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UNISPLENDOUR TECHNOLOGY (HOLDINGS) LIMITED

紫光科技（控股）有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 00365)

ANNUAL RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2016

ANNUAL RESULTS

The Board of Directors (the “Board”) of Unisplendour Technology (Holdings) Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the nine months ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Nine months ended 31 December 2016 HK\$'000 (Note 1)	Year ended 31 March 2016 HK\$'000
	Notes		
Revenue	4	268,360	727,213
Cost of Sales		(306,109)	(628,705)
Gross (loss)/profit		(37,749)	98,508
Other income	5	2,927	2,201
Other (loss)/gain, net	6	(640)	5,574
Distribution costs		(58,972)	(46,280)
Administrative costs		(144,361)	(60,233)
Operating loss		(238,795)	(230)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		Nine months ended 31 December 2016 HK\$'000 (Note 1)	Year ended 31 March 2016 HK\$'000
	Notes		
Finance income	7	5,475	325
Finance costs	7	(6,340)	(8,964)
Finance costs, net	7	(865)	(8,639)
Loss from change in fair value of convertible bonds	13	(341,812)	—
Loss before income tax		(581,472)	(8,869)
Income tax (expense)/credit	8	(21,679)	433
Loss for the period/year attributable to equity holders of the Company		(603,151)	(8,436)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Surplus on revaluation of properties		2,651	2,058
Deferred tax relating to revaluation surplus		(407)	(314)
		2,244	1,744
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(14,548)	(17,180)
Other comprehensive loss for the period/year, net of tax		(12,304)	(15,436)
Total comprehensive loss for the period/year		(615,455)	(23,872)
Total comprehensive loss attributable to equity holders of the Company		(615,455)	(23,872)
			(Restated)
Basic losses per share	9(a)	HK(44.24) cents	HK(1.61) cents
Diluted losses per share	9(b)	HK(44.24) cents	HK(1.61) cents

CONSOLIDATED BALANCE SHEET

		31 December 2016 <i>HK\$'000</i> <i>(Note 1)</i>	31 March 2016 <i>HK\$'000</i>
	<i>Notes</i>		
Assets			
Non-current assets			
Property, plant and equipment		133,021	151,892
Land use rights		9,660	10,551
Finance lease receivables		542	1,776
		<u>143,223</u>	<u>164,219</u>
Current assets			
Inventories		69,516	112,717
Trade receivables and other receivables	10	359,397	384,111
Finance lease receivables		3,927	3,107
Derivative financial instruments		—	183
Tax reserve certificates		3,600	3,600
Financial assets at fair value through profit or loss		76,042	—
Security and restricted deposits		2,883	14,680
Cash and cash equivalents		294,052	71,905
		<u>809,417</u>	<u>590,303</u>
Total assets		<u>952,640</u>	<u>754,522</u>
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital		145,500	52,500
Share premium		95,240	87,728
Other reserves		78,676	90,603
(Accumulated losses)/retained earnings		(515,179)	88,349
Total equity		<u>(195,763)</u>	<u>319,180</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

		31 December 2016 HK\$'000 (Note 1)	31 March 2016 HK\$'000
	<i>Notes</i>		
Liabilities			
Non-current liabilities			
Finance lease liabilities		–	164
Convertible bonds	13	756,892	–
Deferred tax liabilities		13,310	13,163
		<u>770,202</u>	<u>13,327</u>
Current liabilities			
Trade payables and other payables	11	202,936	246,827
Borrowings	12	122,881	143,219
Finance lease liabilities		–	98
Tax payable		52,384	31,871
		<u>378,201</u>	<u>422,015</u>
Total liabilities		<u>1,148,403</u>	<u>435,342</u>
Total equity and liabilities		<u><u>952,640</u></u>	<u><u>754,522</u></u>

1. GENERAL INFORMATION

Unisplendour Technology (Holdings) Limited (formerly known as Sun East 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 changed to Unit 02-03, 69/F, ICC-International Commerce Centre, 1 Austin Road West, Tsim Sha Tsui, Kowloon, Hong Kong with effect from 31 October 2016. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal business of the Company is investment holding. The Company and its subsidiaries are collectively referred to as the “Group” hereafter.

