679 | (42,679) | – |
| Deferred revenue | – | 42,679 | 42,679 |

**Impact on the consolidated statement of cash flows**

| | As reported *HK$'000* | Adjustments *HK$'000* | Amounts without application of HKFRS 15 *HK$'000* |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Increase in trade and other receivables | (97,239) | (19,776) | (117,015) |
| Increase in contract assets and unbilled revenue | (15,673) | 15,673 | – |
| Decrease in amounts due from customers for contract works | – | 4,103 | 4,103 |
| Increase in trade and other payables | 37,273 | 2,333 | 39,606 |
| Decrease in contract liabilities | (29,815) | 29,815 | – |
| Decrease in deferred revenue | – | (32,148) | (32,148) |

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND AN INTERPRETATION (continued)

### New and amendments to HKFRSs and an interpretation that are mandatorily effective for the current year (continued)

#### 3.2 HKFRS 9 "Financial Instruments"

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

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

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

Accounting policies resulting from application of HKFRS 9 are disclosed in note 4.

*Summary of effects arising from initial application of HKFRS 9*

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

| | Notes | Available-for-sale investments *HK$'000* | Debt instruments at FVTOCI *HK$'000* | Equity instrument at FVTOCI *HK$'000* | Amortised cost (previously classified as loans and receivables) *HK$'000* | Contract assets *HK$'000* |
|---|---|---|---|---|---|---|
| **Closing balance at 30 June 2018 – HKAS 39** | | 98,626 | – | – | 585,345 | – |
| **Effect arising from initial application of HKFRS 15** | | – | – | – | (19,754) | 19,754 |
| **Effect arising from initial application of HKFRS 9:** | | | | | | |
| Reclassification from available-for-sale investments | (a) | (98,626) | 94,916 | 3,710 | – | – |
| Remeasurement: Impairment under ECL model | (b) | – | – | – | – | – |
| Opening balance at 1 July 2018 | | – | 94,916 | 3,710 | 565,591 | 19,754 |

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND AN INTERPRETATION (continued)

### New and amendments to HKFRSs and an interpretation that are mandatorily effective for the current year (continued)

3.2 HKFRS 9 "Financial Instruments" (continued)

*Summary of effects arising from initial application of HKFRS 9 (continued)*

Notes:

(a) Available-for-sale investments

*From available-for-sale debt investments to FVTOCI*

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

*From available-for-sale equity investment to FVTOCI*

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

(b) Impairment under ECL model

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

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

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

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

3.3 Amendments to HKAS 40 "Transfers of Investment Property"

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

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

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND AN INTERPRETATION (continued)

### New and amendments to HKFRSs and an interpretation that are mandatorily effective for the current year (continued)

#### 3.4 Impacts on opening consolidated statement of financial position arising from the application of all new standards and amendments

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

| | 30 June 2018 (Audited) *HK$'000* | HKFRS 15 *HK$'000* | HKFRS 9 *HK$'000* | 1 July 2018 (Restated) *HK$'000* |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Available-for-sale investments | 55,582 | – | (55,582) | – |
| Debt instruments at FVTOCI | – | – | 51,872 | 51,872 |
| Equity instrument at FVTOCI | – | – | 3,710 | 3,710 |
| **Current assets** | | | | |
| Available-for-sale investments | 43,044 | – | (43,044) | – |
| Debt instruments at FVTOCI | – | – | 43,044 | 43,044 |
| Trade and other receivables | 257,958 | (58,175) | – | 199,783 |
| Contract assets and unbilled revenue | – | 66,636 | – | 66,636 |
| Amounts due from customers for contract works | 8,461 | (8,461) | – | – |
| **Current liabilities** | | | | |
| Trade and other payables | 834,538 | (48,466) | – | 786,072 |
| Contract liabilities | – | 84,407 | – | 84,407 |
| Deferred revenue | 35,941 | (35,941) | – | – |
| **Non-current liabilities** | | | | |
| Contract liabilities | – | 73,174 | – | 73,174 |
| Deferred revenue | 73,174 | (73,174) | – | – |

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 30 June 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 July 2018 as disclosed above.

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND AN INTERPRETATION (continued)

### New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and an interpretation that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 16 | Leases[1] |
| HKFRS 17 | Insurance Contracts[2] |
| HK (IFRIC) – Int 23 | Uncertainty over Income Tax Treatments[1] |
| Amendments to HKFRS 3 | Definition of a Business[4] |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material[5] |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement[1] |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015–2017 Cycles[1] |

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and the interpretation will have no material impact on the consolidated financial statements in the foreseeable future.

#### HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND AN INTERPRETATION (continued)

### New and amendments to HKFRSs in issue but not yet effective (continued)

#### HKFRS 16 "Leases" (continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for own use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of HK$169,401,000 as disclosed in note 34. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$19,755,000 and refundable rental deposits received of HK$17,445,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements will result in changes in measurement, presentation and disclosure as indicated above. The Group 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 did not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group did not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elected the modified retrospective approach for the application of HKFRS 16 as lessee and recognised the cumulative effect of initial application to opening retained profits without restating comparative information.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, that are measured at fair values at the end of each reporting period, as explained in the significant accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of consolidation

The consolidated financial statements incorporate the consolidated financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with Group's accounting policies.

All material intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

### (b) Investments in subsidiaries

A subsidiary is an entity controlled by the Company.

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment losses.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3)

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

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

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

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

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

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

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

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

#### Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (to specify), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3) (continued)

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

*Output method*

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

*Input method*

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

The Group recognises revenue under the following accounting policies:

The Group provides the use of data centre and IT facilities and other value-added services to its customers. Such services are satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs. Revenue from customers’ use of data centre and IT facilities is recognised as time lapsed or ratably over the terms of the agreement while other value-added service income is recognised over the period of service rendered as time lapsed or based on units consumed.

The Group provides maintenance services of ELV and IT systems and building management services to customers. Such services are satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs. Revenue relating to the maintenance services and building management services is recognised over time as time lapsed.

The Group provides installation services of ELV and IT systems to customers. Such services are satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these installation services based on the stage of completion of the contract based on costs using input method.

The Group’s installation contracts include payment schedules which require stage payments over the installation period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits, when the Group receives a deposit before installation commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 3) (continued)

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the installation services are performed, the rights for consideration are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers to trade receivables once payment certificate is received.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from one to two years from the date of the practical completion of the installation. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the installation services performed comply with agreed-upon specifications and such assurance cannot be purchased separately.

### (d) Revenue recognition (prior to 1 July 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

#### (i) Use of data centre and IT facilities

Revenue from customers' use of data centre and IT facilities is recognised ratably over the terms of the agreement while other value-added service income is recognised when such services are rendered.

#### (ii) Installation and maintenance fee of ELV and IT systems

Installation revenue is recognised using the percentage of completion method, measured by reference to the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. Income from maintenance contracts is recognised on a straight-line basis over the duration of the contract.

#### (iii) Rental income

Rental income under operating leases is recognised on a straight-line basis over the lease terms.

#### (iv) Building management service income

Building management service income is recognised when the services are rendered.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Revenue recognition (prior to 1 July 2018) (continued)

#### (v) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### (e) Property, plant and equipment

Property, plant and equipment including leasehold properties (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes (i.e. construction in progress) are carried at cost, less any recognised impairment loss. Costs include construction costs, professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as the relevant categories of property, plant and equipment commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss in which the item is derecognised.

### (f) Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in fair value of investment properties are included in the consolidated statement of profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the period in which the property is derecognised.

### (h) Construction contracts (prior to 1 July 2018)

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured according to the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract works. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract works. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### (i) The Group as lessor

Rental income from operating leases is recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the relevant lease.

#### (ii) The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

#### (iii) Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

### (j) Foreign currencies

In preparing the consolidated financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the consolidated statement of profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the headings of the exchange reserve (attributed to non-controlling interests, as appropriate).

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in consolidated statement of profit or loss in the period in which they are incurred.

### (l) Retirement benefit costs

Payments to defined contribution retirement benefit schemes and the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as an expense when employees have rendered service entitling them to the contributions.

### (m) Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

### (n) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profits for the year. Taxable profits differ from 'profit before taxation' as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) Taxation (continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profits nor the accounting profits.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in the consolidated statement of profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### (p) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 July 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### (i) Financial assets

*Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3)*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Financial instruments (continued)

#### (i) Financial assets (continued)

*Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) (continued)*

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Financial instruments (continued)

#### (i) Financial assets (continued)

*Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) (continued)*

(ii) Debt instruments classified as at FVTOCI

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

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

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

(iv) Financial assets at FVTPL

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Financial instruments (continued)

#### (i) Financial assets (continued)

*Impairment of financial assets and contract assets (upon application HKFRS 9 with transitions in accordance with note 3)*

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

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

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Financial instruments (continued)

#### (i) Financial assets (continued)

*Impairment of financial assets and contract assets (upon application HKFRS 9 with transitions in accordance with note 3) (continued)*

(i) Significant increase in credit risk

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

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

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

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

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

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Financial instruments (continued)

#### (i) Financial assets (continued)

*Impairment of financial assets and contract assets (upon application HKFRS 9 with transitions in accordance with note 3) (continued)*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit- impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Financial instruments (continued)

#### (i) Financial assets (continued)

*Impairment of financial assets and contract assets (upon application HKFRS 9 with transitions in accordance with note 3) (continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Financial instruments (continued)

#### (i) Financial assets (continued)

*Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 July 2018)*

The Group's financial assets are classified into the following specified categories, loans and receivables, available-for-sale financial assets and financial assets at FVTPL. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and deposits) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale financial assets relating to interest income calculated using the effective interest method and changes in foreign exchange rates, if applicable, are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

Dividends on available-for-sale equity investments are recognised in the consolidated statement of profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment of financial assets below).

