



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

以梦想·改变世界

CHASE THE DREAM, CHANGE THE WORLD

INTERIM REPORT 2017



Selective Soldering

Won the 4th Industrial Design "Red Sail Award" —— Gold Award

BIMS Intelligent Manufacturing Management System

Main functions: JIT production, data tracing, intelligent error proofing, intelligent maintenance, intelligent energy saving, remote management, warehouse management, purchase management, engineering management

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. ZHANG Yadong (*Chairman*)
(appointed on 28 June 2017)
Mr. XIA Yuan (*Chief Executive Officer*)
Mr. ZHENG Bo
(appointed on 3 August 2017)
Mr. WANG Huixuan
(resigned on 28 June 2017)

Non-executive Directors

Mr. LI Zhongxiang (*Vice Chairman*)
Mr. QI Lian

Independent Non-executive Directors

Mr. CUI Yuzhi
Mr. BAO Yi
Mr. PING Fan

Audit Committee

Mr. CUI Yuzhi (*Chairman*)
Mr. LI Zhongxiang
Mr. BAO Yi

Remuneration Committee

Mr. BAO Yi (*Chairman*)
Mr. QI Lian
Mr. PING Fan

Nomination Committee

Mr. ZHANG Yadong (*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

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

Conyers Corporate Services (Bermuda) 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 COMPREHENSIVE INCOME

	Notes	Six months ended 30 June 2017 (Unaudited) HK\$'000	Six months ended 30 September 2016 (Unaudited) HK\$'000 (Restated)
Revenue	5	117,001	197,994
Cost of Sales		(100,342)	(198,483)
Gross profit/(loss)		16,659	(489)
Other income	6	69	1,828
Other gains, net	7	21,030	7,944
Distribution costs		(19,019)	(45,945)
Administrative costs		(37,209)	(123,404)
Operating loss		(18,470)	(160,066)
Finance income	8	90	817
Finance costs	8	(6,000)	(6,889)
Finance costs, net	8	(5,910)	(6,072)
Gain/(loss) from change in fair value of convertible bonds	9	78,405	(253,308)
Profit/(loss) before income tax		54,025	(419,446)
Income tax expense	10	(189)	(21,305)
Profit/(loss) for the period attributable to equity holders of the Company		53,836	(440,751)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Notes	Six months ended 30 June 2017 (Unaudited) HK\$'000	Six months ended 30 September 2016 (Unaudited) HK\$'000 (Restated)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		6,307	(3,278)
Other comprehensive profit for the period, net of tax		6,307	(3,278)
Total comprehensive profit/(loss) for the period/year		60,143	(444,029)
Total comprehensive profit/(loss) attributable to equity holders of the Company		60,143	(444,029)
			(Restated)
Basic earnings/(losses) per share	11(a)(c)	HK3.70 cents	HK(33.45) cents
Diluted earnings/(losses) per share	11(b)(c)	HK2.95 cents	HK(33.45) cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Assets			
Non-current assets			
Long-term Equity Investment		129	–
Property, plant and equipment		130,339	133,021
Land use rights		7,938	9,660
Finance lease receivables		848	542
		139,254	143,223
Current assets			
Inventories		37,001	69,516
Trade receivables and other receivables	12	117,398	359,397
Finance lease receivables		1,442	3,927
Tax reserve certificates		4,590	3,600
Financial assets at fair value through profit or loss		72,583	76,042
Available for sale financial assets		149,032	–
Security and restricted deposits		18,597	2,883
Cash and cash equivalents		283,459	294,052
		684,102	809,417
Total assets		823,356	952,640
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital		145,500	145,500
Share premium		95,240	95,240
Other reserves		662,926	78,676
Accumulated losses		(461,343)	(515,179)
Total equity		442,323	(195,763)

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	Notes	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Liabilities			
Non-current liabilities			
Convertible bonds	9	103,003	756,892
Deferred tax liabilities		13,309	13,310
Other non-current liabilities		4,585	–
		120,897	770,202
Current liabilities			
Trade payables and other payables	13	103,717	202,936
Borrowings	14	88,273	122,881
Tax payable		68,146	52,384
		260,136	378,201
Total liabilities		381,033	1,148,403
Total equity and liabilities		823,356	952,640

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained earnings/ (accumulative losses) HK\$'000	Total equity HK\$'000
Balance at 1 April 2016	52,500	87,728	90,603	88,349	319,180
Comprehensive loss					
Loss for the period	-	-	-	(440,751)	(440,751)
Exchange differences on translation of foreign operations	-	-	(3,278)	-	(3,278)
Total comprehensive loss	-	-	(3,278)	(440,751)	(444,029)
Transactions with equity holders in their capacity as equity holders					
Proceeds from shares issued	93,000	274,592	-	-	367,592
Convertible bonds	-	-	(267,081)	-	(267,081)
Total transactions with equity holders in their capacity as equity holders	93,000	274,592	(267,081)	-	100,511
Balance at 30 September 2016 (Unaudited) (Restated)	145,500	362,320	(179,756)	(362,402)	(24,338)
Balance at 1 January 2017	145,500	95,240	78,676	(515,179)	(195,763)
Comprehensive profit					
Profit for the period	-	-	-	53,836	53,836
Exchange differences on translation of foreign operations	-	-	6,307	-	6,307
Total comprehensive profit	-	-	6,307	53,836	60,143
Transactions with equity holders in their capacity as equity holders					
Convertible bonds	-	-	577,943	-	577,943
Total transactions with equity holders in their capacity as equity holders	-	-	577,943	-	577,943
Balance at 30 June 2017(Unaudited)	145,500	95,240	662,926	(461,343)	442,323

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June 2017 (Unaudited) HK\$'000	Six months ended 30 September 2016 (Unaudited) HK\$'000
NET CASH FROM/(USED IN)		
OPERATING ACTIVITIES	170,629	(135,320)
NET CASH USED IN INVESTING ACTIVITIES	(143,891)	(418)
NET CASH (USED IN)/FROM		
FINANCING ACTIVITIES	(40,071)	540,547
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(13,333)	404,809
Cash and cash equivalents at beginning of the period	294,052	71,905
Effect of foreign exchange rate changes on cash and cash equivalents	2,740	(3,514)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	283,459	473,200

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”).