On 30 May 2016, the Company issued 730,000,000 ordinary shares to Unis Technology Strategy Investment Limited at the price of HK\$0.4 per share and zero coupon convertible bonds of face value of HK\$148,000,000 (Note 13). After the completion of the aforesaid transaction, Unis Technology Strategy Investment Limited held 50.17% of the enlarged issued share capital of the Company and became a controlling shareholder of the Company. Pursuant to Rule 26.1 of the Takeovers Code, immediately following the completion of the aforementioned transactions, Unis Technology Strategy Investment Limited was required to make an unconditional mandatory cash offer for all the issued shares. On 26 August 2016 (the last date for acceptance of the offer), Unis Technology Strategy Investment Limited received acceptances in respect of a total of 294,659,420 shares, aggregating the shares already held by Unis Technology Strategy Investment Limited, the percentage of the issued share capital of the Company held by Unis Technology Strategy Investment Limited increased to 67.92%. The percentage of the issued share capital of the Company held by the public reduced to approximately 23.40%. Accordingly, the minimum public float requirement of 25% under Rule 8.08(1)(a) of the Listing Rules was not satisfied. The Company applied to the Stock Exchange for a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules. On 2 November 2016, Unis Technology Strategy Investment Limited disposed of 37,830,000 shares of the Company to an independent third party, following the disposal of shares, 378,303,412 shares were held by the public. Accordingly, the minimum public float of the Company of 25% of the total issued share capital of the Company as required under Rule 8.08(1)(a) of the Listing Rules had been restored. On 2 November 2016 and 31 December 2016, the percentage of the issued share capital of the Company held by Unis Technology Strategy Investment Limited was 67.82%.

On 29 June 2016, the Board of Directors of the Company announced that the financial year end date of the Company has been changed from 31 March to 31 December commencing from the financial period ended 31 December 2016. Accordingly, the current financial period covers nine months from 1 April 2016 to 31 December 2016, and the figures of the comparative periods are not directly comparable.

On 29 August 2016, a special resolution was passed by the shareholder of the Company in the annual general meeting and with effect from 2 September 2016, the name of the Company was changed from “Sun East Technology (Holdings) Limited” to “Unisplendour Technology (Holdings) Limited” and adopted “紫光科技(控股)有限公司” as the Company’s secondary name in Chinese to replace its original Chinese name “日東科技(控股)有限公司”. On 12 October 2016, the English and Chinese names were registered with the Companies Registry in Hong Kong.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

(a) New and amended standards adopted by the Group

The following amendment to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- Hong Kong Financial Reporting Standards (“HKFRS”) 14 “Regulatory deferral accounts”
- Amendment to HKFRS 11 “Accounting for acquisitions of interests in joint operations”
- Amendments to Hong Kong Accounting Standards (“HKAS”) 16
- Amendment to HKAS 38 “Clarification of acceptable methods of depreciation and amortisation”
- Amendment to HKAS 27 “Equity method in separate financial statements”
- The 2012-2014 cycle of the annual improvements project that affect 4 standards:
 - HKFRS 5, “Non-current assets held for sale and discontinued operations”;
 - HKFRS 7, “Financial instruments: Disclosures”;
 - HKAS 19, “Employee benefits”; and
 - HKAS 34, “Interim financial reporting”
- Amendments to HKFRS 10 “Investment entities: applying the consolidation exception”
- Amendments to HKFRS 12 and HKAS 28; and
- Amendments to HKAS 1 “Disclosure initiative”

The adoption of these new standards, amendments and improvements to HKFRS did not have any significant impact on the Group’s financial performance and position for the period ended 31 December 2016.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, “Financial instruments”

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the Groups’ financial assets consists of loans and receivables which are carried at amortised cost and equity investments which are measured at fair value through profit or loss and hence there will be no change to the accounting for these assets with the adoption of HKFRS 9.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURE (CONTINUED)

(b) New standards and interpretations not yet adopted (Continued)

For financial liability, the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and as at 31 December 2016, the convertible bonds issued by the Group were classified as financial liability at fair value through profit or loss. However, as stated in Note 16 as the ordinary resolution has been passed in the special general meeting on 30 March 2017 for the change in the agreement of the convertible bonds, the Group expects that such financial liability at fair value through profit or loss will be derecognised and convertible bonds, as compound financial instruments, will be recognised. Accordingly, the Group does not expect the new standards to have any significant impact on its financial liability.

The derecognition rules have been transferred from HKAS 39 “Financial Instruments: Recognition and Measurement” and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 “Revenue from Contracts with Customers”, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group’s disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group does not intend to adopt HKFRS 9 before its mandatory date.

