



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

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

**FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2003**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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## **CHAIRMAN'S STATEMENT**

During the financial year 2002-2003, SUNeVision continued with the back-to-basics strategy introduced in the previous financial year. Continuous improvements in efficiency together with further streamlining of costs enabled the Group to generate profit of HK\$74 million from operations after finance costs and before one-off costs.

### **FINANCIAL HIGHLIGHTS**

Turnover was HK\$243 million, HK\$2 million higher than the previous year. As between the fourth quarter and the previous quarter, turnover grew marginally and gross margin reached 31% as against 29%. Operating expenses decreased for the twelfth consecutive quarter.

The year's gross profit of HK\$71 million (or 29% gross margin) represented a considerable increase over the previous year's gross profit of HK\$45 million (or 19% gross margin). Profit from operations after finance costs and before one-off costs was HK\$74 million, a significant improvement over the loss of HK\$5 million in the previous year.

Contributing to the net loss for the year of HK\$341 million were one-off costs of HK\$50 million of valuation deficit on investment properties and a HK\$123 million deficit on revaluation of Internet data centre land and buildings. These were both necessitated by changes in property values over past years.

Further, the Group made a conservative HK\$252 million provision for impairment of equity technology investments. This reflects current market conditions and, in particular, the 100% impairment made by the majority shareholder in C2C, the international undersea cable operator in which SUNeVision holds a minority interest. As of 30 June 2003, the revised value of the Group's equity technology investments stood at HK\$166 million.

After the above write-downs, shareholders' funds as of 30 June 2003 stood at HK\$2,881 million, or HK\$1.42 per share.

Having repaid the shareholder loan of HK\$730 million to the parent company in February 2003, SUNeVision holds approximately HK\$1.2 billion in cash and interest-bearing securities. The Group's financial position continues strong.

The directors do not recommend the payment of a dividend for the year ended 30 June 2003.

### **BUSINESS REVIEW**

iAdvantage continued to progress towards making SUNeVision a leading carrier-neutral provider of data infrastructure and data-centric services. iAdvantage's world-class facilities and customer service attracted large local and multinational customers, hosting their mission-critical applications and services. Overall data centre occupancy during the year was 60% and continuing new demand for iAdvantage's services is anticipated.

The turnover of SUNeVision's consumer enabling and property-related technology businesses grew during the year and these businesses continued to successfully leverage the parent company's strong property heritage.

### **PROSPECTS**

With its group of stable data infrastructure and service provision businesses, SUNeVision is well positioned to further improve its financial performance and leverage its strong fundamentals and financial position for growth. iAdvantage will seek vigorously to increase the occupancy of all its data centres. The Group will continue to look for new, IT-related businesses with immediate revenue and reliable cash flow to complement its existing businesses.

In February 2003 Professor Steven Zhang resigned from his position as an independent non-executive director. On behalf of the board, I would like to express my sincere thanks to Professor Zhang for his contributions to the Group.

Finally, I would like to thank the board and management team for their clear vision, commitment and persistence throughout a year of continuous improvement and to express my sincere appreciation to each member of our loyal and hardworking staff.

**KWOK PING LUEN, RAYMOND**  
*Chairman and Chief Executive Officer*

Hong Kong, 22 September 2003

## **MANAGING DIRECTOR'S REPORT**

### **OVERVIEW**

Despite a difficult economic environment and the additional business downturn caused by severe acute respiratory syndrome, SUNeVision's back-to-basics strategy continued to deliver results during the year under review. Year-on-year turnover grew, and gross profit increased by nearly 60% to HK\$71 million. Gross margin increased from 19% to 29%, while operating expenses fell by 42% to HK\$69 million. Profit from operations after finance costs and before one-off costs was HK\$74 million, a clear improvement over the HK\$5 million loss last year. SUNeVision has produced an operating profit for six consecutive quarters since the third quarter of the financial year 2001/02, and operating expenses have fallen for twelve consecutive quarters since the first quarter of the financial year 2000/01.

SUNeVision recorded a net loss of HK\$341 million for the year as a result of three one-off items. First, the Group made a HK\$252 million provision against its equity technology investments, the majority of which related to the full provision against investment in C2C, the international undersea cable operator. This provision was necessitated by the fact that C2C's majority shareholder had already made a 100% impairment in respect of its stake in the final quarter of the financial year. Second, a HK\$123 million revaluation deficit was incurred on the land and buildings of the Group's Internet data centres. Finally, the Group incurred a HK\$50 million revaluation deficit on its investment properties. These revaluation deficits reflected the general downturn in property values in the Hong Kong SAR.

