



紫光控股
UNIS HOLDINGS

UNISPLENDOUR TECHNOLOGY (HOLDINGS) LIMITED

紫光科技(控股)有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 365

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INTERIM REPORT 2016

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. QI Lian (*Chairman*)

Mr. XIA Yuan (*Chief Executive Officer*)

Mr. BUT Tin Fu

(resigned on 29 November 2016)

Non-executive Directors

Mr. LI Zhongxiang (*Vice Chairman*)

(appointed on 31 October 2016)

Mr. WANG Huixuan

(appointed on 31 October 2016)

Independent Non-executive Directors

Mr. CUI Yuzhi

Mr. BAO Yi

Mr. PING Fan

Audit Committee

Mr. CUI Yuzhi (*Chairman*)

Mr. WANG Huixuan

Mr. BAO Yi

Remuneration Committee

Mr. BAO Yi (*Chairman*)

Mr. QI Lian

Mr. PING Fan

Nomination Committee

Mr. QI Lian (*Chairman*)

Mr. CUI Yuzhi

Mr. PING Fan

COMPANY SECRETARY

Mr. LIU Wei

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

PRINCIPAL PLACE OF BUSINESS

(effect from 31 October 2016)

Unit 02-03, 69/F

International Commerce Centre

1 Austin Road West

Tsim Sha Tsui

Kowloon

Hong Kong

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited

Units 1208-18 Miramar Tower

132-134 Nathan Road

Tsim Sha Tsui, Kowloon

Hong Kong

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

22nd Floor, Prince's Building

Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 September	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
	Notes		
Revenue	4, 5	197,994	446,214
Cost of sales		(198,483)	(385,510)
Gross (loss)/profit		(489)	60,704
Other income and gains	4	10,481	9,862
Selling and distribution expenses		(45,945)	(32,879)
General and administrative expenses		(71,653)	(28,624)
Other expenses	6	(54,082)	–
Finance costs	7	(7,652)	(3,325)
(Loss)/profit before income tax	8	(169,340)	5,738
Income tax expense	9	(21,305)	(102)
(Loss)/profit for the Period attributable to owners of the Company		(190,645)	5,636
Other comprehensive income, including reclassification adjustments and net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		(3,278)	(12,266)
Total comprehensive income for the Period attributable to owners of the Company		(193,923)	(6,630)
(Loss)/earnings per share for profit attributable to owners of the Company	11		
– Basic		(16.58) cents	1.07 cents
– Diluted		(13.63) cents	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		145,260	151,892
Prepaid land lease payments		9,858	10,275
Finance lease receivables		785	1,776
		155,903	163,943
Current assets			
Inventories		125,939	112,717
Trade and bills receivables	12	231,069	338,329
Prepayments, deposits and other receivables		42,331	45,867
Finance lease receivables		6,360	3,107
Derivative financial instruments		–	183
Tax reserve certificates		3,600	3,600
Taxes recoverable		191	191
Pledged deposits		10,149	14,680
Cash and bank balances		473,200	71,905
		892,839	590,579
Current liabilities			
Trade and bills payables	13	67,513	166,194
Other payables and accruals		135,148	80,633
Bank borrowings		127,875	143,219
Finance lease liabilities		–	98
Taxes payable		51,334	31,871
		381,870	422,015

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
	Notes		
Net current assets		510,969	168,564
Total assets less current liabilities		666,872	332,507
Non-current liabilities			
Finance lease liabilities		–	164
Convertible bonds	14	91,510	–
Deferred tax liabilities		13,163	13,163
Accrued liabilities	15	9,658	–
		114,331	13,327
Net assets		552,541	319,180
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	145,500	52,500
Reserves		407,041	266,680
Total equity		552,541	319,180