The Company and its subsidiaries are collectively referred to as the “Group” hereafter. The Group is principally engaged in SMT equipment manufacturing, finance lease and factoring and financial investment.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). The condensed consolidated interim financial statement should be read in conjunction with the financial statements for the nine months ended 31 December 2016.

2.1 Going concern

The Group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its unaudited condensed consolidated interim financial statement.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

3. ACCOUNTING POLICIES

Except as for the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the six months ended 30 June 2017, the accounting policies applied in preparing this condensed consolidated interim financial statement are consistent with those of the financial statements for the nine months ended 31 December 2016, as described in the annual financial statements.

The adoption of these new standards, amendments and improvements to HKFRS and HKAS did not have any significant impact on the Group's financial performance and position for the six months ended 30 June 2017.

4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, except the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements for the nine months ended 31 December 2016 with the exception of changes in estimates that are required in determining the provision for income taxes and disclosure of exception items.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

5. SEGMENT INFORMATION

The executive directors are the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the executive directors for the purposes of allocating resources and assessing performance. The executive directors reassess the Group positions from the perspective of its products and businesses. The Group determines the financial investment business as an ordinary and usual course of business of the company with effect from January 2017, therefore, the "financial investment" is presented as a separate segment. For the six months ended 30 June 2017, the Group's operating segments consist of the followings:

- (1) Production and sales of industrial products;
- (2) Finance lease and factoring; and
- (3) Financial Investment.

The executive directors assess the performance of the operating segments based on the revenue and profit before tax in each segment, the executive directors do not focus on the total liabilities of the segments. The unallocated activities primarily consist of corporate headquarter which manage and support the segments. There was no operation of the financial investment segment for the six months end 30 September 2016.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

5. SEGMENT INFORMATION (Continued)

The segment information for the six months ended 30 June 2017 was as follows:

	Six months ended 30 June 2017 (Unaudited)					
	Production and sales of industrial products	Finance lease and factoring	Financial Investment	Segments total	Unallocated activities	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	112,098	6,488	(1,585)	117,001	-	117,001
Segment profit/(loss)	12,248	6,488	(2,077)	16,659	-	16,659
Other income	69	-	-	69	-	69
Other gains, net	21,030	-	-	21,030	-	21,030
Distribution costs	17,431	1,588	-	19,019	-	19,019
Administrative costs	18,271	4,616	2	22,889	14,320	37,209
Finance costs/ (income), net	3,281	203	(27)	3,457	2,453	5,910
Gain from change in fair value of convertible bonds	-	-	-	-	78,405	78,405
(Loss)/profit before income tax	(5,636)	81	(2,052)	(7,607)	61,632	54,025

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

5. SEGMENT INFORMATION (Continued)

The segment information for the six months ended 30 September 2016 was as follows:

	Six months ended 30 September 2016 (restated)				
	(Unaudited)				
	Production and sales of industrial products HK\$'000	Finance lease and factoring HK\$'000	Segments total HK\$'000	Unallocated activities HK\$'000	Total HK\$'000
Segment revenue	197,563	431	197,994	–	197,994
Segment (loss)/profit	(759)	270	(489)	–	(489)
Other income	1,828	–	1,828	–	1,828
Other gains, net	7,944	–	7,944	–	7,944
Distribution costs	45,831	114	45,945	–	45,945
Administrative costs	118,425	714	119,139	4,265	123,404
– Provision for impairment of trade receivables	44,424	–	44,424	–	44,424
Finance costs/(income), net	6,404	(332)	6,072	–	6,072
Loss from change in fair value of convertible bonds	–	–	–	253,308	253,308
Loss before income tax	161,647	226	161,873	257,573	419,446

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

6. OTHER INCOME

	Six months ended 30 June 2017 (Unaudited) HK\$'000	Six months ended 30 September 2016 (Unaudited) HK\$'000
Income from sales of scraps	45	1,353
Other income	24	475
	69	1,828

7. OTHER GAINS, NET

	Six months ended 30 June 2017 (Unaudited) HK\$'000	Six months ended 30 September 2016 (Unaudited) HK\$'000
Compensation income	166	44
Government grants	577	5,801
Reversal of bad debt written off	17,921	2,000
Gain/(loss) on disposal of property, plant and equipment	51	(200)
Inventories write-downs	(2,610)	–
Compensation charges	(6)	(71)
Other gains	4,931	370
	21,030	7,944

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

8. FINANCE COSTS, NET

	Six months ended 30 June 2017 (Unaudited) HK\$'000	Six months ended 30 September 2016 (Unaudited) HK\$'000
Finance income:		
– Interest income from bank deposits	90	169
– Exchange gains	–	648
Finance costs:		
– Interest expenses on bank and other borrowings	4,858	2,826
– Discount interest on bills receivable	419	1,624
– Exchange losses	723	2,439
Net finance costs	5,910	6,072

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

9. CONVERTIBLE BONDS

On 30 May 2016, the Company issued 730,000,000 ordinary shares at a price of HK\$0.4 per share and zero coupon convertible bonds with face value of HK\$148,000,000 to Unis Technology Strategy Investment Limited. The bonds shall be matured in five years from the date of issue at their face value of HK\$148,000,000 or converted into ordinary shares of the Company at HK\$0.4 per share by the holder before the maturity date of the bonds.

