



## **SUNeVision Holdings Limited**

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

### **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2002**

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## **CHAIRMAN'S STATEMENT**

During the financial year 2001-2002, SUNeVision turned a significant corner, shrinking losses through company-wide cost efficiency measures and decisive restructuring.

### **Financial Highlights**

Turnover was HK\$241 million, HK\$43 million (22%) higher than the previous year. When the fourth quarter and the previous quarter are compared, turnover grew by 6% and gross margin reached 24% as against 21%. Operating expenses decreased for the eighth consecutive quarter.

A gross profit of HK\$45 million (or 19% gross margin) was achieved, in clear contrast to the previous year's gross loss of HK\$16 million (or -8% gross margin). Losses before one-off costs shrank to HK\$5 million as against HK\$141 million in the previous year.

The one-off costs of HK\$131 million incurred in restructuring business units, the previously reported provision of HK\$356 million for the venture investment portfolio, and the HK\$140 million revaluation deficit of floors in Millennium City, together contributed to a net loss for the year of HK\$634 million.

SUNeVision holds approximately HK\$1.8 billion in cash and interest-bearing securities, of which HK\$730 million is earmarked for repayment to the parent company in February 2003. The Group thus continues in a very strong financial position.

The directors do not recommend the payment of a final dividend for the year ended 30 June 2002.

### **Business Review**

SUNeVision's present operational strength reflects the year's consistent back-to-basics strategy. Unprofitable business units were closed, venture investments were written down, costs were cut enterprise-wide, and administration and management operations were streamlined and relocated. All this was achieved without compromising on quality and service excellence, and it has allowed the Group to concentrate even more firmly on generating maximum value from its core competencies.

iAdvantage is moving steadily towards making SUNeVision a leading carrier-neutral provider of data infrastructure and data-centric services. Existing data centre occupancy rate is satisfactory and a considerably increased occupancy is expected from recent customer commitment and a strong sales pipeline.

SUNeVision's consumer enabling services showed promising turnover growth and continued to successfully leverage the parent company's strong property heritage.

### **Strongly Positioned**

Going forward, SUNeVision's recovered fundamentals, its revenue-centred strategy and its financial strength position it strongly for growth. Successful reorganization has put iAdvantage centre stage as the Group's primary growth engine. Barring unforeseen circumstances, no further major restructuring or provisions are anticipated and the Group will become profitable in the next financial year.

SUNeVision begins the coming year with a healthy portfolio of data infrastructure and service provision businesses and will continue to look for new core IT related businesses that can generate immediate and reliable cash flows.

On the staff side, Mr Sheridan Yen, SUNeVision's Managing Director, was appointed Chief Executive Officer of iAdvantage in February 2002. In addition we welcomed Mr Andrew So as the Group's Executive Director in March 2002.

Finally, I would like to thank the board and the management team for their clear vision and demonstrated commitment throughout a year of significant review and consolidation and to record my sincere appreciation to each member of our loyal and hardworking staff.

**KWOK PING LUEN, RAYMOND**  
*Chairman and Chief Executive Officer*  
Hong Kong, 23 September 2002

## **MANAGING DIRECTOR'S REPORT**

The year under review saw the timely completion of a major restructuring programme that realigned business units, streamlined operations, increased productivity and sharpened the focus of all employees.

Operating expenses have continued to fall in each of the past eight quarters. We are now firmly back to basics and well on track for an eventual complete turnaround. Already the year-on-year figures hold out considerable promise for the future: year-on-year turnover increased by HK\$43 million; gross margin improved from negative 8% to positive 19%; and losses before one-off costs shrank to HK\$5 million from HK\$141 million last year. I remain confident that the level of operating profit first achieved in the third quarter of the fiscal year can be maintained.

The closure of unprofitable business units and prudent provision with respect to the Group's investment portfolio have allowed us to devote our energies to the two things we do best – providing high quality solutions in data infrastructure and enabling services, and maximizing the value from a solid customer base in each of the Group's business units.

### ***Data Infrastructure***

#### **iAdvantage**

Despite difficult market conditions iAdvantage moved to capitalize on the demand in all business sectors for high quality, reliable and cost-effective data centre services and solutions.

iAdvantage achieved high customer retention rates in both data centre occupancy and value-added services. Partnerships with leading technology solution providers were expanded to provide total, integrated outsourcing solutions to existing and new customers. A number of new clients joined an already strong and stable customer base that includes top-tier telecommunications companies, leading financial institutions and multinational enterprises.