The directors received independent shareholders' approval of ongoing connected transactions in the fourth quarter.

### **DATA INFRASTRUCTURE**

#### ***iAdvantage***

iAdvantage's value proposition of providing secure, world-class, carrier-neutral data centre facilities and services continued to attract new customers to its Hong Kong and China facilities. Overall occupancy reached 60% during the year. The company's customer base included global and regional telecommunications companies, multinational corporates, financial institutions, the Government, and major IT suppliers. Multinational customers were especially drawn to the company's well built, professionally managed, and secure facilities in Beijing and Shanghai. Stable recurrent revenue and vigilant oversight of operating expenses enabled iAdvantage to record a net profit for the year. Although risks remain with a small number of customers, new demand for data infrastructure and data-centric services bodes well for iAdvantage's future.

Looking ahead, iAdvantage will actively expand its partnerships with leading IT suppliers to capture new demand from increased IT outsourcing. In addition, the company will leverage its footprint in Hong Kong and China to pursue demand from the many multinational companies that are growing rapidly in the Greater China region.

### ***Super e-Technology***

Super e-Technology continued to be a profitable, leading provider of broadband connectivity, communal aerial broadcast distribution (CABD)/satellite master antenna television (SMATV) systems, and surveillance systems for large residential complexes, industrial estates, and offices. The company secured contracts worth approximately HK\$18 million for the design and installation of CABD/SMATV, surveillance and IT systems during the year. The number of households served by Super e-Technology rose to approximately 83,000, of which about 60,000 were broadband enabled.

### ***Super e-Network***

Super e-Network made contributions to the Group during the year. Key installations and operations of broadband services included The Leighton Hill in Happy Valley and Phase 2 of Ocean Shores in Tseung Kwan O. The company is currently completing installation of Phase 3 of Ocean Shores and Phase 1 of YOHO Town in Yuen Long.

## **ENABLING SERVICES**

### ***SuperHome***

SuperHome provides superior on-line and on-site resident services to nearly 100 estates all over Hong Kong. Building on the success of festive occasion sales, SuperHome started regular sales programmes of selected products and services, which continue to be popular with residents.

Future homeowners can also enjoy the convenience and value that SuperHome makes available to current residents. The company developed a successful marketing and community website for prospective buyers of YOHO Town, providing essential information about the estate and assisting them with purchase planning.

### ***SuperStreets***

SuperStreets' revenue and profit continued to grow during the year. The company's decoration referral business expanded from a retail-only service to include wholesale referrals. The company's mortgage referral services also grew as a result of strong professional service and competitive pricing.

### ***Red-Dots***

Red-Dots, Hong Kong's leading auction web site, became profitable during the year. The company's unique, locally oriented services for buyers and sellers, coupled with a large variety of interesting merchandise at relatively low cost, continued to attract members despite the soft economy. Red-Dots' membership grew to more than 220,000 at the end of the financial year.

## **INVESTMENTS**

### ***Venture Capital***

The Group reviewed its equity technology investments on a prudent and conservative basis. In the light of continued difficulties in the technology and telecom industries, the Group took an impairment charge of HK\$252 million on its equity technology investments, including its entire stake in C2C. C2C is an international undersea cable operator whose business is to provide reliable wholesale bandwidth capacity. The Group's full provision against its stake in C2C was necessitated by several factors: the significant oversupply in global and regional bandwidth, the downturn in bandwidth demand, and the 100% impairment made by C2C's majority shareholder in the last quarter of the financial year.

As of 30 June 2003, the revised value of the Group's equity technology investments was approximately HK\$166 million. The Group had invested HK\$774 million in equity technology investments. The Group maintains a prudent and conservative approach to these investments, committing new funds only where returns can be reasonably expected and are demonstrably attractive.

## **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. As of 30 June 2003, the Group had cash and interest-bearing securities of approximately HK\$1.2 billion.

The Group's principal debt was a convertible note of HK\$730 million issued to the parent company in February 2000, which was repaid in February 2003. Gearing ratio as of 30 June 2003, measured by net debt (after deducting cash and bank balances) to shareholders' funds, was zero.

Certain Group subsidiaries have obtained general banking facilities of HK\$33 million, of which approximately HK\$6.3 million were utilized as of 30 June 2003. 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 of 30 June 2003, the Group had not pledged any of its assets.

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

There have been no material changes in the composition of the Group's equity technology investment portfolio since 30 June 2002.