Such convertible bonds were presented as financial liabilities at fair value through profit or loss. For the six months ended 30 September 2016, the Company recognised the convertible bonds as compound financial instruments in the condensed consolidated interim financial statement. Accordingly, the Company confirmed and restated the difference related to the convertible bonds in the condensed consolidated interim financial statement for the six months ended 30 September 2016. The effect to the consolidated income as follows:

	For six months ended 30 September 2016 before restated (Unaudited) HK\$'000	For six months ended 30 September 2016 after restated (Unaudited) HK\$'000	Amount effected by the restatement (Unaudited) HK\$'000
Finance costs	(7,652)	(4,449)	3,203
Loss from change in fair value of convertible bonds	–	(253,308)	(253,308)
Total comprehensive loss attributable to equity of the Company	(190,645)	(440,751)	(250,106)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

9. CONVERTIBLE BONDS (Continued)

On 30 March 2017, an ordinary resolution has been passed in the special general meeting for the approval of the “Supplemental Deed” entered into by the Company with Unis Technology Strategy Investment Limited, pursuant to which the Company and Unis Technology Strategy Investment Limited agreed to remove the relevant terms and conditions in relation to the conversion price adjustment under the original agreement, accordingly, the convertible bonds issued by the Company pursuant to the original agreement will be derecognised. According to the “Supplemental Deed”, the convertible bonds issued by the Company will be recognised as compound financial instruments. As at 30 March 2017, such financial liability at fair value through profit or loss of HK\$678,487,000 were derecognised. Pursuant to the amended terms and the fair value at the date, the Company has recognized the convertible bond as compound financial instruments, among which, the fair value of the liability component was HK\$100,546,000, and the fair value of the equity component was HK\$577,941,000. The gain from change in fair value of convertible bonds for the period was HK\$78,404,000.

No convertible bonds were converted into ordinary shares of the Company during the period.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2016: 16.5%) on the estimated assessable profit for the period. Taxation of the subsidiaries in Mainland China has been calculated on the estimated assessable profit for the period at the rate of 25% (six months ended 30 September 2016: 25%). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June 2017 (Unaudited) HK\$'000	Six months ended 30 September 2016 (Unaudited) HK\$'000
Current income tax:		
Current tax on profits for the period	189	438
Adjustments in respect of prior years (a)	–	20,867
Total current income tax	189	21,305
Deferred income tax	–	–
Income tax expense	189	21,305

- (a) Certain subsidiaries of the Group are subject to the tax review conducted by the Hong Kong Inland Revenue Department on the offshore claim lodged on profits. During the reporting period, such review is still ongoing.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

11. EARNINGS/(LOSSES) PER SHARE

(a) Basic

Basic earnings/(losses) per share is calculated by dividing the earnings/(losses) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June 2017 (Unaudited) HK\$'000	Six months ended 30 September 2016 (Unaudited) HK\$'000 (Restated)
Earnings/(losses) attributable to equity holders of the Company	53,836	(440,751)
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	1,455,000	1,317,656
Basic earning/(loss) per share (<i>in HK\$ cents</i>)	3.70	(33.45)

(b) Diluted

As it is assumed that the conversion of the Company's outstanding convertible bonds will result in a decrease in earnings per share for the period, in the calculation of the diluted earnings per share for the six months ended 30 June 2017, assumed that the Company's outstanding convertible bonds have been exercised, diluted earnings per share were HK2.95 cents.

(c) Restated losses per share

Due to the change in calculation of convertible bonds (note 9), the basic and diluted (losses) per share for the six months ended 30 September 2016 have been restated from HK(16.58) cents to HK(33.45) cents.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

12. TRADE RECEIVABLES AND OTHER RECEIVABLES

As at 30 June 2017 and 31 December 2016, the ageing analysis of the trade receivables and other receivables based on invoice date were as follows:

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Less than 3 months	13,207	170,083
3 to 6 months	66,784	12,301
More than 6 months	37,407	177,013
	117,398	359,397

13. TRADE PAYABLES AND OTHER PAYABLES

As at 30 June 2017 and 31 December 2016, the ageing analysis of trade payables and bills payables based on the invoice dates were as follows:

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Within 90 days	56,119	182,184
91 to 120 days	5,376	1,947
Over 120 days	42,222	18,805
	103,717	202,936

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

14. BORROWINGS

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Current		
Secured bank loans due for repayment within one year (a)	68,784	122,881
Asset-backed financing (b)	19,489	–
	88,273	122,881

- (a) The secured bank loans are secured by the Group's properties, land use rights and corporate guarantees provided by the Company and its subsidiaries. Such loans have been paid off in full on 3 July 2017.
- (b) The asset-backed financing represents the amount of financing obtained from banks by discounting bills receivables not yet mature. The corresponding financial assets are included in bills receivables.

As at 30 June 2017 and 31 December 2016, all bank and other borrowings are due for repayment within one year. As at 30 June 2017, the average annual borrowing rate was 4.35% (31 December 2016: 4.74%).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

15. COMMITMENTS

(a) Operating lease commitments – the Group as lessee

The Group leases certain office premises or staff quarter under non-cancellable operating lease arrangements. The lease terms are between one and three years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The aggregate future minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Within one year	12,810	10,506
More than one year but not more than five years	20,540	17,449
	33,350	27,955

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

15. COMMITMENTS (Continued)

(b) Capital commitments

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment	79	–
	79	–

CHAIRMAN'S STATEMENT

Overall

Looking back into the past six months, the Group continued its business integration and optimisation initiatives during the last financial period. At the same time, based on the current industry situation and market trends, the new development idea and strategy were fermented combined with our own competitive edges, with which the Group is entering a period of stable development.