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Financial instruments (continued)

#### (i) Financial assets (continued)

*Financial assets at FVTPL*

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in consolidated statement of profit or loss. The net gain or loss recognised in consolidated statement of profit or loss excludes any dividend or interest earned on the financial assets and is included in the other gains line item.

*Impairment of financial assets (before application of HKFRS 9 on 1 July 2018)*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Financial instruments (continued)

#### (i) Financial assets (continued)

*Impairment of financial assets (before application of HKFRS 9 on 1 July 2018) (continued)*

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of profit or loss. When trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to the consolidated statement of profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the consolidated statement of profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Financial instruments (continued)

#### (i) Financial assets (continued)

*Impairment of financial assets (before application of HKFRS 9 on 1 July 2018) (continued)*

Impairment losses on available-for-sale equity investments will not be reversed through the consolidated statement of profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investments revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through the consolidated statement of profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

On derecognition of an available-for-sale financial asset, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Financial instruments (continued)

#### (ii) Financial liabilities and equity instruments

*Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

*Financial liabilities at amortised cost*

Financial liabilities (including trade and other payables, bank borrowings and shareholder's loan) are subsequently measured at amortised cost, using the effective interest method.

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of profit or loss.

### (q) Deferred revenue (prior to 1 July 2018)

Upfront lump sum amounts received from customers in respect of data centre and IT facilities are treated as deferred revenue which is taken to the consolidated statement of profit or loss ratably over the terms of the respective agreements.

### (r) Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in the consolidated statement of profit or loss with a corresponding adjustment to share option reserve.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (r) Equity-settled share-based payment transactions (continued)

At the time when the share options are exercised, the amount previously recognised in share-based payment transactions reserve will be transferred to share premium. When the share options are forfeited after the vesting date, the amount previously recognised in share-based payment transactions reserve will be transferred to retained profits.

### (s) Impairment losses on non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of non-financial assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash- generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATIONS

In the application of the Group's accounting policies, the management of the Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATIONS (continued)

The estimates and assumptions that have significant effect on the amounts of assets and liabilities are discussed below:

### (a) Capitalisation and measurement of costs of property, plant and equipment

The Group's properties in the course of construction for production, supply or administrative purposes (i.e. construction in progress) are carried at costs, less any recognised impairment loss. Costs include construction costs, professional fees, and, for qualifying assets, the borrowing cost capitalised.

The management has assessed the costs whether it is probable that future economic benefits associated with the items will flow to the Group in accordance with HKAS 16. The management has determined the cessation and suspension of the capitalisation of borrowing costs based on the progress and status of the construction works and performed the calculations of borrowing costs eligible for capitalisation into construction in progress with reference to HKAS 23 "Borrowing Costs".

### (b) Fair value of investment properties

At each reporting date, the Group's investment properties are measured at fair values based on valuations carried out by independent qualified valuers. The valuations are dependent on certain estimates and judgements as explained in note 15. The management has reviewed the valuation and is satisfied that the valuation of the Group's investment properties is reasonable.

### (c) Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred tax on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

## 6. REVENUE

### Disaggregation of revenue
**For the year ended 30 June 2019**

| | Data centre and IT facilities *HK$'000* | ELV and IT systems *HK$'000* | Properties holding *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| **Types of services recognised over time and rentals** | | | | |
| Income from data centre and IT facilities (including income of HK$394,341,000 from other value-added services) | 1,384,033 | – | – | 1,384,033 |
| Installation and maintenance fee of ELV and IT systems (including installation fee of HK$107,205,000) | – | 176,805 | – | 176,805 |
| Building management services | – | – | 7,302 | 7,302 |
| Revenue from contracts with customers | 1,384,033 | 176,805 | 7,302 | 1,568,140 |
| Property rentals | – | – | 56,956 | 56,956 |
| | 1,384,033 | 176,805 | 64,258 | 1,625,096 |

Revenue for the year ended 30 June 2018 was generated from the following activities:

| | *HK$'000* |
|---|---|
| Income from data centre and IT facilities (including income of HK$334,330,000 from other value-added services) | 1,138,193 |
| Installation and maintenance fee of ELV and IT systems (including installation fee of HK$101,347,000) | 165,794 |
| Property rentals and building management services | 60,781 |
| | 1,364,768 |

*The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2019 are as follows:*

(i) The aggregate amount of installation services is HK$160,039,000, of which HK$42,223,000 is expected to be recognised as revenue within one year.

(ii) The aggregate amount of use of data centre and IT facilities is HK$3,127,979,000 of which HK$824,119,000 is expected to be recognised as revenue within one year. HK$1,878,250,000 and HK$425,606,000 are expected to be recognised as revenue in the second to fifth year inclusive and over 5 years respectively.

For the contracts from other value-added services, maintenance services and building management services that have an original expected duration of one year or less or the Group has a right to consideration from the customers in an amount that corresponds directly with the value to the customers of the Group's performance completed to date, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

## 7. SEGMENT INFORMATION

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

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

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

(b) ELV and IT systems comprise installation and maintenance services for the respective systems.

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

### Segment revenue and results

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

**For the year ended 30 June 2019**

| | Data centre and IT facilities *HK$'000* | ELV and IT systems *HK$'000* | Properties holding *HK$'000* | Elimination *HK$'000* | Consolidated total *HK$'000* |
|---|---|---|---|---|---|
| **REVENUE** | | | | | |
| External | 1,384,033 | 176,805 | 64,258 | – | 1,625,096 |
| Inter-segment | – | 385 | 3,574 | (3,959) | – |
| Total | 1,384,033 | 177,190 | 67,832 | (3,959) | 1,625,096 |
| **RESULTS** | | | | | |
| Segment results | 764,304 | 32,994 | 246,150 | – | 1,043,448 |
| Unallocated corporate expenses | | | | | (33,288) |
| Interest income | | | | | 13,846 |
| Finance costs | | | | | (24,820) |
| Investment income | | | | | 142 |
| Profit before taxation | | | | | 999,328 |

## 7. SEGMENT INFORMATION (continued)

### Segment revenue and results (continued)

For the year ended 30 June 2018

| | Data centre and IT facilities *HK$'000* | ELV and IT systems *HK$'000* | Properties holding *HK$'000* | Elimination *HK$'000* | Consolidated total *HK$'000* |
|---|---|---|---|---|---|
| **REVENUE** | | | | | |
| External | 1,138,193 | 165,794 | 60,781 | – | 1,364,768 |
| Inter-segment | – | 363 | 2,435 | (2,798) | – |
| Total | 1,138,193 | 166,157 | 63,216 | (2,798) | 1,364,768 |
| **RESULTS** | | | | | |
| Segment results | 669,525 | 26,526 | 206,382 | – | 902,433 |
| Unallocated corporate expenses | | | | | (22,508) |
| Increase in fair value of investment at FVTPL | | | | | 5,828 |
| Interest income | | | | | 17,631 |
| Finance costs | | | | | (7,340) |
| Investment income | | | | | 142 |
| Profit before taxation | | | | | 896,186 |

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.

### Other segment information

**For the year ended 30 June 2019**

| | **Data centre and IT facilities** ***HK$'000*** | **ELV and IT systems** ***HK$'000*** | **Properties holding** ***HK$'000*** | **Unallocated** ***HK$'000*** | **Consolidated total** ***HK$'000*** |
|---|---|---|---|---|---|
| Amounts included in the measure of segment results: | | | | | |
| Addition to property, plant and equipment | **6,523,376** | **387** | **–** | **–** | **6,523,763** |
| Depreciation of property, plant and equipment | **240,876** | **173** | **–** | **2** | **241,051** |
| Increase in fair value of investment properties | **–** | **–** | **195,000** | **–** | **195,000** |

## 7. SEGMENT INFORMATION (continued)

### Other segment information (continued)

For the year ended 30 June 2018

| | Data centre and IT facilities *HK$'000* | ELV and IT systems *HK$'000* | Properties holding *HK$'000* | Unallocated *HK$'000* | Consolidated total *HK$'000* |
|---|---|---|---|---|---|
| Amounts included in the measure of segment results: | | | | | |
| Addition to property, plant and equipment | 1,655,510 | 122 | – | – | 1,655,632 |
| Depreciation of property, plant and equipment | 160,110 | 224 | – | 5 | 160,339 |
| Increase in fair value of investment properties | – | – | 159,000 | – | 159,000 |

### Geographical information

The Group's revenue is derived from Hong Kong and the Group's non-current assets are substantially located in Hong Kong. Accordingly, no analysis by geographical location is presented.