The position of MEGA-iAdvantage in Chaiwan as the leading carrier-neutral interconnect hub in Asia continued to strengthen, notably through the introduction of Business Continuity Recovery Services. In March 2002, iAdvantage was awarded ISO 9001:2000 certification in recognition of world-class facility infrastructure design and construction.

As part of operational restructuring, iAdvantage's facility in Singapore ceased operation in February 2002 and all customers were successfully migrated to alternative providers. In addition, the operating model for the Beijing data centre facility was changed from retail to wholesale in recognition of changing data centre needs in that market.

Looking ahead, iAdvantage will continue to strengthen its leadership position as the leading carrier-neutral interconnect hub in Asia. Demand for our facilities and services in Hong Kong and Shanghai has picked up and we are moving rapidly to acquire new customers. As we create sustainable revenue growth operating expenses will continue to be tightly managed.

## **Super e-Technology**

Super e-Technology is a profitable leading provider of broadband connectivity, CABD (Communal Aerial Broadcast Distribution), SMATV (Satellite Master Antenna Television) and security surveillance solutions and services. During the year under review, Super e-Technology completed a significant number of projects and secured total contracts worth HK\$32 million. Seventeen installation and maintenance contracts were signed for CABD/SMATV, 28 for security surveillance and 26 for IT networking. The number of passing households increased to approximately 78,000, of which some 54,000 are broadband enabled.

Super e-Technology remains committed to its position as a key industry player in Hong Kong. It will grow by developing new revenue sources while resolutely adhering to the stringent cost control measures introduced during the year.

## **Super e-Network**

During the year, Super e-Network made valuable contributions to Group revenue, building and launching broadband services at a number of quality residential developments including Prima Villa in Shatin and Oscar by the Sea in Tseung Kwan O. Projects in progress included installations at Phases 2 and 3 of Ocean Shores and the Leighton Hill in Happy Valley.

The company's business achievements continued to reflect its widespread reputation for reliability and service excellence. These strengths are sure to attract an increasing number of clients in Hong Kong's ever-expanding residential estate sector.

## ***Enabling Services***

### **SuperHome**

SuperHome combines the advantages of online and on-site services in an integrated B2B and B2C business model, creating revenue from merchants as well as end-users. In the year under review, SuperHome's popular Web-delivered channels and comprehensive premium services reached more than 85,000 households in more than 60 quality estates, enriching the life, work and leisure of families and individuals.

Growth in new services and products was the keynote of the year under review. Among popular new services and channels introduced were SuperHome PlayHouse, an offering that drew on the partnership with qualified experts in early childhood education, and J-channel, which offered a rich variety of the Japanese lifestyle content and products now so much in vogue in Hong Kong.

A brand new offering announced during the year was Park Island Academy. The Academy builds on the success of our popular estate-based education programmes and is a full-fledged education service for the future residents of the popular Park Island estate on Ma Wan. It combines the strengths of real-world education with the flexibility and reach of the virtual world, delivered through the lively dynamics of the clubhouse plus the versatility of Internet discussion groups and forums.

### **SuperStreets**

SuperStreets continued its role as the preferred information and transaction portal for homebuyers and homeowners. It became profitable in early 2002 and currently has over 170,000 registered users for its popular PropertyStreet service.

The year saw strong growth in all three business areas: PropertyStreet, BankingStreet and InsuranceStreet. Among the most successful of the company's referral services were market leader Mortgage Experts, interior design and decoration referrals, and insurance referrals. Online property valuation also performed well.

SuperStreets will continue to steer its well-charted course and seek opportunities for new services and new revenue growth.

## **Red-Dots**

After its decisive mid-year restructuring, Red-Dots, Hong Kong's homegrown online auction business, became EBITDA positive, rebounding from substantial losses in the first half of the financial year. The restructuring did nothing to diminish Red-Dots' fiercely loyal following. Instead, the restructuring streamlined Red-Dots operations and made the market-leading site even more efficient and user friendly. Leaner and healthier, the business is in a strong position to fully exploit the growth potential of its auction business while continuing to seek new revenue sources.

## *Investments*

### **Venture Capital**

In recognition of economic difficulties worldwide and challenges specific to the technology sector, we reviewed the outlook for SUNeVision's venture investments, adopting a prudent and conservative approach consistent with global developments. As a result, an HK\$356 million provision on direct investments in technology funds and companies was made in the second quarter of the year under review. No further provisions are foreseen at this time.