Business Review

During the reporting period, general income of the Group, excluding the effects of historical orders and business optimization, decreased slightly as compared with the same period of last year. However, benefited from implementation of new sales policy and credit management policy, operation quality improved significantly.

Among which, gross profit margin of own-brand products in the SMT and related business was approximately 35% in average; operating cash flow was improving gradually; scale of inventory and trade receivables decreased quickly. But affected by the historical orders of agent products delivered during the reporting period, the consolidated gross profit margin was less than 35%. Besides, through implementation of new sales policy and other effective cost control measures, sales expenses and administration expenses were significantly lower than the same period of last year. The Group, on one hand, adopted a variety of receivable collection methods, and on the other hand, implemented new credit management policy, making the receivables decreased from approximately HK\$360 million at the beginning of the year, to approximately HK\$117 million. Through measures such as setting up reasonable safety storage amount, establishing good relationships with suppliers and clearing slow-moving inventory, the Group reduced its inventory from approximately HK\$70 million at the beginning of the year to HK\$37 million.

Operation conditions of the finance lease and factoring businesses performed well, and project development was progressing smoothly.

Industrial development trends

Under the background where electronic consumer products' market grows steadily in general, together with new emerging technologies, new applications, electronic products manufacturers' requirement on product line automation is increasing due to consideration of cost efficiency. This brings new challenges to the SMT equipment industry. Intelligent, informatized and systematized are irreversible trends for SMT equipment industry. The market of middle and low-end single-function processing equipment will continue shrinking.

R&D Competency

The Group has advantages in the R&D and manufacturing of SMT products. Through continuous investments in R&D and technologies accumulated in the industry for years, the Group has leading R&D strength in China's market. The Group owns 38 patents (8 patents in application) in the SMT industry, and 2 software copyrights. A number of high-tech R&D subsidies were granted by government. Besides, the Group has also won recognition from a number of related industry associations.

In order to comply with the development trend of the industry, the Group successfully developed a high-end selective soldering products (selective soldering), which has won the Gold Award of the fourth industrial design "Red Sail Award". Its online electromagnetic pump design is at the leading position in China's market. The product has more advantages as compared with traditional soldering in terms of energy saving and environmental protection, stability, precision, informatization level and so on, and significantly reduces the energy consumption and consumables. The flux consumption could be reduced by 97%, the tin slag by 95%, Nitrogen consumption by 95%, and power consumption by 55%.

In order to help customers to cope with the trends toward intelligent, informatized and systematized brought by intelligent manufacturing, the Group developed the BIMS intelligent manufacturing system which enable equipments in an entire SMT production line become smart and intelligent. The system can effectively meet new production models of customers such as JIT (Just in Time) and BTO (Build to Order), as well as higher quality requirements from customers and markets. The system adopts technologies such as data mining engine, cloud storage, and cloud computing, and possesses five functions, including raw materials management, production plan, process control, product shipments, customer tracing. It can achieve seamless connection with customers' solder paste printers, dispensers, reflow oven, wave soldering, selective soldering and so on. It can collect equipment data automatically and control the equipment remotely. The system is designed to help customers to achieve lower production costs, but higher productivity, wider production range, fewer production staff and quicker market response with aims of paperless, error-free, zero inventory and no wastage.

Development strategy

At the SMT and related business level, the Group has fully implemented the strategy of “One orientation, two key drivers, three breakthroughs and four initiatives”. Based on the enterprise positioning of becoming global leading SMT intelligent equipment provider, the Group used selective soldering and BIMS intelligent manufacturing system as two key drivers, to achieve three breakthroughs including building up selective soldering as hit products, establishment of brand-image that fulfilled the middle and high-end products positioning of the Group and the formation of sustainable and competitive profit model. To achieve the above objectives, the Group will take four initiatives, including implement new sales policy that focuses on the hit products, increase investment in R&D and market development of hit products, continue the optimization and upgrade of human resources structure and efficiency, and strengthen the internal control system.

Outlook

The Group still needs to sharpen itself and lay a solid foundation. During the implementation of development strategy, the Group still face a series of challenges, including human resource restructuring, recognition of hit products by high-end customers, brand image promotion and so on. But the Group believes that under the guidance of the new development strategy, through the joint efforts of all staff, the Group can earnestly grasp the market opportunities for shareholders to create a better return.

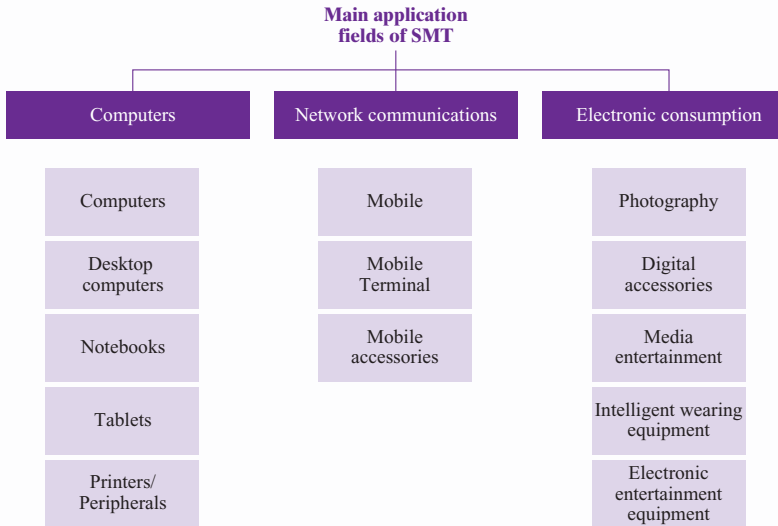
MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OUTLOOK

The business of the Group is mainly involved in the sectors of SMT equipment manufacturing, finance lease and factoring.