HKFRS 15, “Revenue from contracts with customers”

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

At this stage, the Group is not able to estimate the impact of the new standards on the Group’s financial statements. According to the preliminary assessment by the Group, the adoption of the HKFRS 15 is not expected to have significant effect on the financial performance and position of the Group. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 16, “Leases”

HKFRS 16 “Lease” will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURE (CONTINUED)

(b) New standards and interpretations not yet adopted (Continued)

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2016, the Group's aggregate future minimum lease payments under non-cancellable operating lease are HK\$27,955,000 (payments within 1 year are HK\$10,506,000, and payments over 1 year but within 5 years are HK\$17,449,000) (Note 14). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

4. 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. With effect from 30 November 2016, the Executive Directors reassess the Group positions from the perspective of its products and businesses, management combines the original "production lines and production equipment" segment and "brand name production equipment" segment into "production and sales of industrial products" segment. As the Group's finance leases and factoring businesses increased for the period and the Group focuses on the expansion of such segment in the future, therefore, the "finance lease and factoring" is presented as a separate segment. For the nine months ended 31 December 2016, the Group's operating segments consists of the followings:

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

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, secondary market equity investments managed by the corporate headquarter. The assets and liabilities mainly consist of secondary market equity investments and the financial liabilities as a result of the issuance of the convertible bonds by the Company respectively. The segment reports from April to November 2016 have been rearranged after the reorganisation, the segment information as for the year ended 31 March 2016 is restated based on the reclassified operating segment for the current period.

4. SEGMENT INFORMATION (CONTINUED)

The segment information for the nine months ended 31 December 2016 was as follows:

Nine months ended 31 December 2016					
	Production and sales of industrial products <i>HK\$'000</i>	Finance lease and factoring <i>HK\$'000</i>	Segments total <i>HK\$'000</i>	Unallocated activities <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	267,451	909	268,360	–	268,360
Segment (loss)/profit	(38,418)	669	(37,749)	–	(37,749)
Other income	2,201	–	2,201	726	2,927
Other loss/(gain), net	7,910	–	7,910	(7,270)	640
Distribution costs	58,706	266	58,972	–	58,972
Administrative costs	136,441	1,380	137,821	6,540	144,361
– Provision for impairment of trade receivables	65,205	–	65,205	–	65,205
– Provision for impairment of other receivables	1,140	–	1,140	–	1,140
– Provision for impairment of inventories	31,596	–	31,596	–	31,596
– Provision for impairment of property, plant and equipment	2,737	–	2,737	–	2,737
Finance costs/(income), net	6,861	(5,997)	864	1	865
Loss from change in fair value of convertible bonds	–	–	–	341,812	341,812
(Loss)/profit before income tax	(246,135)	5,020	(241,115)	(340,357)	(581,472)
As at 31 December 2016					
	Production and sales of industrial products <i>HK\$'000</i>	Finance lease and factoring <i>HK\$'000</i>	Segments total <i>HK\$'000</i>	Unallocated activities <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment total assets	491,650	176,870	668,520	284,120	952,640
Additions to non-current assets	1,778	12	1,790	187	1,977

4. SEGMENT INFORMATION (CONTINUED)

The segment information for the year ended 31 March 2016 was as follows:

	Year ended 31 March 2016 (restated)				
	Production and sales of industrial products <i>HK\$'000</i>	Finance lease and factoring <i>HK\$'000</i>	Segments total <i>HK\$'000</i>	Unallocated activities <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	726,975	238	727,213	–	727,213
Segment profit	98,270	238	98,508	–	98,508
Other income	2,201	–	2,201	–	2,201
Other gain, net	5,571	3	5,574	–	5,574
Distribution costs	46,182	98	46,280	–	46,280
Administrative costs	56,394	1,367	57,761	2,472	60,233
– Provision for impairment of trade receivables	1,373	–	1,373	–	1,373
Finance costs, net	8,553	86	8,639	–	8,639
Loss before income tax	5,087	1,310	6,397	2,472	8,869

	As at 31 March 2016 (restated)				
	Production and sales of industrial products <i>HK\$'000</i>	Finance lease and factoring <i>HK\$'000</i>	Segments total <i>HK\$'000</i>	Unallocated activities <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment total assets	747,066	6,061	753,127	1,395	754,522
Additions to non-current assets	869	7	876	–	876

For the nine months ended 31 December 2016 and the year ended 31 March 2016, the revenue of the Group is categorised as follow:

	Nine months ended 31 December 2016 <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>
Sales of goods	255,310	538,674
Construction contracts	12,141	188,301
Finance lease and factoring	909	238
	268,360	727,213

4. SEGMENT INFORMATION (CONTINUED)

For the nine months ended 31 December 2016 and the year ended 31 March 2016, the revenue of the Group is mainly arising from the Mainland China and Hong Kong.