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserve and enterprise expansion funds HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
Balance at 1 April 2015 (Unaudited)	52,500	87,728	4,800	65,456	0	24,558	9,945	98,065	343,052
Profit for the Period								5,636	5,636
Other comprehensive income:									
Exchange loss on translation of financial statements of foreign operations						(12,266)			(12,266)
Total comprehensive income for the Period	0	0	0	0	0	(12,266)	0	5,636	(6,630)
Balance at 30 September 2015 (Unaudited)	52,500	87,728	4,800	65,456	0	12,292	9,945	103,701	336,422
Balance at 1 April 2016 (Unaudited)	52,500	87,728	4,800	67,200	0	7,378	11,225	88,349	319,180
Capital contribution from non-controlling interests	93,000	274,592							367,592
Loss for the Period								(190,645)	(190,645)
Transaction with owners:									
Convertible bonds-equity component					59,693				59,693
Exchange loss on translation of financial statements of foreign operations						(3,278)			(3,278)
Total comprehensive income for the period	93,000	274,592	0	0	59,693	(3,278)	0	(190,645)	233,362
Balance at 30 September 2016 (Unaudited)	145,500	362,320	4,800	67,200	59,693	4,100	11,225	(102,297)	552,541

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(135,320)	71,457
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(418)	(12,984)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	(540,547)	(20,212)
NET INCREASE IN CASH AND CASH EQUIVALENTS	404,809	38,261
Cash and cash equivalents at beginning of the period	71,905	51,700
Effect of foreign exchange rate changes on cash and cash equivalents	(3,514)	1,988
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	473,200	91,949

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Unisplendour Technology (Holdings) Limited (the “Company”) is a limited liability company incorporated in Bermuda. Its registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is located at Unit 02-03, 69/F, ICC-International Commerce Centre, 1 Austin Road West, Tsim Sha Tsui, Kowloon, Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2016 have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). The unaudited condensed consolidated interim financial statement should be read in conjunction with the annual financial statements for the year ended 31 March 2016.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for leasehold land and buildings, which are stated at fair value.

The Interim Financial Information does not include all of the information and disclosures required in annual financial statements in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which comprises all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2016.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Except as for the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the Company's financial year beginning on 1 April 2016, the accounting policies applied in preparing this Interim Financial Information are consistent with those of the annual financial statements for the year ended 31 March 2016, as described in the annual financial statements. The application of these new and revised HKFRSs has had no material impact on the Interim Financial Information of the Group.

The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective. The Directors anticipate that the application of these new and revised HKFRSs will not have material impact on the Interim Financial Information of the Group.

The preparation of Interim Financial Information requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgements made by the Company's management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 March 2016.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

4. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue – sale of goods	197,994	446,214
Other income:		
Bank interest income	169	152
Recovery of trade receivables previously written off	2,000	–
Government grant	5,801	10,067
Others	4,302	1,962
	12,272	12,181
Gain or loss:		
Exchange loss, net	(1,791)	(2,319)
	10,481	9,862

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

5. SEGMENT INFORMATION

	Production lines and production equipment		Brand name production equipment		Six months ended 30 September (Unaudited)	
	Six months ended 30 September (Unaudited)		Six months ended 30 September (Unaudited)		Six months ended 30 September (Unaudited)	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Segment revenue:						
Sales to external customers	103,112	264,832	94,882	181,382	197,994	446,214
Other revenue – external	5,370	3,947	4,942	5,763	10,312	9,710
Reportable segment revenue	108,482	268,779	99,824	187,145	208,306	455,924
Reportable segment Results	(84,284)	3,622	(77,573)	5,289	(161,857)	8,911
Depreciation and amortisation	4,923	5,347	–	–	4,923	5,347
Provision for accrued liabilities and impairment of trade and bills receivables	54,082	–	–	–	54,082	–

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

5. SEGMENT INFORMATION

The totals presented for the Group's segment Result, reconcile to the Group's key financial figures as presented in the condensed interim financial statements as follows:

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Reportable segment Results	(161,857)	8,911
Interest and other income	169	152
Finance costs	(7,652)	(3,325)
	(169,340)	5,738

6. OTHER EXPENSE

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Provision for receivables	44,424	–
Lawsuit expenses	9,658	–
	54,082	–

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

7. FINANCE COSTS

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest on bank borrowings	4,450	3,325
Interest on convertible bonds	3,202	–