## **EMPLOYEES**

As of 30 June 2003, the Group had 208 full-time employees. Payroll costs, excluding director's emoluments, declined on a year-to-year basis. In 2003, the formerly guaranteed year-end bonuses were made discretionary in order to link performance more closely with rewards and to improve the Group's competitiveness. Other remuneration and benefit levels within the Group remained at appropriate levels, including medical coverage and provident fund contributions. In addition, various training and development courses were offered to employees to upgrade their skills.

The Group also offers share option schemes to reward employees who make significant contributions and to retain key staff. Particulars of such schemes are detailed in the relevant sections of the present report.

## **OUTLOOK**

SUNeVision begins the coming year with a group of stable data infrastructure and service provision businesses. Going forward, SUNeVision will seek to continuously raise revenue and improve operating efficiency, while keeping a watchful eye on operating expenses. The Group will leverage its strong financial position for growth, focusing on IT-related businesses with immediate revenue and reliable cash flow to complement existing businesses.

Finally, I would like to thank each member of our staff for the enormous effort made and commitment shown in the past year, and thank our shareholders for their trust and support.

**YEN SHIAO HUA, SHERIDAN**  
*Managing Director*

Hong Kong, 22 September 2003

## AUDITED CONSOLIDATED RESULTS

The Directors of SUNeVision Holdings Ltd. (“the Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (“the Group”) for the year ended 30 June 2003 together with the comparative audited consolidated results for the year ended 30 June 2002 as follows:

	<u>NOTES</u>	<u>2003</u> HK\$'000	<u>2002</u> HK\$'000
Turnover		242,770	240,540
Cost of sales		<u>(171,525)</u>	<u>(195,753)</u>
Gross profit		71,245	44,787
Other revenue	3	<u>85,887</u>	<u>91,334</u>
		157,132	136,121
Selling expenses		(8,574)	(23,772)
Administrative expenses		<u>(60,277)</u>	<u>(94,558)</u>
Profit from operations	4	88,281	17,791
Finance costs	5	<u>(14,557)</u>	<u>(22,572)</u>
Profit (loss) from operations after finance costs		73,724	(4,781)
Deficit on revaluation of investment properties		(50,000)	(139,500)
Deficit on revaluation of land and buildings		(123,312)	-
Impairment losses of equity technology investments		(252,163)	(355,900)
Share of loss of an associate		(5,681)	(5,771)
Restructuring costs		<u>-</u>	<u>(131,402)</u>
Loss before taxation		(357,432)	(637,354)
Taxation	6	<u>(88)</u>	<u>(158)</u>
Loss before minority interests		(357,520)	(637,512)
Minority interests		<u>16,748</u>	<u>3,662</u>
Net loss for the year		<u><u>(340,772)</u></u>	<u><u>(633,850)</u></u>
Loss per share - Basic	7	<u>16.82 cents</u>	<u>31.25 cents</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 format. The principal activities of the main business segments of the Group are as follows:

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

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

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

Enabling services offer systems development, solutions and management services.

Segment information about these businesses is presented below:

For the year ended 30 June 2003

	Internet services centre and IT facilities HK\$'000	SMATV, CABD, structural cabling and security systems HK\$'000	Properties holding HK\$'000	Enabling services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>						
External	133,558	85,824	17,014	6,374	-	242,770
Inter-segment	773	1,757	2,894	-	(5,424)	-
Total	134,331	87,581	19,908	6,374	(5,424)	242,770
<b>RESULT</b>						
Segment results	11,859	13,225	21,756	400	-	47,240
Unallocated corporate expenses						(21,412)
Interest income						56,370
Gain on redemption/disposal of debt securities						6,083
Profit from operations						88,281
Finance costs						(14,557)
Profit from operations after finance costs						73,724
Deficit on revaluation of investment properties	-	-	(50,000)	-	-	(50,000)
Deficit on revaluation of land and buildings	(123,312)	-	-	-	-	(123,312)
Impairment losses of equity technology investments						(252,163)
Share of loss of an associate						(5,681)
Loss before taxation						(357,432)
Taxation						(88)
Loss before minority interests						(357,520)