Revenue of approximately HK\$20,854,000 (year ended 31 March 2016: HK\$33,951,000) was derived from a single external customer. Such revenue was derived from the production and sales of industrial products segment.

As at 31 December 2016 and 31 March 2016, the Group's non-current assets were located in the Mainland China and Hong Kong except for the financial instruments.

5 OTHER INCOME

	Nine months ended 31 December 2016 <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>
Income from sales of scraps	2,053	1,850
Gains on sales of financial assets at fair value through profit or loss	656	–
Other income	218	351
	<u>2,927</u>	<u>2,201</u>

6 OTHER (LOSS)/GAIN, NET

	Nine months ended 31 December 2016 <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>
Compensation income	188	29
Government grants	7,304	13,491
Gain on changes in fair value of financial assets at fair value through profit or loss	7,109	–
Loss on disposal of property, plant and equipment	(4,093)	(45)
Inventories write-downs	(4,465)	(24)
Compensation charges	(1,761)	(901)
Other (losses)/gains	(434)	1,445
Exchange losses	(4,488)	(8,421)
	<u>(640)</u>	<u>5,574</u>

7 FINANCE COSTS, NET

	Nine months ended 31 December 2016 <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>
Finance income:		
– Interest income from bank deposits	(333)	(325)
– Exchange gains	<u>(5,142)</u>	<u>–</u>
Finance costs:		
– Interest expenses on bank and other borrowings	4,582	3,844
– Discount interest on bills receivable	1,758	3,192
– Exchange losses	<u>–</u>	<u>1,928</u>
Net finance costs	<u><u>865</u></u>	<u><u>8,639</u></u>

8. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% (year ended 31 March 2016: 16.5%) on the estimated assessable profit for the year. Taxation of the subsidiaries in Mainland China has been calculated on the estimated assessable profit for the year at the rate of 25% (year ended 31 March 2016: 25%). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	Nine months ended 31 December 2016 <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>
Current income tax:		
Current tax on profits for the period/year	1,072	1,257
Adjustments in respect of prior years (a)	<u>20,867</u>	<u>(1,658)</u>
Total current income tax	<u>21,939</u>	<u>(401)</u>
Deferred income tax	<u>(260)</u>	<u>(32)</u>
Income tax expense/(credit)	<u><u>21,679</u></u>	<u><u>(433)</u></u>

8. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

- (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, the Group provided for the current tax liabilities amounted to HK\$20,867,000 based on the information obtained in the current period.

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to (loss)/profit of the consolidated entities were as follows:

	Nine months ended 31 December 2016 HK\$'000	Year ended 31 March 2016 HK\$'000
Loss before income tax	581,472	8,869
Tax at the statutory tax rates	(115,007)	(1,520)
Tax effect of:		
– Expenses not deductible for tax purpose	2,028	1,552
– Utilization of previously unrecognised tax losses	–	(204)
– Tax losses for which no deferred tax asset was recognised	97,600	1,858
– Adjustments in respect of prior years	20,867	(1,658)
– Impact of preferential tax rates (b)	16,191	(461)
Income tax expense/(credit)	21,679	(433)

- (b) Certain subsidiaries of the Group in Mainland China obtained the Advanced and New Technology Enterprise (“ANTE”) certificate and enjoy the preferential tax rate. The preferential tax rate for such subsidiaries in Mainland China is 15% while the statutory tax rate is 25% in China.

9. LOSSES PER SHARE

(a) Basic

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

	Nine months ended 31 December 2016 HK\$'000	Year ended 31 March 2016 HK\$'000 (Restated)
Loss attributable to equity holders of the Company	(603,151)	(8,436)
Weighted average number of ordinary shares in issue (in thousands)	1,363,270	525,000
Basic loss per share (in HK\$ cents)	(44.24)	(1.61)

9. LOSSES PER SHARE (CONTINUED)

(b) Diluted

As it is assumed that the conversion of the Company's outstanding convertible bonds will result in a decrease in losses per share for the period, in the calculation of the diluted losses per share for the nine months ended 31 December 2016, it is not assumed that the Company's outstanding convertible bonds have been exercised.

For the year ended 31 March 2016, the Company's basic losses per share approximated the diluted losses per share.