SMT equipment manufacturing

SMT is a technology that enables pieces of chip components mounted on the surface of printed circuit board (PCB), with advantages of high assembly density, small size, light in weight, high reliability, strong seismic capacity, easy to achieve automation and so on. It has been mainly applied in telecommunications, computers, consumer electronics, automotive electronics, military, railways and other fields.

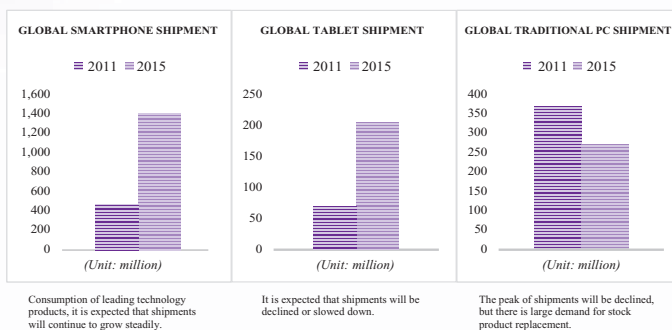


SMT equipment manufacturing industry currently possesses characteristics such as highly irreplaceable; barriers of high-tech, capital and human resources; high industry concentration; and competition has been extended from price only to service capability. The main competitive factors in the industry are price, performance, system information, product creativity, user's experience and user's maintenance convenience.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

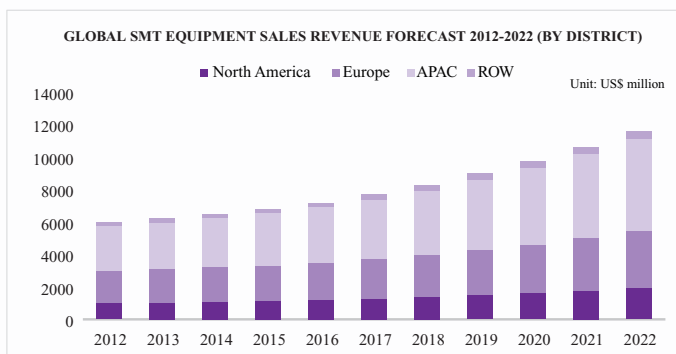
SMT equipment manufacturing (Continued)

During the recent years, sustained and rapid development of downstream equipment such as electronic consumer goods led to significant demands to SMT equipment, which promoted the transformation and upgrade of production equipment.



Source: Wind Great Wall Securities Research Institute

In addition, along with the increase in labor costs, the increase in product quality requirements make the PCBA production line, which was originally completed by labors, now gradually replaced by automatic machines. It is expected that the existing stable growth of SMT equipment market size can be maintained.



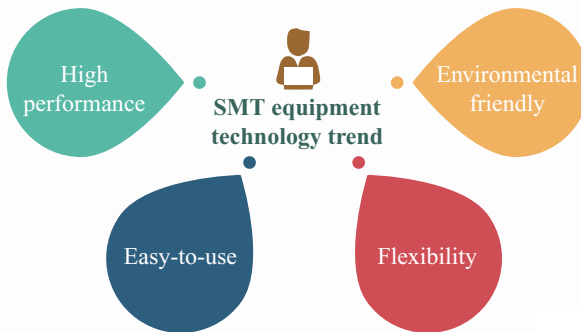
Source: Frost & Sullivan

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SMT equipment manufacturing (Continued)

At present, China has surpassed the USA as the world's largest SMT application market, but as for advanced electronics manufacturing, China still has weaknesses, and faces pressures and challenges from overseas market in the new materials application and processing techniques, as well as automatic processing from time to time. In addition, along with the penetration rate of mobile phones, computers and other consumer electronics gradually increased, the market growth rate slowed down, the prices of end-products have become the primary consideration for consumers, leading to the midstream electronics assembly and processing market become saturated, and the industry gross margins are constantly compressed. The demand to low-end processing equipment thus grows slowly.

Under this background, the Chinese government issued documents including "Made in China 2025" and "Intelligent Manufacturing Development Plan (2016-2020)", and listed intelligent manufacturing as the national strategic development focus to support the manufacturing industry to develop towards high-end intelligent applications. Therefore, SMT equipment industry must be developed towards MES integrated system which possesses functions including automatic intelligent, flexible manufacturing, and assembly, logistics, packaging, and testing. Through intelligence application technology, improvement in SMT equipment automation level can help realize cost reduction and increase output, which fulfills the growing market demand trend for high-end intelligent equipment.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Finance lease and factoring

Finance lease is an important supplement for the credit and debt financing of traditional banks, because it has the characteristics of both “fund financing” and “assets financing”. It has become an effective linkage between the manufacturing and the finance industry. Factoring is based on the creditor’s transfer of its accounts receivables as a prerequisite, and is an integrated financial service which possess accounts receivables management, collection, bad debt guarantee and finance.

Finance leases

Benefited from the economic development, China’s finance lease industry maintained rapid growth. In 2015, China’s finance lease transaction volume ranked second in the world, but market penetration rate was 4% only, far below that of the developed countries in the world. This indicates a huge growth potential.