### Information about major customer

The largest customer, which comes from the segments of both data centre and IT facilities and ELV and IT systems, accounted for about 11% (2018: 12%) of the total revenue.

## 8. OTHER INCOME

| | **2019** ***HK$'000*** | 2018 *HK$'000* |
|---|---|---|
| Interest income | **13,846** | 17,631 |
| Investment income | **142** | 142 |
| Miscellaneous | **8,245** | 7,051 |
| | **22,233** | 24,824 |

## 9. OTHER GAINS

| | **2019** ***HK$'000*** | 2018 *HK$'000* |
|---|---|---|
| Increase in fair value of investment properties (note 15) | **195,000** | 159,000 |
| Increase in fair value of investment at FVTPL | **–** | 5,828 |
| | **195,000** | 164,828 |

## 10. INCOME TAX EXPENSE

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Current tax | | |
| – Hong Kong Profits Tax | **73,288** | 55,099 |
| – Overprovision in prior years | **(160)** | (264) |
| | **73,128** | 54,835 |
| Deferred tax charge (note 26) | **61,006** | 64,978 |
| | **134,134** | 119,813 |

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

No provision for Enterprise Income Tax has been made in the financial statements as the subsidiary in PRC does not have any assessable profit for both years.

The income tax expense can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Profit before taxation | **999,328** | 896,186 |
| Tax at Hong Kong Profits Tax rate of 16.5% (2018: 16.5%) | **164,889** | 147,871 |
| Tax effect of expenses not deductible for tax purpose | **4,535** | 7,471 |
| Tax effect of tax losses not recognised | **941** | 952 |
| Tax effect of income not taxable for tax purpose | **(34,483)** | (34,860) |
| Tax effect of utilisation of tax losses previously not recognised | **(1,588)** | (1,357) |
| Overprovision in prior years | **(160)** | (264) |
| Income tax expense | **134,134** | 119,813 |

Details of deferred tax liabilities are set out in note 26.

## 11. PROFIT FOR THE YEAR

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Profit for the year has been arrived at after charging (crediting): | | |
| Staff costs including directors' emoluments (note 12) | **143,734** | 121,554 |
| Retirement benefit scheme contributions | **4,000** | 4,103 |
| Total staff costs | **147,734** | 125,657 |
| Auditor's remuneration | **1,265** | 1,095 |
| Depreciation of property, plant and equipment | **241,051** | 160,339 |
| Loss on disposal of property, plant and equipment | **980** | 1 |
| Interest on bank borrowings | **69,102** | 20,895 |
| Interest on shareholder's loan | **64,373** | – |
| Other finance costs | **12,488** | 6,875 |
| Less: amounts capitalised | **(121,143)** | (20,430) |
| Total finance costs | **24,820** | 7,340 |
| Minimum lease payments paid under operating leases in respect of land and buildings | **73,279** | 69,980 |
| Rental income from investment properties, net of outgoings of HK$4,607,000 (2018: HK$4,133,000) | **(52,349)** | (49,673) |

## 12. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

### (a) Directors' emoluments

The total emoluments, pension and compensation arrangements paid/payable to the directors of the Company of their services for the years ended 30 June 2019 and 2018 were as follows:

| Name of director | Fees HK$'000 (Note (i)) | Basic salaries and allowances HK$'000 (Note (ii)) | Discretionary bonuses HK$'000 (Notes (ii) and (iii)) | Retirement benefit scheme contributions HK$'000 (Note (ii)) | Equity-settled share-based payments HK$'000 (Note (ii)) | 2019 Total emoluments HK$'000 | 2018 Total emoluments HK$'000 |
|---|---|---|---|---|---|---|---|
| *Executive Directors* | | | | | | | |
| Kwok Ping-luen, Raymond | 60 | – | – | – | – | 60 | 48 |
| Tong Kwok-kong, Raymond (Note (iv)) | 52 | 4,228 | 4,227 | 18 | 2,722 | 11,247 | 232 |
| Fung Yuk-lun, Allen (Note (v)) | 53 | – | – | – | 577 | 630 | 429 |
| Tung Chi-ho, Eric | 45 | 12* | – | – | – | 57 | 48 |
| Yan King-shun, Peter (Note (vi)) | – | – | – | – | – | – | 6,999 |
| *Non-Executive Directors* | | | | | | | |
| Cheung Wing-yui | 270 | – | – | – | – | 270 | 216 |
| Kwok Kai-wang, Christopher | 45 | – | – | – | – | 45 | 36 |
| David Norman Prince | 150 | – | – | – | – | 150 | 120 |
| Siu Hon-wah, Thomas | 45 | – | – | – | – | 45 | 36 |
| Chan Hong-ki, Robert | 45 | – | – | – | – | 45 | 32 |
| *Independent Non-Executive Directors* | | | | | | | |
| Li On-kwok, Victor | 240 | – | – | – | – | 240 | 192 |
| King Yeo-chi, Ambrose | 240 | – | – | – | – | 240 | 192 |
| Wong Kai-man | 240 | – | – | – | – | 240 | 192 |
| Kwok Kwok-chuen | 175 | – | – | – | – | 175 | 128 |
| Lee Wai-kwong, Sunny | 150 | – | – | – | – | 150 | 120 |
| **Total 2019** | 1,810 | 4,240 | 4,227 | 18 | 3,299 | 13,594 | 9,020 |
| Total 2018 | 1,423 | 3,261 | 3,550 | 139 | 647 | 9,020 | |

Notes:

(i) The fees were for their services as directors of the Company and its subsidiaries.

(ii) The other emoluments were for their services in connection with the management of the affairs of the Group.

(iii) The discretionary bonuses are determined by the Board from time to time with reference to directors' duties and responsibilities and the Group's performance and profitability.

(iv) Mr. Tong Kwok-kong, Raymond was appointed as an Executive Director and also the Chief Executive Officer of the Company on 19 June 2018 and his emoluments disclosed above include those services rendered by him as Chief Executive Officer.

## 12. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (continued)

### (a) Directors' emoluments (continued)

Notes: (continued)

(v) Mr. Fung Yuk-lun, Allen was redesignated as an Executive Director of the Company on 2 April 2018.

(vi) Mr. Yan King-shun, Peter resigned as an Executive Director and also the Chief Executive Officer of the Company on 2 April 2018 and his emoluments disclosed above include those services rendered by him as Chief Executive Officer.

* Paid/payable to SHKP Group

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 30.

### (b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2018: one) was a director of the Company whose emoluments were included above. The emoluments of the remaining four (2018: four) individuals were as follows:

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Salaries and allowances | **6,206** | 6,776 |
| Discretionary bonuses | **3,866** | 3,551 |
| Retirement benefit scheme contributions | **216** | 320 |
| Equity-settled share-based payments | **1,170** | 329 |
| | **11,458** | 10,976 |

Their emoluments were within the following bands:

| | **2019** **Number of employees** | 2018 Number of employees |
|---|---|---|
| HK$1,500,001 to HK$2,000,000 | **1** | 1 |
| HK$2,000,001 to HK$2,500,000 | **1** | 1 |
| HK$2,500,001 to HK$3,000,000 | **1** | – |
| HK$3,000,001 to HK$3,500,000 | **–** | 1 |
| HK$3,500,001 to HK$4,000,000 | **–** | 1 |
| HK$4,000,001 to HK$4,500,000 | **1** | – |
| | **4** | 4 |

## 13. DIVIDENDS

| | **2019** **HK$'000** | 2018 *HK$'000* |
|---|---|---|
| Dividend paid and recognised as distribution during the year | | |
| – Final dividend to ordinary shareholders in respect of the immediately preceding financial year of HK15.10 cents (2018: HK13.70 cents) per share | **351,143** | 318,212 |
| – Payments to convertible noteholders in respect of the immediately preceding financial year of HK15.10 cents (2018: HK13.70 cents) for each share which such registered noteholders would have become holders of, had such registered noteholders' Convertible Notes then outstanding been converted on 1 November 2018 (2018: 6 November 2017) | **259,723** | 235,642 |
| | **610,866** | 553,854 |
| Dividend proposed | | |
| – Final dividend to ordinary shareholders in respect of the current financial year of HK16.50 cents (2018: HK15.10 cents) per share | **383,886** | 351,137 |
| – Payments to convertible noteholders in respect of the current financial year of HK16.50 cents (2018: HK15.10 cents) for each share which such registered noteholders would have become holders of, had such registered noteholders' Convertible Notes then outstanding been converted on 5 November 2019 (2018: 1 November 2018) | **283,803** | 259,723 |
| | **667,689** | 610,860 |

At a meeting held on 6 September 2019, the directors recommend the declaration of a final dividend of HK16.50 cents per share for the year ended 30 June 2019. This proposed dividend is not included as a dividend payable in the consolidated statement of financial position as at 30 June 2019.

## 14. EARNINGS PER SHARE

### (a) Reported earnings per share

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

| | **2019** **HK$'000** | 2018 *HK$'000* |
|---|---|---|
| Earnings for the purposes of basic and diluted earnings per share | **865,194** | 776,373 |

## 14. 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 | **4,045,726,244** | 4,043,517,526 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | **5,577,088** | 6,695,897 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **4,051,303,332** | 4,050,213,423 |

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 29.