(c) Restated loss per share

On 30 May 2016, the Company issued 930,000,000 ordinary shares at HK\$0.4 per share to Unis Technology Strategy Investment Limited, Reach General International Limited and Ms. Chen Ping (the "Independent Third Parties"). The consolidated balance sheet of the Company of the last year, i.e., the year ended 31 March 2016, was signed on 29 June 2016, and the Company have retrospectively adjusted the weighted average number of issued shares of the consolidated balance sheet of the Company for the year ended 31 March 2016 in respect of the above ordinary share issuance. Since before 30 May 2015, Unis Technology Strategy Investment Limited, Reach General International Limited and Chen Ping were third parties independent to the Group, and such ordinary share issuance did not affect the loss/profit capital of the Group for the years ended 31 March 2016 and 31 March 2015, when the Company calculating its basic and diluted earnings (loss) per share for the years ended 31 March 2016 and 31 March 2015, the weighted average number of issued shares shall not be retrospectively adjusted. Accordingly, the Company corrected the calculation errors on the (losses)/gains per share as disclosed in the consolidated financial statements for the year ended 31 March 2016, the basic and diluted (losses)/gains per share for the years ended 31 March 2016 and 31 March 2015 have been restated from HK(0.82) cents to HK(1.61) cents and HK0.25 cents to HK0.48 cents respectively in this annual report.

10. TRADE RECEIVABLES AND OTHER RECEIVABLES

	31 December 2016 HK\$'000	31 March 2016 HK\$'000
Trade and bills receivables	293,294	384,315
Less: provision for impairment of trade receivables	(99,092)	(45,986)
Trade and bills receivables, net	194,202	338,329
Receivables from factoring (a)	134,052	—
Prepayments	19,655	16,346
Other receivables	11,488	29,436
Current portion	359,397	384,111

As at 31 December 2016, the Group had no trade receivables pledged to banks as collateral for the Group's bank borrowings (31 March 2016: HK \$ 264,355,000).

10. TRADE RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

Part of the Group's sales are on letter of credit or documents against payment. The remaining amounts are with credit terms of 30-90 days. As at 31 December 2016 and 31 March 2016, the ageing analysis of the trade receivables based on invoice date were as follows:

	31 December 2016 HK\$'000	31 March 2016 HK\$'000
Less than 3 months	103,980	97,400
3 to 6 months	12,301	39,410
More than 6 months	177,013	247,505
	293,294	384,315

As at 31 December 2016, trade receivables of HK\$18,254,000 (31 March 2016: HK\$66,678,000) were past due but not impaired. These related to a number of independent clients for whom there is no significant financial difficulties, and based on past experience, the overdue amounts can be recovered. The ageing analysis of such trade receivables is as follows:

	31 December 2016 HK\$'000	31 March 2016 HK\$'000
3 to 6 months	–	4,802
More than 6 months	18,254	61,876
	18,254	66,678

As at 31 December 2016, trade receivables of HK\$127,313,000 (31 March 2016: HK\$47,183,000) were impaired. As at 31 December 2016, the provision was HK\$99,092,000 (31 March 2016: HK\$45,986,000). Impairment of trade receivables was mainly arising from the clients with deteriorating credit quality, unexpectedly difficulties in business operations or long outstanding balances. The Group assessed that a portion of the trade receivables is expected to be recovered based on the review of credit history, analysis and assessment of the market and business conditions. During the reporting period, the Group has undergone restructuring of the trade receivables arising from certain of its business and with long outstanding period resulting in the increase in the provision of impairment of trade receivables. The ageing of such receivables were as follows:

	31 December 2016 HK\$'000	31 March 2016 HK\$'000
3 to 6 months	1,669	–
More than 6 months	125,644	47,183
	127,313	47,183

10. TRADE RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

Changes in the Group's provision for impairment of trade receivables were as follows:

	Nine months ended 31 December 2016 HK\$'000	Year ended 31 March 2016 HK\$'000
At beginning of the period/year	45,986	47,786
Written off	(7,324)	(2,135)
Provision for impairment of trade receivables	65,205	1,373
Reversal of impairment loss	–	(353)
Exchange differences	(4,775)	(685)
	<u>99,092</u>	<u>45,986</u>
At end of the period/year	<u>99,092</u>	<u>45,986</u>

The creation and release of provision for impaired receivables were included in administrative costs in the consolidated statement of comprehensive income. The amount charged in the allowance account is generally written off when it is expected that no additional cash can be recovered.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivables mentioned above.