Ranking	Country	2015 Leasing industry transaction volume (USD billion)	2014-2015 Growth rate (%)	Market penetration rate (%)
1	USA	374.4	11.1%	22.0
2	China	136.5	25.6%	4.0
3	England	87.1	14.0%	31.1
4	Germany	63.8	8.4%	16.7
5	Japan	60.8	8.4%	9.6
6	France	30.9	9.9%	14.2
7	Australia	30.9	0.0%	40.0
8	Canada	26.2	3.4%	32.0
9	Sweden	18.2	12.1%	22.9
10	Italy	17.7	12.5%	13.0

Source: 2017 Global Leasing Report, White Clarke Group

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Finance lease (Continued)

Besides, China's fixed asset investment in the past five years increased from RMB37.47 trillion to RMB60.65 trillion. Investment increased every year, continued to drive the development of finance lease industry to new high.



Source: National Bureau of Statistics of China

The rapid growth of the economy and the continued increase in fixed assets investment created a good external environment for the rapid development of China's finance lease industry. In respect of policies, the "13th five-year plan", the "Guiding Opinions on Accelerating the Growth of Finance Lease Business", the "Guiding Opinions on Promoting the Healthy Development of Finance Lease Business" and the "Administrative Measures on Finance Lease Companies" were issued. In response to the call of the nation, the local governments have also issued the corresponding supporting policies.

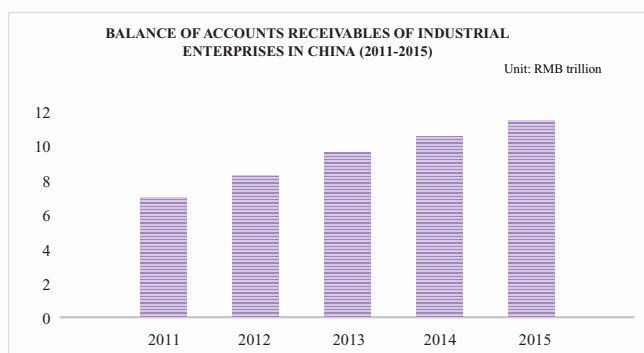
Factoring

China's commercial factoring market is still at its starting stage, the room for industry development is large. With reference to the development history of the factoring industry, the foreign trading amount is largely related to the development of factoring industry; the factoring industry is greatly influenced by the policy environment, and policy support has greatly promoted the development of the factoring industry. At the same time, the increase in accounts receivables will also promote the development of the factoring industry.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Factoring (Continued)

The balance of accounts receivables of industrial enterprises in China have been increasing every year and currently the scale has reached about RMB11.5 trillion. At the same time, the scale of social finance has been reduced, besides, the banks' money market has been tightened. Therefore, the financing difficulties of small and medium-sized enterprises have made the market demand for commercial factoring continued to increase.



Source: Wind Sinolink Securities Research Institute

In respect of policies, the “Opinions on the Financial Support of Industrial Steady Growth, Structural Adjustment, Increase Efficiency” jointly issued by eight ministries and commissions including the People’s Bank of China and the National Development and Reform Commission, which fully affirmed the important role of corporate finance of accounts receivables finance, strived to solve the problems of accounts receivables of small and medium enterprises, to advocate enterprises to carry out securitization of accounts receivables, to encourage the development of accounts receivable finance. Accounts receivables finance including pledged finance of accounts receivables and factoring financing of accounts receivables. Information asymmetry made the implementation costs of current accounts receivables finance become higher, and also hindered the banks to carry out the business, but bring opportunities for commercial factoring development.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW

The Group integrated and optimised its traditional SMT and related businesses during the last financial period, in the meantime, the Group concentrated on the development towards SMT intelligent equipment and gradually increased its investment in financial business based on the management's understanding of the market sector. As at the end of the reporting period, the Group recorded revenue of approximately HK\$117,000,000, which has weakened compared to the corresponding period of last year. This was mainly attributable to the Group's decision of gradually reducing the scale of agency business which required massive occupation of fund and is profitless. The relevant policies were implemented had an impact on the short-term performance of the Company, but it is in consistent with the Group's long-term development strategy.

SMT and related business

During the reporting period, SMT and related business was the main business segment of the Group. As affected by the implementation of the new development strategy, revenue of this business segment decreased as compared to the six months ended 30 September 2016.

Our new development strategy for this business segment is to focus on the SMT industry. Through eliminating backward production capacity, increasing R&D investment, strengthening brand promotion efforts and developing domestic and foreign agents and high-end customer base, the business model of SMT and related business was completely transformed and upgraded. During the reporting period, major operating products in this business segment were SMT and related products that were researched and developed by the Group such as soldering, screen printing machine, reflow equipment, and sales proportion and scale of low-end products with relatively low level of automation and agency sales were significantly reduced.

In the future, SMT and related business will maintain the existing development direction, with more attention on product development and research of the key products, such as the Selective Soldering Machine and the Brian Intelligent Manufacturing System (BIMS). The Company will focus on providing high value-added service to the customer and strive to create a high-end and high tech product image, so as to enhance the competitiveness of the company to support the realisation of the development strategy.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Finance lease and factoring business

The finance lease and factoring business segment was our new business developed by the Group during the last financial period and remained profitable during the reporting period.

At this stage, this business segment will expand the market of SMT and related and the upstream and downstream industry of the sector, meanwhile focus on the development of customers in the Guangdong Province in mainland China, including listed companies and companies proposed for listing, companies in emerging industries with good business conditions and leading enterprises. In addition, the Company will actively look for potential quality customers in Tsinghua Unigroup.