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 years ended 30 June 2019 and 2018. Save as the share options mentioned above, there were no other dilutive potential ordinary shares in existence during the years ended 30 June 2019 and 2018.

### (b) Underlying earnings per share

For the purposes 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$670,194,000 (2018: HK$611,545,000), excluding the effect of other gains. A reconciliation of profit is as follows:

| | **2019** ***HK$'000*** | 2018 *HK$'000* |
|---|---|---|
| Profit attributable to owners of the Company as shown in the consolidated statement of profit or loss | **865,194** | 776,373 |
| Other gains (note 9) | **(195,000)** | (164,828) |
| Underlying profit attributable to owners of the Company | **670,194** | 611,545 |

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

## 15. INVESTMENT PROPERTIES

| | *HK$'000* |
|---|---|
| At 1 July 2017 | 1,527,000 |
| Increase in fair value recognised in the consolidated statement of profit or loss (note 9) | 159,000 |
| At 30 June 2018 | 1,686,000 |
| Increase in fair value recognised in the consolidated statement of profit or loss (note 9) | 195,000 |
| Transfer to property, plant and equipment (note 16) | (112,000) |
| **At 30 June 2019** | **1,769,000** |

The fair value of the Group's investment properties, which are located in Hong Kong, at 30 June 2019 and 2018 has been determined with reference to a valuation on market value basis carried out by Cushman & Wakefield Limited, independent qualified professional surveyors not connected with the Group. The valuation was arrived at by reference to market evidence of recent transaction prices for similar properties. The key input used in valuing the Group's investment properties was the market price per square foot, using direct comparison approach and taking into account of the adjustments on the differences in the nature, location and condition, as well as the highest and best use of the properties, which ranged from HK$7,300 to HK$11,600 (2018: HK$6,100 to HK$10,800). The increase in the market price per square foot would result in an increase in fair value of the investment properties, and vice versa.

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

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

## 16. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold properties HK$'000 | Data centre facilities HK$'000 | ELV system equipment HK$'000 | Computers, networks and related equipment HK$'000 | Office equipment, furniture and fixtures HK$'000 | Motor vehicles HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **COST** | | | | | | | | |
| At 1 July 2017 | 675,461 | 1,911,259 | 14,092 | 6,718 | 14,261 | 1,239 | 1,778,824 | 4,401,854 |
| Additions | – | 72,764 | – | 81 | 3,352 | – | 1,579,435 | 1,655,632 |
| Transfer | 1,670,581 | 190,476 | – | – | – | – | (1,861,057) | – |
| Disposals/write-off | – | (899) | (4,915) | (81) | (95) | – | – | (5,990) |
| At 30 June 2018 | 2,346,042 | 2,173,600 | 9,177 | 6,718 | 17,518 | 1,239 | 1,497,202 | 6,051,496 |
| Additions | – | 7,248 | – | 89 | 2,374 | 180 | 6,513,872 | 6,523,763 |
| Transfer | 150,776 | 831,659 | – | – | 17,650 | – | (1,000,085) | – |
| Transfer from investment properties (note 15) | 112,000 | – | – | – | – | – | – | 112,000 |
| Disposals/write-off | (310) | (1,302) | (388) | (48) | (1,253) | (138) | – | (3,439) |
| **At 30 June 2019** | **2,608,508** | **3,011,205** | **8,789** | **6,759** | **36,289** | **1,281** | **7,010,989** | **12,683,820** |
| **DEPRECIATION AND IMPAIRMENT** | | | | | | | | |
| At 1 July 2017 | 355,910 | 939,670 | 14,092 | 6,516 | 12,805 | 1,201 | – | 1,330,194 |
| Provided for the year | 43,112 | 116,353 | – | 134 | 702 | 38 | – | 160,339 |
| Eliminated on disposals/ write-off | – | (899) | (4,915) | (80) | (95) | – | – | (5,989) |
| At 30 June 2018 | 399,022 | 1,055,124 | 9,177 | 6,570 | 13,412 | 1,239 | – | 1,484,544 |
| Provided for the year | 54,278 | 183,991 | – | 74 | 2,658 | 50 | – | 241,051 |
| Eliminated on disposals/ write-off | (14) | (644) | (388) | (47) | (1,228) | (138) | – | (2,459) |
| **At 30 June 2019** | **453,286** | **1,238,471** | **8,789** | **6,597** | **14,842** | **1,151** | **–** | **1,723,136** |
| **CARRYING VALUE** | | | | | | | | |
| **At 30 June 2019** | **2,155,222** | **1,772,734** | **–** | **162** | **21,447** | **130** | **7,010,989** | **10,960,684** |
| At 30 June 2018 | 1,947,020 | 1,118,476 | – | 148 | 4,106 | – | 1,497,202 | 4,566,952 |

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

| | |
|---|---|
| Leasehold properties | Over the prevailing lease term |
| Data centre facilities | 2%–33⅓% |
| ELV system equipment | 10% |
| Computers, networks and related equipment | 20%–33⅓% |
| Office equipment, furniture and fixtures | 20%–33⅓% |
| Motor vehicles | 30%–33⅓% |

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

| | **2019**<br>***HK$'000*** | 2018<br>*HK$'000* |
|---|---|---|
| Available-for-sale investments: | | |
| Listed debt instruments, at fair value in Hong Kong | **–** | 94,916 |
| Unlisted equity investment, at cost less impairment | **–** | 3,710 |
| | **–** | 98,626 |
| Debt/equity instruments at FVTOCI: | | |
| Listed debt instrument in Hong Kong | **51,089** | – |
| Unlisted equity investment | **3,710** | – |
| | **54,799** | – |
| | **54,799** | 98,626 |

| | **2019**<br>***HK$'000*** | 2018<br>*HK$'000* |
|---|---|---|
| Carrying amount analysed for reporting purposes as: | | |
| Non-current assets | **3,710** | 55,582 |
| Current assets (debt instruments maturing within one year) | **51,089** | 43,044 |
| | **54,799** | 98,626 |

The debt instrument carries interest at fixed rate at 5.375% per annum (2018: ranging from 5.375% to 8.975% per annum) and is denominated in United States dollars ("US$").

## 18. INVENTORIES

| | **2019**<br>***HK$'000*** | 2018<br>*HK$'000* |
|---|---|---|
| Raw materials | **1,160** | 3,390 |
| Work in progress | **1,924** | 6,577 |
| Spare parts | **4,057** | – |
| | **7,141** | 9,967 |

## 19. TRADE AND OTHER RECEIVABLES

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Trade receivables | **165,760** | 153,630 |
| Less: allowance for credit losses | **(1,060)** | (574) |
| | **164,700** | 153,056 |
| Other receivables | **42,711** | 42,571 |
| Prepayments | **46,139** | 36,951 |
| Deposits paid | **41,210** | 25,380 |
| | **294,760** | 257,958 |

As at 30 June 2019 and 1 July 2018, trade receivables from contracts with customers amounted to HK$148,323,000 and HK$86,943,000 respectively.

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:

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| 0–60 days | **139,819** | 139,627 |
| 61–90 days | **6,326** | 6,029 |
| > 90 days | **18,555** | 7,400 |
| | **164,700** | 153,056 |

The Group's counterparties are mainly entities in SHKP Group, well-known international financial institutions, local governmental institutions and sizeable companies with good credit quality. Based on past experience, the default rates of these counterparties are low.

As at 30 June 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$81,796,000 which are past due as at the reporting date. Out of the past due balances, 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.

As at 30 June 2018, included in the Group's trade receivable balances were debtors with an aggregate carrying amount of HK$57,769,000 which were past due as at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

## 19. TRADE AND OTHER RECEIVABLES (continued)

### Ageing of trade receivables which are past due but not impaired

| | 2018 *HK$'000* |
|---|---|
| < 60 days | 44,340 |
| 61–90 days | 6,029 |
| > 90 days | 7,400 |
| | 57,769 |

Included in the allowance for credit losses are individually impaired trade receivables with an aggregate balance of HK$574,000 for which the counterparties have the balances past due over 180 days. Details of impairment assessment of trade and other receivables for the year ended 30 June 2019 are set out in note 33.

## 20. CONTRACT ASSETS AND UNBILLED REVENUE

| | **At 30 June 2019** ***HK$'000*** | At 1 July 2018* *HK$'000* |
|---|---|---|
| Unbilled revenue for installation services | **4,358** | 8,461 |
| Retention receivables of installation services | **10,354** | 11,293 |
| Total contract assets | **14,712** | 19,754 |
| Unbilled revenue for use of data centre and IT facilities (note) | **67,597** | 46,882 |
| | **82,309** | 66,636 |

* The amounts in this column are after the adjustments from the application of HKFRS 15.

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

## 21. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

| | **2019** ***HK$'000*** | 2018 *HK$'000* |
|---|---|---|
| Contracts in progress at the end of the reporting period: | | |
| Contract costs incurred plus recognised profits less recognised losses | – | 67,289 |
| Less: progress billings | – | (58,828) |
| | – | 8,461 |

At 30 June 2018, retentions held by customers for contract works amounted to HK$11,293,000 included in trade and other receivables.