(a) Receivables from factoring

On 28 December 2016, 紫光芯雲融資租賃有限公司, a subsidiary of the Company, entered into a factoring agreement with a company in Mainland China. According to the agreement, 紫光芯雲融資租賃有限公司 will provide factoring service (with right of recourse) of a total amount of not exceeding RMB120,000,000 (approximately HK\$134,052,000) to the company for a period of 6 months.

The carrying value of the Group's trade receivables and other receivables are denominated in the following currencies:

	31 December 2016 HK\$'000	31 March 2016 HK\$'000
Japanese yen	54	54
European dollar	124	38
Hong Kong dollar	10,113	7,110
US dollar	31,279	19,923
Renminbi	416,919	402,972
	<u>458,489</u>	<u>430,097</u>

11. TRADE PAYABLES AND OTHER PAYABLES

	31 December 2016 HK\$'000	31 March 2016 HK\$'000
Trade payables	58,974	152,378
Bills payables	2,457	13,816
Employee salaries payables	5,070	7,602
Other taxes payables	38,968	27,956
Advances from customers	44,443	32,546
Other payables	10,277	3,004
Accrued expenses	42,747	9,525
	202,936	246,827

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

	31 December 2016 HK\$'000	31 March 2016 HK\$'000
Within 90 days	40,679	53,730
91 to 120 days	1,947	23,266
Over 120 days	18,805	89,198
	61,431	166,194

The carrying value of the Group's trade payables and other payables are denominated in the following currencies:

	31 December 2016 HK\$'000	31 March 2016 HK\$'000
Renminbi	60,621	96,522
US dollar	8,423	69,928
HK dollar	2,664	2,748
	71,708	169,198

12. BORROWINGS

	31 December 2016 HK\$'000	31 March 2016 HK\$'000
Current		
Secured bank loans due for repayment within one year (a)	122,881	127,093
Asset-backed financing (b)	—	16,126
	<u>122,881</u>	<u>143,219</u>

- (a) The secured bank loans are secured by the Group's buildings, land use rights and corporate guarantees provided by the Company and its subsidiaries. (31 March 2016: The secured bank loans were secured by the Group's buildings, land use rights, trade receivables (note 10) and corporate guarantees provided by the Company and its subsidiaries).
- (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 (note 10).

As at 31 December 2016 and 31 March 2016, all bank and other borrowings are due for repayment within one year. As at 31 December 2016, the average annual borrowing rate was 4.74% (31 March 2016: 5.34%)

The above borrowings are carried at amortised cost. The fair value approximates to its carrying amount because of short term maturity.

The carrying amounts of the Group's bank and other borrowings are denominated in the following currencies:

	31 December 2016 HK\$'000	31 March 2016 HK\$'000
Renminbi	122,881	123,388
US dollar	—	19,831
	<u>122,881</u>	<u>143,219</u>

13. 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 (subject to adjustment) by the holder before the maturity date of the bonds. Such transaction was approved in the special general meeting held on 9 May 2016. No convertible bonds were converted into ordinary shares of the Company during the period.

Convertible bonds were classified as financial liabilities at fair value through PROFIT OR LOSS.

During the period, the loss from changes in fair value of convertible bonds was HK\$341,812,000. As at 31 December 2016, the fair value of convertible bonds was HK\$756,892,000, which is determined by using valuation methodology with the use of unobservable inputs.

14. COMMITMENTS

Operating lease commitments – the Group company 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:

	31 December 2016 HK\$'000	31 March 2016 HK\$'000
Within one year	10,506	1,673
More than one year but not more than five years	17,449	1,334
	27,955	3,007

As at 31 December 2016 and 31 March 2016, the Group had no non-cancellable capital commitments.

15. RELATED PARTY TRANSACTIONS

Key management remuneration

Key management personnel include Directors (Executive Directors and Non-executive Directors), administrative committee members and Company Secretary. The remuneration paid or payable to the key management personnel for employee services were as follows:

	Nine months ended 31 December 2016 HK\$'000	Year ended 31 March 2016 HK\$'000
Salaries and other short term employee benefits	6,779	9,633
Post-employment benefits	71	132
Total	6,850	9,765

16. EVENTS AFTER THE REPORTING DATE

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 (the “Amendments”), 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 classified as compound financial instruments. The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component of a compound financial instrument is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders’ equity in other reserves.

Assuming the “Supplemental Deed” was effective on 31 December 2016, with all other variables held constant, based on the preliminary assessment of the management of the Group, the Group’s net assets would have been increased by HK\$660,221,000 and resulting in the change from net liability of HK\$195,763,000 to net assets of HK\$464,458,000 as at 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

Results

The Group is principally engaged in design, manufacture and distribution of SMT product and related equipment and finance lease and factoring.