Financial investment

This business segment was newly exploited by the Group, and determined as an ordinary and usual course of business of the Company during the reporting period. The investment trading activities commenced from the end of 2016, as at 30 June 2017, the aggregate investment gain was approximately HK\$5,783,000.

The Group has established and performed a low frequency trading strategy with respect to its financial investment segment and at the same time strict reporting mechanism was implemented to ensure the investment and trading activities could be real-time monitored by the management, and to protect the safety of investment to the greatest extent. During the reporting period, the Group continued to have diversified investments in shares of HKEX listed companies in high-tech industry including telecommunication, semiconductor, internet, computers and software.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial investment (Continued)

Name of investee	Total investment gain/(loss) for the six months ended 30 June 2017 (Unaudited) HK\$'000
SMIC (Stock Code:981.hk)	(3,618)
SMIT (Stock Code:2239.hk)	(507)
GOME FIN TECH (Stock Code:628.hk)	(47)
GUODIAN TECH (Stock Code:1296.hk)	(13)
ZTE (Stock Code:763.hk)	(574)
LENOVO GROUP (Stock Code:992.hk)	553
KINGSOFT (Stock Code:3888.hk)	852
TENCENT (Stock Code:700.hk)	1,278
Others	24
	(2,052)

During the period, the Group (i) purchased 323,200 ZTE shares in aggregate, and disposed 1,320,000 shares; (ii) disposed 1,030,000 LENOVO GROUP shares in aggregate; (iii) disposed 1,295,000 KINGSOFT shares in aggregate; (iv) disposed 61,600 TENCENT KINGSOFT shares in aggregate; (v) purchased 8,755,000 SMIC shares in aggregate, and disposed 3,271,000 shares; (vi) purchased 1,276,000 SMIT shares in aggregate, and disposed 39,000 shares; (vii) purchased 1,000,000 GUODIAN TECH shares in aggregate; and (viii) purchased 418,000 GOME FIN TECH shares in aggregate.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial investment (Continued)

The Group's investments in the listed shares were recorded as financial assets at fair value through profit or loss on the consolidated balance sheet, which was approximately HK\$72,583,000 as at 30 June 2017:

Name of investee	Financial assets at fair value through profit or loss as at 30 June 2017 (Unaudited) HK\$'000	Approximate percentage of total financial assets at fair value through or loss %
SMIC	67,830	93%
SMIT	3,760	5%
GOME FIN TECH	443	1%
GUODIAN TECH	550	1%
	72,583	100%

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW

Income

An analysis of the Group's income by business segment for the reporting period is as follows:

	Six months ended 30 June 2017 (Unaudited) HK\$'000	Six months ended 30 September 2016 (Unaudited) HK\$'000
SMT and related	112,098	197,563
Finance lease and factoring	6,488	431
Financial investment	(1,585)	–
	117,001	197,994

Other gains

During the reporting period, the Group recorded other gains of approximately HK\$21,030,000, which included government grants of approximately HK\$577,000, reversal of bad debt written off of approximately HK\$17,921,000 and inventories write-downs of approximately HK\$2,610,000.

Distribution costs

During the reporting period, benefited from the implementation of new sales policies and cost control, the Group recorded distribution cost of approximately HK\$19,000,000, representing a decrease of approximately 58% as compared with the six months ended 30 September 2016.

Administrative costs

Benefited from the integration and optimisation of human resource structure in the SMT and related business segment during the last financial period, the Group recorded administrative costs of approximately HK\$37,209,000 during the reporting period, representing a decrease of approximately 44% as compared with the six months ended 30 September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Finance costs

During the reporting period, net finance costs were approximately HK\$5,910,000, representing a slight decrease of approximately HK\$162,000 as compared with the six months ended 30 September 2016.

Profit for the period

As a result of the foregoing, the profit attributable to the equity holders of the Company for the reporting period was approximately HK\$53,836,000, loss attributable to the equity holders of the Company for the six months ended 30 September 2016 was approximately HK\$440,751,000 (restated).

Earning/(loss) before interest, tax, depreciation and amortisation

The following table illustrates the Group's earning/(loss) before interest, tax, depreciation and amortisation for the respective period. The Group's earning before interest, tax, depreciation and amortisation ratio was a profit of approximately 55.1% for the reporting period.

	Six months ended 30 June 2017 (Unaudited) HK\$'000	Six months ended 30 September 2016 (Unaudited) HK\$'000 (restated)
Profit/(loss) for the period attributable to equity holders of the Company	53,836	(440,751)
Finance costs	5,910	6,072
Income tax expense	189	21,305
Depreciation and amortisation	4,486	4,923
Earning/(loss) before interest, tax, depreciation and amortisation	64,421	(408,451)

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liquidity, financial resources and gearing ratio

The Group had sufficient operating capital and maintained a high level of net current assets at approximately HK\$423,966,000 and healthy current ratio at 2.63 times. The total equity ratio attributable to the owners of the Company was calculated with reference to the total borrowings as at 30 June 2017, and the gearing ratio of the Group was 20%.

Operating capital management

As at 30 June 2017, the Group held cash and bank balances of approximately HK\$283,500,000, representing a decrease of HK\$10,600,000 comparing with HK\$294,052,000 as at the beginning of the period. Benefitted from the key management and control of trade receivable and inventory in the SMT and related business segment during the last financial period, the Group's average inventory turnover days was approximately 96 days (31 December 2016: 101 days). The Group's average debtors turnover days was approximately 253 days (31 December 2016: 341 days). The Group's average creditors turnover days was approximately 95 days (31 December 2016: 100 days).