8. PROFIT BEFORE INCOME TAX

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
(Loss)/profit before income tax has been arrived at after charging/(credit):		
Cost of inventories sold	198,483	385,510
Depreciation	4,606	5,201
Staff costs (including directors' remunerations)		
– wages and salaries	42,093	59,596
– termination benefits	16,868	–
– defined contribution scheme	24,611	5,469
Amortisation of prepaid land lease payments	143	146
Research and development costs	3,825	2,993
Loss/(gain) on disposal of property, plant and equipment	200	(42)
Minimum lease payments under operation lease in respect of leasehold land and buildings	1,658	1,436
Provision for impairment of trade and bills receivables	44,424	–

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

9. INCOME TAX EXPENSE

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Hong Kong	20,867	–
Elsewhere	438	102
Total income tax expense	21,305	102

A provision for Hong Kong profits tax of HK\$20,867,000 (2015: Nil) was made based on the assessment by the management of the Group. Taxes assessable in elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

10. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (2015: Nil).

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the loss attributable to owners of the Company of approximately HK\$190,645,000 (2015: profit of HK\$5,636,000) by the weighted average number of 1,150,081,967 (2015: 525,000,000) ordinary shares in issue during the period. Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, the convertible bonds were assumed to have been converted into ordinary shares.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

12. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The normal credit period granted by the Group to its customers ranges from 30 to 180 days.

Ageing analysis of the trade and bills receivables as at the reporting dates, based on the date of revenue recognition and net of provision, is as follows:

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Within 90 days	44,479	85,150
91 to 120 days	34,969	16,368
121 to 180 days	14,092	34,152
181 to 360 days	33,418	74,823
Over 360 days	104,111	127,836
	231,069	338,329

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

13. TRADE AND BILLS PAYABLES

Ageing analysis of the trade and bills payables as at the reporting dates, based on invoice date, is as follows:

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Within 90 days	52,120	89,198
91 to 120 days	2,896	23,266
Over 120 days	12,497	53,730
	67,513	166,194

14. CONVERTIBLE BONDS

On 30 May 2016, the Company issued convertible bonds with an aggregate principal amount of HK\$148,000,000, which can be converted into 370,000,000 ordinary shares at a conversion price of HK\$0.4 per share.

15. ACCRUED LIABILITIES

During the Period, a judgment was received concerning the dispute of a subsidiary with its contractor in relation to the product quality, ruling that the subsidiary of the Group has to pay a compensation of approximately HK\$9,658,000.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

16. SHARE CAPITAL

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
Issued and fully paid:		
1,455,000,000 (31 March 2016: 525,000,000) ordinary shares of HK\$0.10 each	145,500	52,500

17. COMMITMENTS

At the reporting date, the Group had the following outstanding commitments

Operating lease commitments – as lessee

The Group had total future minimum lease payment under non cancellable operating lease falling due as follows:

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Within one year	1,349	1,673
In the second to fifth years, inclusive	226	1,334
	1,575	3,007

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

17. COMMITMENTS (Continued)

Capital Commitments

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Contracted but not accounted for in respect of acquisition of property, plant and equipment	31	–

18. CONTINGENT LIABILITIES

There were no material contingent liabilities as at 30 September 2016.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Unisplendour Technology (Holdings) Limited, I present the interim results of the Company and its subsidiaries (the "Company") for the six months ended 30 September 2016.

Review of results

In the past six months, the market condition of our products remained tough, and as affected by historical burdens, the overall performance of the Company's results was unsatisfactory. The poor handling by the original management prior to the change of controlling shareholder of the Company and misjudgment of the market trend led to a substantial increase in the provision for trade receivables, loss on inventory and provision for inventory. The Company had actively adopted measures to integrate the businesses of the traditional brand name production equipment, OEM, automated and logistic, with main purposes to phase out outmoded production capacities, optimize the sales strategies of the existing products and the human resources structure in order to further increase the incentive award levels of the staff with a hope to turn the adverse operation around. The business integration and handling of the issues and hidden problems accumulated during the previous operation of the original management led to loss which were not conclusive to the results of the current period. However, it had positive effect on the long-term sustainable development of the Company.