## 22. BANK BALANCES AND DEPOSITS

Bank balances and deposits comprise cash and short-term deposits held by the Group. The Group's deposits carry interest at approximately 0.1% to 3% (2018: 0.1% to 3%) per annum and mature within 3 months (2018: within 3 months) from the dates of deposit.

## 23. TRADE AND OTHER PAYABLES

The following is an ageing analysis of trade payables at the end of the reporting period:

| | **2019**<br>***HK$'000*** | 2018<br>*HK$'000* |
|---|---|---|
| Trade payables aged within 60 days | **33,553** | 35,294 |
| Trade payables aged over 60 days | **6,183** | 3,798 |
| Other payables and accruals | **748,507** | 633,480 |
| Deposits received | **168,650** | 161,966 |
| | **956,893** | 834,538 |

The average credit period for trade payables is 30 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame. Other payables and accruals include payables for property, plant and equipment of HK$520,572,000 (2018: HK$446,728,000).

## 24. CONTRACT LIABILITIES

The carrying amount of contract liabilities are as follows:

| | **At**<br>**30 June**<br>**2019**<br>***HK$'000*** | At<br>1 July<br>2018*<br>*HK$'000* |
|---|---|---|
| Current liabilities (release to the consolidated statement of profit or loss within one year) | **85,087** | 84,407 |
| Non-current liabilities | **42,679** | 73,174 |
| | **127,766** | 157,581 |

* The amounts in this column are after the adjustments from the application of HKFRS 15.

During the year ended 30 June 2019, revenue recognised in the current year relating to contract liabilities at the beginning of the year was HK$84,407,000. The Group receives upfront lump sum payments from certain customers before the commencement of use of data centre and IT facilities and monthly fee in advances from certain customers at the beginning of each month. The upfront lump sum and advance payment result in contract liabilities being recognised.

## 25. DEFERRED REVENUE

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

The carrying amount of deferred revenue is as follows:

| | **2019** *HK$'000* | 2018 *HK$'000* |
|---|---|---|
| Current liabilities (release to the consolidated statement of profit or loss within one year) | – | 35,941 |
| Non-current liabilities | – | 73,174 |
| | – | 109,115 |

## 26. DEFERRED TAX LIABILITIES

The deferred tax liabilities recognised and movements thereon during the years are as follows:

| | **Accelerated tax depreciation** *HK$'000* |
|---|---|
| At 1 July 2017 | 98,414 |
| Charge to the consolidated statement of profit or loss | 64,978 |
| At 30 June 2018 | 163,392 |
| Charge to the consolidated statement of profit or loss | 61,006 |
| **At 30 June 2019** | **224,398** |

At the end of the reporting period, the Group has unrecognised tax losses and other deductible temporary differences of HK$575,372,000 (2018: HK$579,293,000), of which HK$8,760,000 (2018: HK$8,629,000) of the unrecognised tax losses will expire at various dates up to 31 December 2023. Other tax losses can be carried forward indefinitely. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

## 27. BANK BORROWINGS

At the end of the reporting period, the Group's unsecured bank loans were denominated in HK$ with the carrying amount of HK$4,752,701,000 (2018: HK$1,983,333,000). The loans carry interest at the Hong Kong Interbank Offered Rate plus a margin. The loans were used to fund various existing data centre projects.

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 2.56% (2018: 1.76%) per annum and specific borrowings to expenditure on qualifying assets.

The carrying amounts of the above borrowings are repayables*

| | **2019**<br>***HK$'000*** | 2018<br>*HK$'000* |
|---|---|---|
| Within one year | **2,180,153** | – |
| Within a period of more than two years but less than five years | **2,572,548** | 1,983,333 |
| | **4,752,701** | 1,983,333 |

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

## 28. SHAREHOLDER'S LOAN

During the year, the Group and SHKP Group entered into a loan agreement pursuant to which SHKP Group has agreed to make available an 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 was drawn down from the facility which was used to fund various existing data centre projects and for working capital requirements.

## 29. SHARE CAPITAL

| | **Number of ordinary shares** | **Amount**<br>*HK$'000* |
|---|---|---|
| Ordinary shares of HK$0.1 each | | |
| Authorised: | | |
| At 1 July 2017, 30 June 2018 and **30 June 2019** | 10,000,000,000 | 1,000,000 |
| Issued and fully paid: | | |
| At 1 July 2017 | 2,322,616,833 | 232,261 |
| Conversion of Convertible Notes (Note (i)) | 6,500 | 1 |
| Exercise of share options (Note (ii)) | 2,789,000 | 279 |
| At 30 June 2018 | 2,325,412,333 | 232,541 |
| Conversion of Convertible Notes (Note (i)) | 500 | –* |
| Exercise of share options (Note (ii)) | 1,170,000 | 117 |
| **At 30 June 2019** | **2,326,582,833** | **232,658** |

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the years ended 30 June 2019 and 2018.

* Less than HK$1,000

## 29. SHARE CAPITAL (continued)

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 year ended 30 June 2019, Convertible Notes in the amount of HK$50.00 (2018: HK$650.00) were exercised and converted into 500 (2018: 6,500) ordinary shares of the Company.

| | Number of fully paid ordinary shares to be issued (issued) upon conversion | Amount *HK$'000* |
|---|---|---|
| At 1 July 2017 | 1,720,023,833 | 172,003 |
| Conversion of Convertible Notes | (6,500) | (1) |
| At 30 June 2018 | 1,720,017,333 | 172,002 |
| Conversion of Convertible Notes | (500) | –* |
| **At 30 June 2019** | **1,720,016,833** | **172,002** |

* Less than HK$1,000

Upon conversion of all the outstanding Convertible Notes, the issued share capital of the Company would be 4,046,599,666 (2018: 4,045,429,666) fully paid ordinary shares of HK$0.1 each.

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

(ii) During the year ended 30 June 2019, 1,170,000 (2018: 2,789,000) shares were issued upon the exercise of share options.

## 30. SHARE OPTION SCHEMES

The share option scheme of the Company which was adopted on 3 December 2002 and became effective on 5 December 2002 (the "Old Scheme") had expired on 3 December 2012. Due to the expiry of the Old Scheme, the adoption of a new share option scheme (the "2012 Scheme") and the termination of the Old Scheme were approved by the shareholders of the Company on 1 November 2012, and became effective on 15 November 2012 following the passing of an ordinary resolution approving the same by the then shareholders of SHKP at its annual general meeting held on 15 November 2012. No share options can be granted under the Old Scheme upon its termination.

## 30. SHARE OPTION SCHEMES (continued)

During the years ended 30 June 2019 and 2018, there were no share options outstanding under the Old Scheme. During the year ended 30 June 2019, 11,590,000 (2018: 11,350,000) share options were granted to certain director, employees and other participants under the 2012 Scheme. Particulars of the share options granted under the 2012 Scheme and their movements during the years ended 30 June 2019 and 2018 were as follows:

**For the year ended 30 June 2019**

| Grantees | Date of grant | Exercise price per share *HK$* | Exercise period | Number of share options: Balance as at 1.07.2018 | Granted during the year | Exercised during the year | Cancelled during the year | Balance as at 30.06.2019 |
|---|---|---|---|---|---|---|---|---|
| Directors | 08.03.2016 | 2.45 | 08.03.2017 to 07.03.2021 | **4,000,000** | **–** | **–** | **–** | **4,000,000** |
| | 19.06.2018 | 5.048 | 19.06.2019 to 18.06.2023 | **4,000,000** | **–** | **–** | **–** | **4,000,000** |
| | 22.05.2019 | 6.688 | 22.05.2020 to 21.05.2024 | **–** | **4,000,000** | **–** | **–** | **4,000,000** |
| Employees | 08.03.2016 | 2.45 | 08.03.2017 to 07.03.2021 | **5,610,000** | **–** | **(1,125,000)** | **–** | **4,485,000** |
| | 19.06.2018 | 5.048 | 19.06.2019 to 18.06.2023 | **4,350,000** | **–** | **(45,000)** | **(1,500,000)** | **2,805,000** |
| | 22.05.2019 | 6.688 | 22.05.2020 to 21.05.2024 | **–** | **6,190,000** | **–** | **(350,000)** | **5,840,000** |
| Other participants | 19.06.2018 | 5.048 | 19.06.2019 to 18.06.2023 | **3,000,000** | **–** | **–** | **(1,500,000)** | **1,500,000** |
| | 22.05.2019 | 6.688 | 22.05.2020 to 21.05.2024 | **–** | **1,400,000** | **–** | **–** | **1,400,000** |
| Total | | | | **20,960,000** | **11,590,000** | **(1,170,000)** | **(3,350,000)** | **28,030,000** |
| Exercisable at the end of the year | | | | | | | | **10,945,000** |

For the year ended 30 June 2018

| Grantees | Date of grant | Exercise price per share *HK$* | Exercise period | Number of share options: Balance as at 1.07.2017 | Granted during the year | Exercised during the year | Cancelled during the year | Balance as at 30.06.2018 |
|---|---|---|---|---|---|---|---|---|
| Directors | 08.03.2016 | 2.45 | 08.03.2017 to 07.03.2021 | 8,000,000 | – | (2,400,000) | (1,600,000) | 4,000,000 |
| | 19.06.2018 | 5.048 | 19.06.2019 to 18.06.2023 | N/A | 4,000,000 | – | – | 4,000,000 |
| Employees | 08.03.2016 | 2.45 | 08.03.2017 to 07.03.2021 | 6,159,000 | – | (389,000) | (160,000) | 5,610,000 |
| | 19.06.2018 | 5.048 | 19.06.2019 to 18.06.2023 | N/A | 4,350,000 | – | – | 4,350,000 |
| Other participants | 19.06.2018 | 5.048 | 19.06.2019 to 18.06.2023 | N/A | 3,000,000 | – | – | 3,000,000 |
| Total | | | | 14,159,000 | 11,350,000 | (2,789,000) | (1,760,000) | 20,960,000 |
| Exercisable at the end of the year | | | | | | | | 3,770,000 |

## 30. SHARE OPTION SCHEMES (continued)

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

Share options exercised during the year resulted in 1,170,000 (2018: 2,789,000) shares being issued. The related weighted average share price at the time of exercise was HK$6.23 (2018: HK$5.26) per share.