Several companies in the venture investment portfolio matured significantly in the year under review and exit alternatives are being developed. In addition, we are aggressively managing capital flow and will only commit capital where returns can be shown to be compelling. Future investments will be highly selective and will be focused tightly on technology opportunities that demonstrate clear and direct synergies with the core operations of the Group.

### *Other Financial Discussion and Analysis*

The Group adheres to a prudent financial management policy and has a strong balance sheet, with healthy liquidity and financial resources. The Group had cash and interest-bearing securities of approximately HK\$1.8 billion as at 30 June 2002.

On capital structure, the Group's principal debt is a convertible note of HK\$730 million issued in February 2000, which will mature in February 2003. Gearing ratio at the year end, measured by net debt (after deducting cash and bank balances) to shareholders' funds, is 0.6%.

Certain Group subsidiaries have obtained general banking facilities of approximately HK\$33 million, of which approximately HK\$11 million were utilized as of 30 June 2002. Other than the foregoing utilized banking facilities, the Group has no material contingent liabilities.

The Group's core operations are based in Hong Kong and its assets are primarily denominated in Hong Kong or US dollars, there is no significant exposure to foreign exchange rate fluctuations. As at 30 June 2002, the Group had not pledged any of its assets.

During the year, there were no material acquisitions or disposals of subsidiaries or affiliated companies.

### *Employees*

As of 30 June 2002 the Group had 224 full-time employees. Payroll costs, excluding Director's emoluments and one-off charges, continued to decline through the last quarter of the year under review. Salary and benefit levels in the Group were kept at appropriate levels. Selected benefit programmes including medical coverage and provident funds were also provided. In addition, training and development courses were offered throughout the Group to upgrade employee skills and knowledge.

The Group also adopted employee share option schemes to reward employees who made significant contributions and to retain key quality staff, particulars of which are detailed in the relevant sections.

### ***Outlook***

SUNeVision's recovered fundamentals and financial strength position it well for growth. The work of restructuring and reorganization is largely complete and we do not anticipate the need for additional restructuring and provisions. The Group will begin its next financial year with a balanced and scaleable portfolio of bottom-line profitable or EBITDA-positive businesses comprising data infrastructure and service provision, enabling services and venture investments.

The Group's existing businesses will continue to drive revenue growth on a quarter-to-quarter basis, under tight cost management. In addition to organic growth, we intend to aggressively explore adding new technology-related businesses to complement current core operations. The Group will drive growth from businesses capable of extending the depth and scope of current operations, and businesses that share complementary technology platforms.

Finally, I would like to thank my staff for the enormous effort and commitment they made in order to achieve the year's results, and thank our shareholders for their trust and support.

**YEN SHIAO HUA, SHERIDAN**

***Managing Director***

**Hong Kong, 23 September 2002**

## AUDITED CONSOLIDATED RESULTS

The Directors of SUNeVision Holdings Limited (“the Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (“the Group”) for the year ended 30 June 2002 together with the comparative audited consolidated results for the year ended 30 June 2001 as follows:

	<u>NOTES</u>	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000
Turnover		240,540	197,621
Cost of sales		<u>(195,753)</u>	<u>(213,877)</u>
Gross profit (loss)		44,787	(16,256)
Other revenue	3	<u>91,334</u>	<u>153,389</u>
		136,121	137,133
Research and development expenses		(17)	(9,467)
Selling expenses		(18,468)	(65,489)
Administrative expenses		<u>(99,845)</u>	<u>(179,928)</u>
Profit (loss) from operations	4	17,791	(117,751)
Finance costs	5	(22,572)	(23,063)
Deficit on revaluation of investment properties		(139,500)	(30,306)
Restructuring costs	6	(131,402)	-
Impairment losses of equity technology investments		(355,900)	-
Share of loss of an associate		(5,771)	(6,564)
Share of loss of a jointly controlled entity		<u>-</u>	<u>(5)</u>
Loss before taxation		(637,354)	(177,689)
Taxation	7	<u>(158)</u>	<u>(432)</u>
Loss before minority interests		(637,512)	(178,121)
Minority interests		<u>3,662</u>	<u>7,041</u>
Net loss for the year		<u><u>(633,850)</u></u>	<u><u>(171,080)</u></u>
Loss per share - Basic	8	<u><u>31.25 cents</u></u>	<u><u>8.38 cents</u></u>

Notes:

## 1. BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain property interests, and in accordance with accounting principles generally accepted in Hong Kong.