Outlook

In the future, the Company will continue to invest in the technological research and development of products, enhance the competitiveness of products and place emphasis on exploring emerging markets along the route of "One Belt, One Road" including India and Southeast Asian countries in order to explore new sales channels. In addition, under the environment of rapid development of the global high-technology, it is a new industrial trend for global collaborative innovation. Therefore, the ability of professional capital operation and utilization in full of various financial instruments have become important driving forces to promote the rapid development of the industry. The Company will continue to create a model with industry and finance as dual driving forces for business development based on



its traditional business. Furthermore, the Company will actively search for new business growth points in sectors including assets management, financial investment and services and finance lease while continuing to develop the existing traditional business. Currently, as the only overseas listed company controlling by Tsinghua Unigroup Co., Ltd. (紫光集團有限公司) (“Tsinghua Unigroup”), the Company will become an important platform for overseas investment, financing and capital operation of Tsinghua Unigroup. As such, the Company will closely align with Tsinghua Unigroup in its core strategies and industry layout, integrating the industrial resources by way of mergers and acquisitions, restructurings and direct investments for synergetic development. The Company will extensively develop in-depth cooperation with major financial institutions and take full advantage of capital operation. As for internal management, the Company will fully upgrade the existing system platform of office informatization to further increase the management effectiveness and recruit high-caliber personnel to achieve new strategic goals. As Tsinghua Unigroup has become the beneficial controller of the Company, the name of the Company was changed to Unisplendour Technology (Holdings) Limited (“Unis Holdings”) to reflect such change. The structures of the board of directors and management of the Company had also undergone adjustments. Currently, the Company is in strong capital position. I believe that the Company will open a greater path of development under the leadership of the new management team.

Appreciation

The past six months was a period when the Company experienced hardships and stepped onto the path of business rebirth. On behalf of the Board, I would like to express our gratitude to our shareholders and partners for standing with the Company in hard times and also for the effort and contribution of all the staff of the Company!

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Brand Production Equipment Business

As the economic growth of China was still slowing down, the market of our products remained depressed, which together with the business integration implemented by the Group during the Period, had led to a significant decline in sales comparing to the same period of last year. The Group will increase investment in research and development and actively develop overseas market to gradually improve sales and profitability.

The sales of SMT and welding related equipment amounted to approximately HK\$161.7 million, representing a decrease of approximately 40.8% when compared to approximately HK\$273.1 million in the same period last year. The gross profit margin was 23.6%, increase by 8.5% from 15.1% of last year. Besides that, as a result of misjudgment of market by the original management, the SMT and welding related equipment were overstocked, which led to the loss on inventory as the market price declines continuously overtime.

OEM Business

In line with the overall development strategy of the Group, the outmoded and low value-added OEM business was gradually reduced as planned during the Period. Compared with the corresponding period last year, sales decreased from approximately HK\$22.8 million to approximately HK\$17.8 million, representing a decrease of approximately 21.9%.

Automated and Logistic Business

The insufficient management and technical ability of the automated and logistic business led to a substantial amount of delays of project delivery and the increase of receivables risk. During the Period, the Group suspended the project development process of the business and mainly focused on the delivery of existing work in progress. Compared with the corresponding period last year, sales decreased from approximately HK\$150.3 million to approximately HK\$18.5 million, representing a decrease of approximately 87.7%.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW

Turnover and Gross Profit

During the Period, the turnover of the Group reached approximately HK\$198 million and represented a decrease of approximately 55.6% when compared with approximately HK\$446.2 million in the same period of 2015. Of which, the automated and logistic business decreased by approximately 87.7% and brand production equipment business decreased by approximately 47.9%.

Because of the excessive cost of the brand production equipment business and the expenses incurred by the delays of project delivery of the automated and logistic business, during the Period, the gross profit ratio was approximately 0%, representing a decrease of approximately 13.6%, as compared with approximately 13.6% of the corresponding period last year.

Other Income and Gains

During the Period, the Group recorded other income and gains of approximately HK\$10.5 million, which included government grant under import discount interest refund scheme of approximately HK\$4.5 million, government R&D subsidies of approximately HK\$1.3 million, reversal of bad debt written off of approximately HK\$2 million and income from sales of scrap materials of approximately HK\$1.4 million.