In 2016, the Group's SMT and related business is still facing an adverse situation. To tackle the challenges, the Group will continue to attach importance in research and development activities and increase efforts in market expansion. At the same time, other than its existing traditional business, the Group's management will also actively search for development opportunities in the financial sector, and has expanded the finance lease business during the period.

For the nine months ended 31 December 2016, the Group had adopted business integration, and resolved its historical burdens. During the period, the Group recorded a revenue of approximately HK\$268,360,000.

During the period, the Group recorded a net loss of approximately HK\$603,151,000. The Board of Directors considered that the loss for the period was primarily caused by (i) the fair value loss of approximately HK\$341,812,000 on the convertible bonds issued during the period; (ii) the provision for impairment of trade receivables of approximately HK\$65,205,000; (iii) the provision for impairment of inventory of approximately HK\$31,596,000 and (iv) the personnel expenses incurred by business integration of approximately HK\$38,940,000.

BUSINESS REVIEW

SMT and related business

The Company had adopted measures to integrate the businesses of the traditional brand production, OEM and automation and logistics. The main task of the integration is to phase out outmoded production capacities and optimise the sales strategies of the existing products and the human resources structure, for the purpose of changing the decentralised state of the traditional businesses in the past, and forming a joint force to improve the quality of development through overall planning.

As the economy of China remained depressed, the Group's product market continued to remain in the doldrums, which together with the business integration implemented by the Group during the period, had led to a significant decline in sales. During the period, the revenue of SMT and related business (the brand production business, OEM business and automation and logistics business after the integration) was approximately HK\$267,451,000.

In the future, the Group will continue to invest in the research and development of the SMT and related products, and make full use of the Company's accumulated resources in the industry over the years to provide customers with differentiated middle and high-end products, and actively exploit overseas markets to gradually enhance revenue and profitability.

Finance lease and factoring business

In 2015, the Group established 天時融資租賃(深圳)有限公司 (currently known as 紫光芯雲融資租賃有限公司), a wholly-owned subsidiary, in Qianhai, Shenzhen to develop finance lease and factoring business. The business achieved satisfactory progress during the period, and the Group will continue to increase its investment in the business, and consider it as one of the priority businesses of the Group in the future.

For the nine months ended 31 December 2016, the finance lease and factoring business recorded a revenue of approximately HK\$909,000. Although the business has yet to contribute significantly to the Group's results during the period, it is expected become one of the growth drivers of the Group.

FINANCIAL REVIEW

Income and gross loss

During the period, the Group recorded a revenue of approximately HK\$268,360,000.

During the period, the Group's gross loss margin was approximately 14.1%, which was mainly caused by the increase in the costs of the former brand production equipment business and the increase in the costs of the delay of project delivery of the former automation and logistics business.

Other income

During the period, the Group recorded other income of approximately HK\$2,927,000, which included income from sales of scrap materials of approximately HK\$2,053,000 and gains on sales of financial assets at fair value through profit or loss of approximately HK\$656,000.

Distribution costs

During the period, the Group recorded distribution costs of approximately HK\$58,972,000, representing approximately 22.0% of the revenue.

Administrative costs

The management of the Group made a comprehensive review on the credit risk of trade receivables, and made appropriate provision for the trade receivables of the related business, which caused a substantial increase in administrative costs during the period. During the period under review, administrative costs were approximately HK\$144,361,000, in which personnel expenses incurred by business integration increased by approximately HK\$31,878,000 and provision for trade receivables increased by approximately HK\$63,832,000, which was mainly arising from the clients with deter rating credit quality, expectably difficulties in business or long outstanding balances.

Finance costs

During the period, net finance costs were approximately HK\$865,000, representing a decrease of approximately HK\$7,774,000 comparing with approximately HK\$8,639,000 for the year ended 31 March 2016, which was mainly caused by the exchanges gains of approximately HK\$5,142,000 during the period.

Loss from change in fair value of convertible bonds

On 30 May 2016, the Company issued zero coupon convertible bonds with face value of HK\$148,000,000 to Unis Technology Strategy Investment Limited. During the period, the loss from change in fair value of convertible bonds was approximately HK\$341,812,000.

Loss for the period

As a result of the foregoing, the loss attributable to the equity holders of the Company for the period was approximately HK\$603,151,000.

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

The following table illustrates the Group's (loss)/earning before interest, tax, depreciation and amortisation for the respective periods. The Group's (loss)/earning before interest, tax, depreciation and amortisation margin was a loss of approximately 213.4% for the period.