The closing price of the shares of the Company immediately before the date on which the share options were granted was HK$6.61 (2018: HK$4.92) per share.

The fair values of the share options granted by the Company were determined by using the Black-Scholes model which is one of the models to estimate the fair value of a share option. The total value of the share options granted during the year ended 30 June 2019 under the 2012 Scheme amounting to approximately HK$19,391,000 (2018: HK$13,467,000) was estimated based on the following variables and assumptions:

| | **Options granted during 2019** | Options granted during 2018 |
|---|---|---|
| Risk-free interest rate | **1.56%[1]** | 2.20% |
| Expected volatility | **32.68%[2]** | 34.85% |
| Expected dividend yield | **2.27%[3]** | 2.87% |
| Expected life of the share options | **5 years[4]** | 5 years |

Notes:

1. This represented the approximate yield of 5-year Exchange Fund Note traded on 22 May 2019.

2. This represented the annualised volatility of the closing price of the shares of the Company in the year preceding the date of grant.

3. This represented the yield of the expected dividend, being the historical dividend of the shares of the Company in the year preceding the date of grant.

4. This was based on the assumption that there was no material difference between the expected volatility over the whole life of the share options and the historical volatility of the shares of the Company in the year preceding the date of grant.

The value of a share option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of a share option.

## 31. RELATED PARTY TRANSACTIONS AND BALANCES

The significant transactions with related parties during the year, and significant balances with them at the end of the reporting period, are as follows:

### (a) Transactions with the SHKP Group

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Income from maintenance and repair of network infrastructure and security systems | **64,381** | 58,687 |
| Income from installation, operation and provision of cable networking | **103,124** | 97,160 |
| Space and rack rental income | **3,375** | 3,382 |
| Lease, licence and management fee charges | **80,714** | 77,290 |
| Property management service fees paid | **17,685** | 14,843 |
| Maintenance and repair charges of network infrastructure and security system | **4,650** | 4,134 |
| Network infrastructure and security system installation charges | **10,691** | 8,389 |
| Management fee charges | **2,000** | 2,000 |
| Insurance service charges paid | **2,898** | 2,311 |
| Estate agency fees paid | **1,732** | 1,642 |
| Project management fee charges | **1,400** | – |
| Construction work charges | **105,193** | 237,689 |

### (b) Balances with the SHKP Group

Save as disclosed in note 28, balances with the SHKP Group (including buildings/estates managed by it) are included under the following headings:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade and other receivables | **66,427** | 53,976 |
| Contract assets | **9,792** | – |
| Amounts due from customers for contract works | **–** | 8,282 |
| Trade and other payables | **306,996** | 258,518 |

Trade receivables and trade payables are unsecured, interest-free and have a credit period of 30 days.

### (c) Transaction with a director

During the year, professional fees of HK$8,399,000 (2018: HK$1,472,000) were paid by the Group to Messrs. Woo Kwan Lee & Lo, a firm of solicitors which provided professional services to the Group. Mr. Cheung Wing-yui, a director of the Company, is a consultant of Messrs. Woo Kwan Lee & Lo.

## 31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### (d) Compensation of key management personnel

The directors' emoluments set out in note 12 represent the compensation paid/payable to the key management personnel.

The remuneration of key management personnel is reviewed by the remuneration committee having regard to the performance of individuals and market trends.

## 32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders of the Company through the optimisation of debt and equity balances. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group mainly consists of net debt, which includes the bank borrowings and shareholder's loan disclosed in notes 27 and 28, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital and reserves.

The Company's management reviews the capital structure regularly. As part of this review, management considers the cost of capital and risks associated with each class of capital. Based on management's recommendations, the Group will balance its overall capital structure.

## 33. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments at the end of the reporting period were as follows:

| | **2019**<br>***HK$'000*** | 2018<br>*HK$'000* |
|---|---|---|
| **Financial assets** | | |
| Amortised cost | **747,896** | – |
| Loans and receivables (including cash and cash equivalents) | **–** | 585,345 |
| Available-for-sale investments | **–** | 98,626 |
| Debt instrument at FVTOCI | **51,089** | – |
| Equity instrument at FVTOCI | **3,710** | – |
| **Financial liabilities** | | |
| Amortised cost | **8,692,362** | 2,483,285 |

## 33. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and deposits, available-for-sale investments, debt instrument at FVTOCI, equity instrument at FVTOCI, trade and other payables, bank borrowings and shareholder's loan. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Market risk

*Currency risk*

The Group has foreign currency bank balances and deposits, trade and other receivables, trade and other payables, debt instrument at FVTOCI and available-for-sale investments, which expose the Group to foreign currency risk. Management manages foreign exchange exposure by closely monitoring the movement of foreign currency rate.

The carrying amounts of the Group's material foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

| | **2019**<br>***HK$'000*** | 2018<br>*HK$'000* |
|---|---|---|
| **Assets** | | |
| US$ | | |
| – Available-for-sale investments | **–** | 94,916 |
| – Debt instrument at FVTOCI | **51,089** | – |
| – Trade and other receivables | **2,769** | 5,037 |
| – Bank balances and deposits | **292,253** | 242,914 |
| | **346,111** | 342,867 |
| **Liabilities** | | |
| US$ | | |
| – Trade and other payables | **5,847** | 4,928 |

As most of the Group's foreign currency denominated monetary assets and monetary liabilities are denominated in US$ and HK$ is pegged to the US$ under the Linked Exchange Rate System, the Group's foreign currency risk exposure is not considered to be significant.

## 33. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

Market risk (continued)

*Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to bank deposit and fixed-rate debt securities (see note 17 for details of these debt securities) and fixed-rate shareholder's loan (see note 28 for details of the shareholder's loan).

The Group is exposed to cash flow interest rate risk in relation to the impacts of rate changes on interest-bearing bank balances (see note 22 for details of bank balances and deposits) and interest-bearing bank borrowings (see note 27 for details of bank borrowings).

The Group's exposure to (i) interest rates on bank balances is considered insignificant and; (ii) the interest rate on financial liabilities is shown in the liquidity risk management section of this note. The Group's cash flow interest rate risk in relation to variable-rate bank borrowings is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis points (2018: 25 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2018: 25 basis points) higher/lower and all other variables were held constant, the Group's interest on bank borrowings would increase/decrease by approximately HK$11,956,000 (2018: HK$5,000,000) and the profit after taxation would decrease/increase by approximately HK$2,230,000 (2018: HK$1,104,000) for the year ended 30 June 2019, after taking into effect of capitalisation of borrowing costs. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

*Other price risk*

The Group is exposed to price risk through its investments in listed debt securities.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to price risk at the end of the reporting period.

If the prices of the respective investments had been 5% higher/lower, the investments revaluation reserve would increase/decrease by approximately HK$2,554,000 (2018: HK$4,746,000) as a result of the changes in fair value of investments.

## 33. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

#### Credit risk and impairment assessment

As at 30 June 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

*Trade receivables*

In order to minimise the credit risk, management of the Group has formulated policies for determination of credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group reviews the recoverable amount of the individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

*Bank balances and deposits*

The credit risk on the Group's bank balances and deposits is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

*Debt instrument at FVTOCI*

The Group only invests in debt securities with low credit risk. The Group's debt instrument at FVTOCI mainly comprises a listed bond that is issued by a wholly owned subsidiary of a listed company in Hong Kong, which has a low risk of the default through information developed internally and therefore are considered to be low credit risk investments. During the year ended 30 June 2019, no ECL on debt instrument at FVTOCI was recognised in the profit or loss.

Other than concentration of credit risk on debt instruments at FVTOCI which has a low risk of the default through information developed internally, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a number of customers and spread across diverse industries.