Selling and Distribution Expenses

During the Period, the Group recorded a selling and distribution cost at approximately HK\$45.9 million and it represents approximately 23.2% of the turnover which increased by approximately 15.8% from 7.4% of the corresponding period last year. The increase is mainly because of the significant decrease in turnover.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW (Continued)

General and Administrative Expenses

The management of the Group implemented various measures to adjust its human resources structure and reduce the headcount with the aim of reducing its general and administrative expenses in the future. This, however, caused a one-off increase in expenses during the Period. During the period under review, general and administrative expenses were approximately HK\$71.7 million, which increased by approximately HK\$43.1 million as compared with approximately HK\$28.6 million of the corresponding period last year. Of which, termination benefits increased approximately HK\$16.9 million, social security contributions and housing fund increased approximately HK\$20.6 million.

Finance Costs

Finance costs for the Period amounted to approximately HK\$7.7 million, representing an increase of approximately HK\$4.4 million, as compared with approximately HK\$3.3 million of the corresponding period last year. The increase was mainly due to the increase in interest expense of approximately HK\$3.2 million on convertible bonds.

Profit for the Period

As result of the foregoing, the loss attributable to the owners of the Company for the Period was approximately HK\$190.6 million, representing a decrease of approximately HK\$196.2 million, as compared with a profit of approximately HK\$5.6 million in corresponding period. The net loss margin was approximately 96.3% for the Period as compared with a net profit margin of approximately 1.3% in corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

EBITDA

The following table illustrates the Group's EBITDA for the respective Periods. The Group's EBITDA margin was a loss of approximately 79.2% for the Period as compared with a profit of approximately 3.2% in corresponding period last year.

	Six months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
(Loss)/profit for Period attributable to owners of the Company	(190,645)	5,636
Finance cost	7,652	3,325
Income tax expenses	21,305	102
Depreciation and amortization	4,923	5,347
EBITDA	(156,765)	14,410

Financial Resource, Liquidity and Gearing Ratio

During the Period, the Group issued new shares and convertible bonds on 30 May 2016, raising HK\$372 million and HK\$148 million respectively. Moreover, the Group had sufficient cash and banking facilities from its main bankers. Therefore, the Group had sufficient working capital. The Group maintained high value of net current assets at approximately HK\$511 million and healthy current ratio at 2.31 times. The total equity ratio attributable to the owners of the Company was calculated with reference to the total borrowings as at 30 September 2016, and the gearing ratio of the Group was 39.7 (31 March 2016: 44.9%).

Working Capital Management

As at 30 September 2016, the Group held approximately HK\$473.2 million cash and bank balances, which increased by approximately HK\$401.3 million from approximately HK\$71.9 million at the beginning of the Period. The Group's average inventory turnover days was approximately 134 days (31 March 2016 approximately 40 days). The Group's average debtors turnover days was approximately 279 days (31 March 2016 approximately 89 days). The Group's average creditors turnover days was approximately 113 days (31 March 2016 approximately 50 days).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

EBITDA (Continued)

Capital Expenditure on Property, Plant and Equipment

Total capital expenditure for the Period was approximately HK\$0.95 million, out of which approximately HK\$0.07 million was spent on the acquisition of machinery and equipment, HK\$0.12 million on reconstruction and decoration of office and HK\$0.76 million on acquisition of transportation equipment.

Charges on Group Assets

As at 30 September 2016, the Group's banking facilities including its import/export, letter of credit, documentary credits, and trust receipt and bank borrowings are secured by:

- (i) a first legal charge on certain of the Group's leasehold land and buildings, which had an aggregate net carrying amount at the reporting date of HK\$144.4 million;
- (ii) bank deposits approximately HK\$10.1 million;
- (iii) cross guarantee provided by subsidiaries in the Group; and
- (iv) corporate guarantees provided by the Company.

EMPLOYEES

At 30 September 2016, the Group employed approximately 716 staff and workers in the PRC and approximately 20 staff were employed from Hong Kong. The Group remunerates its employees based on industry's practice. In the PRC, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, the Group provides staff benefits including defined contribution scheme and performance related bonuses.