	Nine months ended 31 December 2016 HK'000	Year ended 31 March 2016 HK'000
Loss for the period/year attributable to equity holders of the Company	(603,151)	(8,436)
Finance costs	865	8,639
Income tax expense/(credit)	21,679	(433)
Depreciation and amortisation	7,839	10,483
(Loss)/Earning before interest, tax, depreciation and amortisation	<u>(572,786)</u>	<u>10,253</u>

Liquidity, financial resources and gearing ratio

During the period, the Group issued new shares and convertible bonds on 30 May 2016, raising HK\$372,000,000 and HK\$148,000,000 respectively. Moreover, the Group had sufficient cash and banking facilities from its main bankers. Therefore, the Group had sufficient operating capital. The Group maintained a high level of net current assets at approximately HK\$431,216,000 and healthy current ratio at 2.14 times. The total equity ratio attributable to the owners of the Company (excluding the impact of the loss from change in fair value of convertible bonds) was calculated with reference to the total borrowings as at 31 December 2016, and the gearing ratio of the Group was 84%.

Operating capital management

As at 31 December 2016, the Group held cash and bank balances of approximately HK\$294,052,000, representing an increase of HK\$222,147,000 comparing with HK\$71,905,000 as at the beginning of the period. The Group's average inventory turnover days was approximately 101 days. The Group's average debtors turnover days was approximately 341 days. The Group's average creditors turnover days was approximately 100 days.

Capital expenditure on property, plant and equipment

Total capital expenditure for the period was approximately HK\$1,977,000, in which approximately HK\$22,000 was on the purchase of machinery and equipment, HK\$440,000 on the renovation and decoration of office and HK\$1,515,000 on the purchase of transportation equipment.

Charges on the Group's assets

As at 31 December 2016, the Group's banking facilities including its import/export loan, letter of credit, documentary credits, and trust receipt and bank borrowings were secured by:

- (i) a first legal charge on certain of the Group's leasehold land and buildings, which had an aggregate net carrying value at the reporting date of HK\$111,513,000;
- (ii) security deposits of approximately HK\$2,883,000; and
- (iii) cross guarantee provided by subsidiaries in the Group.

Equity and liabilities

As at 31 December 2016, the Group's equity and liabilities had recorded net liabilities of approximately HK\$195,763,000, which was mainly caused by classifying the convertible bonds as a financial liability. Assuming the convertible bonds had been classified as compound financial instruments based on the preliminary assessment of the management, the Group's net assets would have been increased by approximately HK\$660,221,000 and the Group resulting the change from net liability of approximately HK\$195,763,000 to net assets of approximately HK\$464,458,000 as at 31 December 2016.

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.

Human resources

As at 31 December 2016, the Group employed approximately 496 full-time employees and workers in the PRC, and employed approximately 17 employees in the Hong Kong office. The Group continues to maintain and enhance the capability of its employees by providing sufficient regular training to them. The Group remunerates its employees based on the industry's practice. In the PRC, the Group provides employee benefits and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, the Group provides staff benefits including retirement scheme and performance related bonuses.

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 nine months ended 31 December 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; two Independent Non-Executive Directors were absent from the special general meeting held on 9 May 2016; and two Independent Non-Executive Directors were absent from the special general meeting held on 31 October 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 which was established in accordance with the requirements of the Code for the purpose of reviewing and providing supervision over the Group's internal controls and financial reporting matters including the review of the annual results for the nine months ended 31 December 2016. The audit committee comprises one non-executive director and two independent non-executive directors of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors of the Company. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code for the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this announcement and within the knowledge of the Directors, there is sufficient public float of the Company’s securities as required under the Listing Rules.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the website of the Company (www.unistech.com.hk). The annual report of the Company for the nine months ended 31 December 2016 containing all the information required by the Listing Rules will be despatched to the Company’s shareholders and available on the above websites in due course.

CAUTION STATEMENT

This announcement 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.

By Order of the Board of Directors
Unisplendour Technology (Holdings) Limited
Wang Huixuan
Chairman

Hong Kong, 31 March 2017

* *For identification purpose only*

As at the date of this announcement, the directors are Mr. Wang Huixuan, Mr. Qi Lian and Mr. Xia Yuan as executive directors; Mr. Li Zhongxiang as non-executive director; and Mr. Cui Yuzhi, Mr. Bao Yi and Mr. Ping Fan as independent non-executive directors.