Capital expenditure on property, plant and equipment

During the period, total capital expenditure was approximately HK\$1,920,000, in which approximately HK\$1,910,00 was on the renovation and decoration of office and HK\$10,000 on the purchase of mechanical equipment.

Charges on the Group's assets

As at 30 June 2017, the Group's banking facilities including its import/export loan, letter of credit, documentary credits, trust receipt and bank borrowings were secured by:

- (i) a first legal charge on certain of the Group's land use rights and properties, which had an aggregate net carrying value at the reporting date of HK\$103,372,000;
- (ii) security deposits of approximately HK\$18,600,000; and
- (iii) cross guarantee provided by subsidiaries in the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Equity and liabilities

As at 30 June 2017, the Group's net assets was approximately of HK\$442,323,000, compared with the net liabilities of approximately HK\$195,763,000 as at 31 December 2016, the increase of approximately HK\$653,889,000 was attributed to the change in calculation method of convertible bonds.

Employees

At 30 June 2017, the Group employed approximately 424 staff and workers in mainland China and approximately 22 staff were employed from Hong Kong. The Group continues to provide staff sufficient regular training to maintain and improve the capacity of employees. The Group remunerates its employees based on industry's practice. In mainland China, 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.

OUTLOOK

The traditional business segment of the Company is facing new challenges and opportunities. At present, China has surpassed the USA as the world's largest SMT application market, but is still relative backward in the advanced electronic manufacturing field. Through continuous investments in the R&D and technology that have been accumulated in the industry for years, the Group currently has the leading research and development strength of its own in mainland China. In the future, the self-developed high-end selective soldering products and the SMT industry data information management and control solution (BIMS intelligent manufacturing system) will be the two key driving products for the Company to adapt higher product requirements from customers and the market. For the financial business segment, the Group will actively exploit the financial leasing and factoring business in the upstream and downstream of affiliated companies of Tsinghua Unigroup.

PRINCIPAL RISKS AND UNCERTAINTIES

Operational risk

The Group is exposed to operational risk in relation to each business segment of the Group. To manage operational risk, the management of each business segment is responsible for monitoring the operation and assessing operational risk of their respective business segments. They are responsible for implementing the Group's risk management policies and procedures and shall report any irregularities in connection with the operation of the projects to the directors and seek directions. The Group emphasises on ethical value and prevention of fraud and bribery, and has established a whistleblower program, including communication with other departments and business segments and units, to report any irregularities. In this regard, the directors consider that the Group's operational risk is effectively mitigated.

Financial risk

The Group is exposed to credit risk, liquidity risk and foreign exchange fluctuation risk.

Credit risk

In order to minimise credit risk, the directors closely monitor the overall level of credit exposure and the management is responsible for the determination of credit approvals and monitoring the implementation of the collection procedure to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses have been made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk has been significantly reduced.

Liquidity risk

The directors have built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In this regard, the directors consider that the Group's liquidity risk has been effectively managed.

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency risks as its certain business, assets and liabilities are denominated in RMB, HKD, USD and JPY. During the period, the Group did not utilize any financial instruments for hedging purposes, and the Group will continue to closely monitor its foreign exchange risk associated to the currencies, and will take appropriate hedging measures when necessary.

DISCLOSURE OF INTERESTS

Directors' Interests in Shares

As at 30 June 2017, 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 (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFC")) that was required to be recorded 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.

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 June 2017, 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:

DISCLOSURE OF INTERESTS (Continued)

Substantial Shareholders (Continued)

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 (Note 1)	Beneficial owner	986,829,420	67.82
Reach General (Note 2)	Beneficial owner	100,000,000	6.87
Chen Ping	Beneficial owner	100,000,000	6.87
But Tin Fu (Note 3)	Beneficial owner/Interest of controlled corporation	89,867,168	6.18

Notes:

1. Unis Technology Strategy Investment Limited is wholly owned by Tsinghua Unigroup Capital Management Co., Ltd. (北京紫光資本管理有限公司), which in turn, is wholly owned by Tsinghua Unigroup Ltd. (紫光集團有限公司). Tsinghua Unigroup Ltd. (紫光集團有限公司) is owned as to 51% by Tsinghua Holdings Co., Ltd. (清華控股有限公司) and 49% owned by Beijing Jiankun Investment Group Co., Ltd. (北京健坤投資集團有限公司). Tsinghua Holdings Co., Ltd. (清華控股有限公司) is wholly owned by Tsinghua University (清華大學) and Beijing Jiankun Investment Group Co., Ltd. (北京健坤投資集團有限公司) is owned as to 70% by Mr. Zhao Weiguo.
2. Reach General International Limited ("Reach General") is 100% beneficially owned by Mr. Wu Xin.
3. Mr. But Tin Fu is interested in 89,867,168 shares, comprising (a) 39,525,200 shares directly held by Mr. But Tin Fu, (b) 3,796,000 shares directly held by Sun East Group Limited, which is beneficially owned as to 50% by Mr. But Tin Fu and 50% by Ms. Leung Hau Sum, who is the wife of Mr. But Tin Fu, (c) 2,424,800 shares directly held by Sum Win Management Corp., which is wholly owned by Mr. But Tin Fu and (d) 44,121,168 shares directly held by Mind Seekers Investment Limited, which is wholly owned by Mr. But Tin Fu.

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 June 2017, except for the following deviations.

Code Provision A.6.7

The independent non-executive directors were absent from the special general meeting held on 30 March 2017 and the annual general meeting held on 1 June 2017, 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 June 2017 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 six months ended 30 June 2017.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (30 September 2016: nil).

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 June 2017.

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.unitech.com.hk) 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 June 2017 and the six months ended 30 September 2016 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*