## 2. BUSINESS AND GEOGRAPHICAL SEGMENTS

### *Business segments*

Business segment information is chosen as the primary reporting segment. Principal activities of the main business segments of the Group are as follows:

Internet services centres and IT facilities cover the provision of data centre, facilities management, web applications and value-added services.

SMATV, structural cabling and security systems comprise installation and maintenance services of the respective systems.

Properties holding refer to the Group's interests in rental properties.

Enabling services offer system development, solutions and management services.

Segment information about these businesses is presented below:

For the year ended 30 June 2002

	Internet services centres and IT facilities HK\$'000	SMATV, structural cabling and security systems HK\$'000	Properties holding HK\$'000	Enabling services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
REVENUE						
External revenue	138,504	68,231	17,240	16,565	-	240,540
Inter-segment revenue	6,583	6,679	3,173	-	(16,435)	-
Total revenue	<u>145,087</u>	<u>74,910</u>	<u>20,413</u>	<u>16,565</u>	<u>(16,435)</u>	<u>240,540</u>
RESULT						
Segment results	<u>(41,854)</u>	<u>9,197</u>	<u>22,316</u>	<u>(15,404)</u>	<u>-</u>	<u>(25,745)</u>
Unallocated corporate expenses						(30,143)
Interest income						<u>73,679</u>
Profit from operations						17,791
Finance costs						(22,572)
Deficit on revaluation of investment properties	-	-	(139,500)	-	-	(139,500)
Restructuring costs						(131,402)
Impairment losses of equity technology investments						(355,900)
Share of loss of an associate						<u>(5,771)</u>
Loss before taxation						(637,354)
Taxation						<u>(158)</u>
Loss before minority interests						<u>(637,512)</u>

Inter-segment sales are charged at prevailing market rates.



For the year ended 30 June 2001

	Internet services centres and IT facilities HK\$'000	SMATV, structural cabling and security systems HK\$'000	Properties holding HK\$'000	Enabling services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>						
External revenue	92,293	56,889	18,781	29,658	-	197,621
Inter-segment revenue	5,042	7,974	4,082	-	(17,098)	-
Total revenue	<u>97,335</u>	<u>64,863</u>	<u>22,863</u>	<u>29,658</u>	<u>(17,098)</u>	<u>197,621</u>
<b>RESULT</b>						
Segment results	<u>(148,205)</u>	<u>5,542</u>	<u>25,432</u>	<u>(62,577)</u>	<u>-</u>	(179,808)
Unallocated corporate expenses						(72,850)
Interest income						<u>134,907</u>
Loss from operations						(117,751)
Finance charges						(23,063)
Deficit on revaluation of investment properties	-	-	(30,306)	-	-	(30,306)
Share of loss of an associate						(6,564)
Share of loss of a jointly controlled entity						<u>(5)</u>
Loss before taxation						(177,689)
Taxation						<u>(432)</u>
Loss before minority interests						<u>(178,121)</u>

Inter-segment sales are charged at prevailing market rates.

**Geographical segments**

The Group's turnover and results are substantially derived from Hong Kong. Accordingly, no analysis by geographical segment is presented.

**3. OTHER REVENUE**

	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000
Interest income	73,679	134,907
Property income, net of outgoings of HK\$3,829,000 (2001: HK\$3,050,000)	14,104	15,933
Exchange gain	529	808
Gain on disposal of debt securities	249	-
Others	<u>2,773</u>	<u>1,741</u>
	<u>91,334</u>	<u>153,389</u>

#### 4. PROFIT (LOSS) FROM OPERATIONS

	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000
Profit (loss) from operations has been arrived at after charging:		
Retirement benefits scheme contributions	3,093	3,577
Staff costs including directors' emoluments	<u>93,334</u>	<u>169,016</u>
Total staff costs excluding staff redundancy costs	<u>96,427</u>	<u>172,593</u>
Auditors' remuneration	682	955
Depreciation		
- owned assets	63,339	53,449
- assets held under finance leases	204	148
Loss on disposal of property, plant and equipment	52	208
Minimum lease payments paid under operating leases in respect of land and buildings	15,172	23,088
and after crediting:		
Property rental income, net of outgoings of HK\$9,676,000 (2001: HK\$8,938,000)	<u>25,497</u>	<u>28,825</u>