For the year ended 30 June 2002

	Internet services centre and IT facilities HK\$'000	SMATV, CABD, structural cabling and security systems HK\$'000	Properties holding HK\$'000	Enabling services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>						
External	138,504	68,231	17,240	16,565	-	240,540
Inter-segment	6,583	6,679	3,173	-	(16,435)	-
<b>Total</b>	<b>145,087</b>	<b>74,910</b>	<b>20,413</b>	<b>16,565</b>	<b>(16,435)</b>	<b>240,540</b>
<b>RESULT</b>						
Segment results	(41,854)	9,197	22,316	(15,404)	-	(25,745)
Unallocated corporate expenses						(30,143)
Interest income						73,679
Profit from operations						17,791
Finance costs						(22,572)
Loss from operations after finance costs						(4,781)
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						(5,771)
Loss before taxation						(637,354)
Taxation						(158)
Loss before minority interests						(637,512)

### *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**

	2003 HK\$'000	2002 HK\$'000
Interest income	56,370	73,679
Property income, net of outgoings of HK\$3,977,000 (2002: HK\$3,829,000)	11,707	14,104
Liquidation dividend from a former tenant	7,100	-
Gain on redemption/disposal of debt securities	6,083	249
Others	4,627	2,773
Exchange gain	-	529
	<u>85,887</u>	<u>91,334</u>



#### 4. PROFIT FROM OPERATIONS

	<u>2003</u> HK\$'000	<u>2002</u> HK\$'000
Profit from operations has been arrived at after charging:		
Retirement benefit scheme contributions	1,745	3,093
Staff costs including directors' emoluments	58,174	93,334
	<hr/>	<hr/>
Total staff costs excluding staff redundancy costs	59,919	96,427
Auditors' remuneration	645	682
Depreciation	59,525	63,543
Loss on disposal of property, plant and equipment	454	52
Minimum lease payments paid under operating leases in respect of land and buildings	8,644	15,172
and after crediting:		
Property rental income, net of outgoings of HK\$10,114,000 (2002: HK\$9,676,000)	22,584	25,497
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#### 5. FINANCE COSTS

	<u>2003</u> HK\$'000	<u>2002</u> HK\$'000
Interest on convertible note	14,520	21,900
Interest on amount due to a minority shareholder of a subsidiary	-	621
Finance charges on finance leases	37	51
	<hr/>	<hr/>
	14,557	22,572
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#### 6. TAXATION

	<u>2003</u> HK\$'000	<u>2002</u> HK\$'000
The charge comprises:		
Tax in other regions in the People's Republic of China	88	156
Tax in other jurisdictions	-	2
	<hr/>	<hr/>
	88	158
	<hr/> <hr/>	<hr/> <hr/>

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.

## 7. LOSS PER SHARE

The calculation of loss per share for the year ended 30 June 2003 is based on the net loss for the year of HK\$340,772,000 (2002: HK\$633,850,000) and on the weighted average of 2,026,378,921 (2002: 2,028,310,127) shares in issue.

No diluted loss per share has been presented because the conversion of the Company's outstanding convertible note would result in a decrease of loss per share and the exercise price of the Company's outstanding share options was higher than the average market price of the shares of the Company during both years.

## 8. RESERVES

	Share premium HK\$'000	Exchange reserve HK\$'000	Property revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>THE GROUP</b>					
At 1 July 2001	3,877,468	423	23,518	(221,744)	3,679,665
Exchange difference arising on translation of operations outside Hong Kong not recognized in the income statement	-	(135)	-	-	(135)
Repurchase of own shares	(7,537)	-	-	-	(7,537)
Net loss for the year	-	-	-	(633,850)	(633,850)
At 30 June 2002 and 1 July 2002	3,869,931	288	23,518	(855,594)	3,038,143
Deficit on revaluation of land and buildings not recognized in the income statement	-	-	(17,285)	-	(17,285)
Repurchase of own shares	(1,564)	-	-	-	(1,564)
Net loss for the year	-	-	-	(340,772)	(340,772)
At 30 June 2003	<u>3,868,367</u>	<u>288</u>	<u>6,233</u>	<u>(1,196,366)</u>	<u>2,678,522</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 1,667,000 ordinary shares of HK\$0.1 each in the share capital of the Company at an aggregate price of HK\$1,712,890.00, 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 2002	676,000	1.090	1.000	716,075.00
August 2002	765,000	1.080	1.000	787,020.00
September 2002	183,000	0.950	0.920	172,200.00
October 2002	43,000	0.930	0.830	37,595.00
November 2002	0	-	-	-
December 2002	0	-	-	-
January 2003	0	-	-	-
February 2003	0	-	-	-
March 2003	0	-	-	-
April 2003	0	-	-	-
May 2003	0	-	-	-
June 2003	0	-	-	-
	<u>1,667,000</u>			<u>1,712,890.00</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*

22 September 2003

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page at least 7 days from the day of its posting.*