DISCLOSURE OF INTERESTS

Directors' Interests in Shares

As at 30 September 2016, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long position in the shares

Name of Directors	Number of the ordinary shares beneficially held	Capacity/Nature	Approximate percentage of total shareholding %
But Tin Fu ("BTF") (Note 2)	39,525,200	Beneficial owner	2.72
	50,341,968	Interest of controlled corporation (Note 1)	3.46
	<hr/>		<hr/>
	89,867,168		6.18

Note 1: BTF is the beneficial owner of 50% of the issued shares in Sun East Group Limited (which holds 3,796,000 Shares) and 100% of the issued shares in Sum Win Management Corp. (which holds 2,424,800 Shares). He is also the beneficial owner of 100% of the issued shares in Mind Seekers Investment Limited ("Mind Seekers") (which holds 44,121,168 Shares). Therefore, he is deemed, or taken to be interested in 89,867,168 Shares for the purposes of the SFO.

Note 2: BTF has resigned as an executive director of the Company, as well as all positions held with the Company's subsidiaries, with effect from 29 November 2016.

Save as disclosed above, as at 30 September 2016, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DISCLOSURE OF INTERESTS (Continued)

Directors' Rights to Acquire Shares or Debentures

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2016, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follow:

Long position in the shares

Name of Shareholder	Nature of interest	Number of the ordinary shares held	Approximate percentage of total shareholding %
Substantial Shareholders			
Unis Technology Strategy Investment Limited	Beneficial owner	1,024,659,420	70.42
Reach General (Note)	Beneficial owner	100,000,000	6.87
Chen Ping	Beneficial owner	100,000,000	6.87
But Tin Fu	Beneficial owner/Interest of controlled corporation	89,867,168	6.18

Note: Reach General International Limited ("Reach General") is 100% beneficially owned by Mr. Wu Xin.

Save for the interests disclosed above, the directors are not aware of any person who had, directly or indirectly, registered an interest in the issued share capital and underlying shares of the Company that was required to be recorded under Section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound internal controls and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavors to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards. The Company has adopted the Code Provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Listing Rules.

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code. The Company was in compliance with the Code for the six months ended 30 September 2016, except for the following deviations.

Code Provision A.6.7

Pursuant to the Code Provision A.6.7, all Directors of the Company should attend general meetings. However, one Executive Director and one Independent Non-Executive Director were absent from the annual general meeting held on 29 August 2016 and two Independent Non-Executive Directors were absent from the special general meeting held on 9 May 2016, all due to other business commitments. To ensure compliance with the Code in the future, the Company has arranged and will continue to arrange to furnish all Directors with appropriate information on all general meetings and take all reasonable measures to arrange the schedule in such a cautious way that all Directors can attend the general meetings.

Audit Committee

The Company has an Audit Committee (the “Committee”) which was established in accordance with the requirements of the Code, for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Committee comprises one non-executive director and two independent non-executive directors of the Company. The Group’s interim Results for the six months ended 30 September 2016 has been reviewed by the Committee. The Committee is of the opinion that these statements comply with the applicable accounting standards, and the Stock Exchange and legal requirements, and that adequate disclosures have been made.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as a code of conduct regarding directors' securities transactions. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied, with the required standards set out in the Model Code throughout the six months ended 30 September 2016.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE

The Company's interim report containing all the information required by the Listing Rules will be published on the website of the Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the website of the Company (www.suneasthk.com) and be despatched to Shareholders in due course.



CAUTION STATEMENT

The Board wishes to remind investors that the above unaudited interim financial results and operational statistics for the six months ended 30 September 2016 and the corresponding period in 2015 are based on the Group's internal information. Investors should note that undue reliance on or use of such information may cause investment risks. Investors are advised to exercise caution when dealing in the securities of the Company.

This report contains forward-looking statements regarding the objectives and expectations of the Group with respect to its opportunities and business prospects. Such forward-looking statements do not constitute guarantees of future performance of the Group and are subject to factors that could cause the Company's actual results, plans and objectives to differ materially from those expressed in the forward-looking statements. These factors include, but not limited to, general industry and economic conditions, shifts in customer demands, and changes in government policies. The Group undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances.

* *For identification purpose only*