#### 5. FINANCE COSTS

	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000
Interest on convertible note	21,900	21,920
Interest on amount due to a minority shareholder of a subsidiary	621	816
Interest on bank borrowings	-	266
Finance charges on finance leases	<u>51</u>	<u>61</u>
	<u>22,572</u>	<u>23,063</u>

#### 6. RESTRUCTURING COSTS

	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000
Loss on disposal of property, plant and equipment	114,642	-
Closure and termination costs	18,145	-
Staff redundancy costs	13,223	-
Write-off of receivable and inventory	6,720	-
Balances due to a minority shareholder of a subsidiary waived	<u>(21,328)</u>	<u>-</u>
	<u>131,402</u>	<u>-</u>

## 7. TAXATION

	<u>2002</u> HK\$'000	<u>2001</u> HK\$'000
The charge comprises:		
Underprovision of Hong Kong Profits Tax in prior year	-	349
Tax in other regions in the People's Republic of China	156	77
Tax in other jurisdictions	<u>2</u>	<u>6</u>
	<u>158</u>	<u>432</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the companies operating in Hong Kong have no assessable profit for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 8. LOSS PER SHARE

The calculation of the loss per share for the year ended 30 June 2002 is based on the net loss for the year of HK\$633,850,000 (2001: HK\$171,080,000) and on the weighted average of 2,028,310,127 (2001: 2,040,501,695) shares in issue.

The computation of diluted loss per share does not assume the exercise of share options and conversion of convertible note as the exercise price of the Company's outstanding share options was higher than the average market price of the shares of the Company and the conversion of the Company's outstanding convertible note is anti-dilutive for both years.

## 9. RESERVES

	<u>Share premium</u> HK\$'000	<u>Exchange reserve</u> HK\$'000	<u>Property revaluation reserve</u> HK\$'000	<u>Accumulated losses</u> HK\$'000	<u>Total</u> HK\$'000
<b>THE GROUP</b>					
At 1 July 2000	3,907,648	-	23,518	(50,664)	3,880,502
Repurchase of own shares	(30,180)	-	-	-	(30,180)
Exchange difference arising on translation of operations outside Hong Kong	-	423	-	-	423
Net loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(171,080)</u>	<u>(171,080)</u>
Balance at 30 June 2001 and 1 July 2001	3,877,468	423	23,518	(221,744)	3,679,665
Repurchase of own shares	(7,537)	-	-	-	(7,537)
Exchange difference arising on translation of operations outside Hong Kong	-	(135)	-	-	(135)
Net loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(633,850)</u>	<u>(633,850)</u>
At 30 June 2002	<u>3,869,931</u>	<u>288</u>	<u>23,518</u>	<u>(855,594)</u>	<u>3,038,143</u>

## DIVIDEND

The directors do not recommend the payment of a dividend for the year.

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

During the year, the Company repurchased on the Stock Exchange a total of 5,528,500 ordinary shares of HK\$0.1 each in the share capital of the Company at an aggregate price of HK\$8,020,453.00, details of which are as follows:

Month of Repurchase	No. of Shares Repurchased	Price per Share		Aggregate Price Paid HK\$
		Highest HK\$	Lowest HK\$	
July 2001	2,900,500	1.730	1.470	4,577,619.00
August 2001	2,092,500	1.540	1.360	2,999,732.00
September 2001	531,000	0.850	0.800	439,347.00
October 2001	4,500	0.840	0.830	3,755.00
November 2001	0	--	--	0
December 2001	0	--	--	0
January 2002	0	--	--	0
February 2002	0	--	--	0
March 2002	0	--	--	0
April 2002	0	--	--	0
May 2002	0	--	--	0
June 2002	0	--	--	0
	<u>5,528,500</u>			<u>8,020,453.00</u>

The Directors of the Company considered that the above repurchases were made with a view to enhancing the net asset and earnings per share of the Company. Those shares were cancelled shortly after repurchase and the issued share capital of the Company was correspondingly reduced.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

## BOARD PRACTICES AND PROCEDURES

The Company has complied with rules 5.28 to 5.39 (where applicable) concerning board practices and procedures throughout the accounting period covered by this report.

On behalf of the Board

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**KWOK Ping Luen, Raymond**  
*Chairman and Chief Executive Officer*  
23 September 2002