## 33. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The Group's internal credit risk grading assessment comprises the following categories.

| Internal credit rating | Description | Trade receivables and contract assets | Other financial assets |
|---|---|---|---|
| Group A | The counterparties are multinational companies or listed companies which have a low risk of the default through information developed internally | Lifetime ECL – not credit-impaired | 12-month ECL |
| Group B | The counterparties are unlisted entities or small to medium entities which have a medium risk of the default through information developed internally | Lifetime ECL – not credit-impaired | 12-month ECL |
| Group C | There have been significant increases in credit risk since initial recognition through information developed internally | Lifetime ECL – not credit-impaired | Lifetime ECL – not credit-impaired |
| Group D | There is evidence indicating the asset is credit-impaired | Lifetime ECL – credit-impaired | Lifetime ECL – credit-impaired |
| Group E | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written off | Amount is written off |

## 33. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets, contract assets and lease receivables, which are subject to ECL assessment:

| 2019 | Notes | External credit rating | Internal credit rating | 12-month or lifetime ECL | Gross carrying amount *HK$'000* |
|---|---|---|---|---|---|
| **Debt instrument at FVTOCI** | | | | | |
| Investment in a listed debt instrument in Hong Kong | 17 | N/A | Group A | 12-month ECL | **51,089** |
| **Financial assets at amortised costs** | | | | | |
| Trade receivables | 19 | N/A | Group A (Note i) | Lifetime ECL (not credit-impaired) (individually assessed) | **131,707** |
| | | | Group B and Group C (Note i) | Lifetime ECL (not credit-impaired) (provision matrix) | **17,676** |
| Other receivables and deposits paid | 19 | N/A | Group A and Group B (Note ii) | 12-month ECL | **64,166** |
| Unbilled revenue | 20 | N/A | Group A (Note i) | Lifetime ECL (not credit-impaired) (individually assessed) | **67,597** |
| Bank balances and deposits | 22 | Aa2/Aa3/A1/A2/A3 | N/A | 12-month ECL | **467,810** |
| **Other items** | | | | | |
| Trade receivables | 19 | N/A | Group A (Note i) | Lifetime ECL (not credit-impaired) (individually assessed) | **16,377** |
| Contract assets | 20 | N/A | Group A (Note i) | Lifetime ECL (not credit-impaired) (individually assessed) | **14,712** |

Notes:

(i) For trade receivables, contract assets and unbilled revenue, the Group has applied simplified approach in HKFRS 9 to measure loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit impaired, the Group determines the ECL on these items by using a provision matrix, grouped by internal credit rating based on historical repayment record and reputation.

(ii) For the purpose of internal credit risk management, the Group uses past due information to assess whether the credit risk has increased significantly since initial recognition. No other receivables and deposits paid are more than 30 days past due. Based on assessment by the management of the Group, the ECL for other receivables and deposits paid is not material.

## 33. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 30 June 2019 within lifetime ECL (not credit-impaired). As at 30 June 2019, trade receivables (including operating leases portion), contract assets and unbilled revenue which are significant balances and not credit-impaired amounted to HK$148,084,000, HK$14,712,000 and HK$67,597,000, respectively, are assessed individually and trade receivables which are not credit-impaired amounted to HK$17,676,000 under a provision matrix based on internal credit rating. Based on assessment by the management of the Group, the ECL for trade receivables (including operating leases portion), contract assets and unbilled revenue which are assessed individually is not material.

| | **Average loss rate** | **Trade receivables** *HK$'000* | **Loss allowances** *HK$'000* |
|---|---|---|---|
| Group B | 2.0% | 12,659 | 253 |
| Group C | 16.1% | 5,017 | 807 |
| | | 17,676 | 1,060 |

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

| | **Lifetime ECL not credit-impaired** *HK$'000* | **Lifetime ECL credit-impaired** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|
| As at 30 June 2018 under HKAS 39 | – | 574 | 574 |
| Adoption of HKFRS 9 | – | – | – |
| As at 1 July 2019 under HKFRS 9 | – | 574 | 574 |
| Changes due to financial instruments recognised as at 1 July 2019: | | | |
| – Impairment losses reversed | – | (522) | (522) |
| – Write-offs | – | (52) | (52) |
| New financial assets originated | 1,060 | – | 1,060 |
| **As at 30 June 2019** | **1,060** | **–** | **1,060** |

## 33. FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management objectives and policies (continued)

Liquidity risk

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

*Liquidity risk tables*

| | Weighted average interest rate | Less than 3 months HK$'000 | 3 months– 1 year HK$'000 | 1–2 years HK$'000 | 2–5 years HK$'000 | Over 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **At 30 June 2019** | | | | | | | | |
| Trade and other payables | **–** | **632,314** | **6,885** | **462** | **–** | **–** | **639,661** | **639,661** |
| Bank borrowings | **2.34%** | **26,784** | **2,232,950** | **61,721** | **2,639,570** | **–** | **4,961,025** | **4,752,701** |
| Shareholder's loan | **4%** | **1,627** | **66,000** | **132,000** | **396,000** | **3,432,362** | **4,027,989** | **3,300,000** |
| | | **660,725** | **2,305,835** | **194,183** | **3,035,570** | **3,432,362** | **9,628,675** | **8,692,362** |

| | Weighted average interest rate | Less than 3 months HK$'000 | 3 months– 1 year HK$'000 | 1–2 years HK$'000 | 2–5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|---|---|
| At 30 June 2018 | | | | | | | |
| Trade and other payables | – | 494,159 | 5,793 | – | – | 499,952 | 499,952 |
| Bank borrowings | 1.74% | 8,678 | 26,033 | 34,711 | 2,109,915 | 2,179,337 | 1,983,333 |
| | | 502,837 | 31,826 | 34,711 | 2,109,915 | 2,679,289 | 2,483,285 |

### (c) Fair values

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

Fair value measurement recognised in the consolidated statement of financial position

The Group's financial instruments that are measured subsequent to initial recognition at fair value, are categorised as Level 1 to 3 fair value measurements based on the degree to which the fair value is observable.

| | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|
| Debt securities investments (Level 1) | **51,089** | 94,916 |
| Unlisted equity instrument (Level 3) | **3,710** | – |

## 33. FINANCIAL INSTRUMENTS (continued)

### (c) Fair values (continued)

Fair value measurement recognised in the consolidated statement of financial position (continued)

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

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

There was no transfer of financial assets and financial liabilities between fair value hierarchy classifications during the years ended 30 June 2019 and 2018.

## 34. OPERATING LEASE AND SERVICE COMMITMENTS

### As lessee

At the end of the reporting period, the Group was committed to make future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

| | **2019**<br>***HK$'000*** | 2018<br>*HK$'000* |
|---|---|---|
| Within one year | **76,194** | 64,288 |
| In the second to fifth year inclusive | **93,207** | 44,207 |
| | **169,401** | 108,495 |

Leases are negotiated for an average term of three years (2018: three years) and rentals are fixed throughout the lease period.

### As service provider/lessor

Service income from data centre and IT facilities and rental income from properties holding under operating leases, earned during the year was HK$1,009,788,000 (2018: HK$821,836,000). All of the data centre and IT facilities and properties holding under operating leases have committed customers/tenants for one to twelve years (2018: one to twelve years).

At the end of the reporting period, the Group had contracted with customers but not accounted for in respect of the following future minimum payments for services for data centre and IT facilities:

| | **2019**<br>***HK$'000*** | 2018<br>*HK$'000* |
|---|---|---|
| Within one year | **739,032** | 625,367 |
| In the second to fifth year inclusive | **1,835,575** | 1,597,195 |
| Over five years | **425,606** | 596,803 |
| | **3,000,213** | 2,819,365 |

## 34. OPERATING LEASE AND SERVICE COMMITMENTS (continued)

### As service provider/lessor (continued)

At the end of the reporting period, the Group had contracted with tenants for the following future minimum payments for operating leases for properties holding:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **46,694** | 49,844 |
| In the second to fifth year inclusive | **70,699** | 24,066 |
| | **117,393** | 73,910 |

## 35. CAPITAL COMMITMENTS

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Capital expenditure in respect of development of construction in progress contracted for but not provided in the consolidated financial statements | **830,123** | 554,301 |

## 36. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF Scheme for all its qualifying employees in Hong Kong. The MPF Scheme is registered with the Hong Kong Mandatory Provident Fund Schemes Authority in accordance with the Hong Kong Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. Pursuant to the rules of the MPF Scheme, the Group and its employees are both required to make contributions to the scheme at specific rates. Contributions of the Group to the MPF Scheme are charged to the consolidated statement of profit or loss as incurred.

In addition, the Group also participates in a defined contribution retirement benefit scheme which is operated by the SHKP Group for all qualifying employees. The assets of this scheme are held separately from those of the SHKP Group which are independently managed and administered in funds. Contributions to this scheme are made by both the Group and employees at rates ranging from 5% to 10% on the employees' salaries.

During the year, the retirement benefit scheme contributions incurred by the Group amounted to approximately HK$4,000,000 (2018: HK$4,103,000).

## 37. RECONCILIATION OF LIABILITY ARISING FROM FINANCING ACTIVITY

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | **Bank borrowings** | **Shareholder's loan** | **Interest payable** | **Dividend and distribution payable** | **Total** |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | (Note 27) | (Note 28) | | (Note 13) | |
| At 1 July 2017 | 996,458 | – | 80 | – | 996,538 |
| Financing cash flows | 980,000 | – | (20,296) | (553,854) | 405,850 |
| Finance cost incurred | 6,875 | – | 20,895 | – | 27,770 |
| Dividend and distribution declared | – | – | – | 553,854 | 553,854 |
| At 30 June 2018 | 1,983,333 | – | 679 | – | 1,984,012 |
| Financing cash flows | 2,760,785 | 3,300,000 | (77,667) | (610,866) | 5,372,252 |
| Finance cost incurred | 8,583 | – | 137,380 | – | 145,963 |
| Dividend and distribution declared | – | – | – | 610,866 | 610,866 |
| **At 30 June 2019** | **4,752,701** | **3,300,000** | **60,392** | **–** | **8,113,093** |

## 38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

### (a) Statement of the financial position of the Company:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Non-current assets | | |
| Investments in subsidiaries | **1,362,289** | 1,251,763 |
| Amounts due from subsidiaries | **2,080,000** | 2,080,000 |
| | **3,442,289** | 3,331,763 |
| Current assets | | |
| Amounts due from subsidiaries | **692,015** | 629,132 |
| Bank balance | **10,503** | 7,484 |
| | **702,518** | 636,616 |
| Current liability | | |
| Accruals | **1,816** | 1,429 |
| Net current assets | **700,702** | 635,187 |
| Net assets | **4,142,991** | 3,966,950 |
| Capital and reserves | | |
| Share capital | **232,658** | 232,541 |
| Reserve arising from issuance of convertible notes | **172,002** | 172,002 |
| Other reserves | **3,738,331** | 3,562,407 |
| Total equity | **4,142,991** | 3,966,950 |

*DIRECTORS:*

**Kwok Ping-luen, Raymond**
**Tong Kwok-kong, Raymond**

## 38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

### (b) Movement of share capital and reserves of the Company:

| | Share capital HK$'000 | Share premium HK$'000 | Reserve arising from issuance of convertible notes HK$'000 | Share option reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| At 1 July 2017 | 232,261 | 2,315,904 | 172,003 | 3,873 | 1,065,639 | 3,789,680 |
| Profit and total comprehensive income for the year | – | – | – | – | 723,196 | 723,196 |
| Exercise of share options | 279 | 7,697 | – | (1,143) | – | 6,833 |
| Conversion of Convertible Notes | 1 | – | (1) | – | – | – |
| Recognition of equity-settled share-based payments | – | – | – | 1,095 | – | 1,095 |
| Final dividend and distribution paid | – | – | – | – | (553,854) | (553,854) |
| At 30 June 2018 | 232,541 | 2,323,601 | 172,002 | 3,825 | 1,234,981 | 3,966,950 |
| Profit and total comprehensive income for the year | – | – | – | – | 776,734 | 776,734 |
| Exercise of share options | 117 | 3,381 | – | (515) | – | 2,983 |
| Conversion of Convertible Notes | –* | – | –* | – | – | – |
| Recognition of equity-settled share-based payments | – | – | – | 7,190 | – | 7,190 |
| Final dividend and distribution paid | – | – | – | – | (610,866) | (610,866) |
| **At 30 June 2019** | **232,658** | **2,326,982** | **172,002** | **10,500** | **1,400,849** | **4,142,991** |

* Less than HK$1,000

The Company's reserves available for distribution represent the aggregate of share premium and retained profits of HK$3,727,831,000 (2018: HK$3,558,582,000). Under the Companies Law of the Cayman Islands (2013 Revision), the share premium of the Company is available for paying distributions or dividends to the Company's shareholders subject to the provisions, if any, of its amended and restated memorandum and articles of association and provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business. In accordance with Article 142 of the Company's amended and restated articles of association, no dividend shall be declared or payable except out of the profits and reserves of the Company lawfully available for distribution, including share premium.

## 39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 30 June 2019 and 2018 are as follows:

| Name of subsidiary | Issued and fully paid share capital | Attributable equity interest held by the Company | Principal activities |
|---|---|---|---|
| iAdvantage Limited* | Ordinary shares – HK$2 Non-voting deferred shares – HK$2 | 100% | Data centre services provision and operation |
| SUNeVision Super e-Technology Services Limited* | Ordinary shares – HK$11,000,002 Non-voting deferred shares – HK$2 | 100% | Design, installation, operation, laying, cabling of ELV and IT system, and building access, voice, data, power supply systems and network, and other infrastructure networks, and provision of related repair and maintenance services |
| Riderstrack Development Limited | US$1 | 100% | Property holding |
| Splendid Sharp Limited* | Ordinary shares – HK$2 Non-voting deferred shares – HK$2 | 100% | Property holding |
| SUNeVision Super e-Network Limited* | Ordinary shares – HK$2 Non-voting deferred shares – HK$2 | 100% | Provision of IT and optical fibre network and related maintenance services |
| Capital Way (H.K.) Limited* | HK$1 | 100% | Property holding |
| Cherington Assets Limited | US$1 | 100% | Holding of trademark |
| Easy Vision Development Limited* | HK$1 | 100% | Property holding |
| Express Spirit Investment Limited | US$1 | 100% | Provision of treasury services |
| Gain Channel Limited* | HK$1 | 100% | Data centre services provision and operation |
| Grandwide Development Limited* | HK$1 | 100% | Provision of financing |
| Huge Profit Investments Ltd. | US$7 | 100% | Investment holding |
| SUNeVision Investments Limited | US$5 | 100% | Investment holding |

### 39. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

| Name of subsidiary | Issued and fully paid share capital | Attributable equity interest held by the Company | Principal activities |
|---|---|---|---|
| SUNeVision (Management Services) Limited* | HK$2 | 100% | Provision of management services |
| SUNeVision Secretarial Services Limited* | HK$2 | 100% | Provision of company secretary services |
| Top Merchant Investments Limited | US$1 | 100% | Property holding |
| Wealth Up Development Limited* | HK$1 | 100% | Property holding |
| Weelek Company Limited* | Ordinary shares – HK$762,000,200 Non-voting deferred shares – HK$200 | 100% | Property holding |

Notes:

(i) Other than Huge Profit Investments Ltd., all subsidiaries are held by the Company indirectly.

(ii) All subsidiaries were incorporated in the British Virgin Islands, except those identified with "*" which were incorporated in Hong Kong.

(iii) Unless otherwise stated, the issued and fully paid share capital of the subsidiaries are ordinary shares.

(iv) The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any of the respective companies' general meetings or to participate in any distribution on their winding up.

(v) All subsidiaries are private limited companies with their principal place of operation in Hong Kong.

The above table lists the subsidiaries which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the reporting period or at any time during the year.

# Particulars of Properties held by the Group

*At 30 June 2019*

| Particulars | Use | Lease term | Lot no. |
|---|---|---|---|
| ***Land and buildings*** | | | |
| MEGA-iAdvantage<br>399 Chai Wan Road and<br>1 Sun Yip Street<br>Chai Wan<br>Hong Kong | Industrial/office building(s) | Long-term (Note) | Inland Lot No. 30 |
| Units 10 to 13 and 15 to 19 on Level 31 and units 1 to 3, 5 to 13 and 15 to 19 on Level 36<br>Standard Chartered Tower<br>Millennium City 1<br>388 Kwun Tong Road<br>Kwun Tong<br>Kowloon | Other specified uses | Medium-term | Inland Lot No. 733 |
| JUMBO-iAdvantage<br>145–159 Yeung Uk Road<br>Tsuen Wan<br>New Territories | Industrial | Medium-term | Lot No. 476 in Demarcation District No. 443 |
| Wan Po Road<br>Area 85<br>Tseung Kwan O<br>New Territories | High-tier data centre | Medium-term | Tseung Kwan O Town Lot No. 122 |
| Wan Po Road<br>Area 85<br>Tseung Kwan O<br>New Territories | High-tier data centre | Medium-term | Tseung Kwan O Town Lot No. 131 |
| Tsuen Wan Town<br>Lot No. 428<br>Ma Kok Street<br>Tsuen Wan<br>New Territories | Industrial Lot | Medium-term | Tsuen Wan Town No. 428 |
| ***Investment properties*** | | | |
| Units 1 to 3 and 5 to 9 on Level 31 and units 1 to 3, 5 to 13 and 15 to 19 on Levels 32, 33, 35 and 37,<br>Standard Chartered Tower<br>Millennium City 1<br>388 Kwun Tong Road<br>Kwun Tong<br>Kowloon | Other specified uses | Medium-term | Inland Lot No. 733 |
| 24 workshops and 2 storerooms in Kodak House II<br>39 Healthy Street East<br>North Point<br>Hong Kong | Commercial | Long-term | Inland Lot No. 705 and the Extension thereto |

Note: The property is held from the Government for a term of 75 years from 1 January 1963 renewable for a further term of 75 years.

SUNeVision Holdings Ltd.
新意網集團有限公司

Unit 3110, 31/F, Standard Chartered Tower
Millennium City 1, 388 Kwun Tong Road
Kwun Tong, Kowloon, Hong Kong

www.sunevision.com

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC™ C004888