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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 YEAR ENDED 31 DECEMBER 2018

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 year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
	Notes		
Revenue	4	71,453	253,028
Cost of Sales		(128,025)	(174,848)
Gross (loss)/profit		(56,572)	78,180
Other income	5	3,868	3,746
Other gain/(loss), net	6	10,040	(6,242)
Distribution costs		(37,380)	(35,044)
Administrative costs		(66,701)	(77,516)
Reversal of impairment of receivables		14,157	25,055
Operating loss		(132,588)	(11,821)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		Year ended 31 December 2018 <i>HK\$'000</i>	Year ended 31 December 2017 <i>HK\$'000</i>
	<i>Notes</i>		
Finance income	7	851	2,439
Finance costs	7	(13,301)	(11,092)
Finance costs, net	7	(12,450)	(8,653)
Share of results of associates		187	(6)
Gains from change in fair value of convertible bonds	13	—	78,405
(Loss)/profit before income tax		(144,851)	57,925
Income tax credit/(expense)	8	20,822	(6,356)
Earnings from disposal of a subsidiary		1,110	—
(Loss)/profit for the year attributable to equity holders of the Company		(122,919)	51,569
Other Comprehensive Income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Surplus on revaluation of properties		1,448	10,327
Deferred tax relating to revaluation surplus		23	(2,222)
		1,471	8,105
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(13,009)	20,729
Other comprehensive (loss)/income for the year, net of tax		(11,538)	28,834
Total comprehensive (loss)/income for the year		(134,457)	80,403
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(134,457)	80,403
Basic (losses)/earnings per share	9(a)	(8.45) Cents	3.54 Cents
Diluted losses per share	9(b)	(8.45) Cents	(1.06) Cents

CONSOLIDATED BALANCE SHEET

		As at	As at
	Notes	31 December 2018	31 December 2017
		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		139,115	143,366
Land use rights		9,251	10,005
Intangible assets		5,868	—
Deferred income tax assets		13,534	—
Other non-current assets		2,410	—
Investment in an associate		234,856	2,634
		<u>405,034</u>	<u>156,005</u>
Current assets			
Inventories		36,385	39,157
Trade receivables and other receivables	10	41,580	74,026
Finance lease receivables		—	732
Tax reserve certificates		5,325	4,590
Financial assets at fair value through profit or loss		137,339	256,563
Security and restricted deposits		2,279	6,656
Cash and cash equivalents		43,305	234,003
		<u>266,213</u>	<u>615,727</u>
TOTAL ASSETS		<u>671,247</u>	<u>771,732</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital and share premium		240,740	240,740
Other reserves		674,140	685,678
Accumulative losses		(586,756)	(463,837)
TOTAL EQUITY		<u>328,124</u>	<u>462,581</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at	As at
	<i>Notes</i>	31 December 2018	31 December 2017
		<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Convertible bonds	<i>13</i>	118,463	107,969
Deferred income		4,565	4,772
Deferred income tax liabilities		14,410	21,721
		137,438	134,462
Current liabilities			
Trade payables and other payables	<i>11</i>	74,333	122,365
Contract liabilities	<i>11</i>	12,092	—
Borrowings	<i>12</i>	68,478	—
Current income tax liabilities		50,782	52,324
		205,685	174,689
TOTAL LIABILITIES		343,123	309,151
TOTAL EQUITY AND LIABILITIES		671,247	771,732

1. GENERAL INFORMATION

Unisplendour Technology (Holdings) Limited (the “Company”), which was formerly known as Sun East Technology (Holdings) Limited, 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 Company and its subsidiaries (collectively the “Group” hereafter) are principally engaged in SMT equipment manufacturing and securities investment.

On 30 May 2016, the Company issued 730,000,000 ordinary shares to Unis Technology Strategy Investment Limited (“Unis Strategy Investment Company”) 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 Strategy Investment Company 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 Strategy Investment Company 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 Strategy Investment Company received a total of 294,659,420 shares, aggregating the shares of the Company already held by Unis Strategy Investment Company, representing 70.42% of the issued share capital of the Company. The percentage of the public float of the Company fell to 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 Strategy Investment Company disposed of its 37,830,000 shares held in the Company to an independent third party. Following the disposal, 378,303,412 shares of the Company were held by the public. Therefore, the Company has met the requirement of Rule 8.08(1)(a) of the Listing Rules. On 2 November 2016, 31 December 2016, 31 December 2017 and 31 December 2018, the percentage of the issued share capital of the Company held by Unis Strategy Investment Company was 67.82%.

The consolidated financial statements are presented in Hong Kong dollar (unless otherwise stated). These consolidated financial statements were approved for issue by the Board of the Company on 27 March 2019.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). The Group continues to adopt the going concern basis in preparing its consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) New and amended standards adopted by the Group

The following standards and amendments have been adopted by the Group for the first time for the financial year beginning on 1 January 2018:

- HKFRS 9 Financial Instruments
- HKFRS 15 Revenue from Contracts with Customers;
- Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions;
- HK(IFRIC) Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Amendments to HKFRS 28 Investments in Associates and Joint Ventures

Except for HKFRS 15 Revenue from Contracts with Customers, the adoption of these amendments did not have significant impact on the amounts recognised in prior periods.

From 1 January 2018, the Group has adopted HKFRS 15 Revenue from Contracts with Customers, resulting in changes in the accounting policies. The Group applied HKFRS 15 using the modified retrospective approach, which means that the cumulative effect of the adoption (if any) will be recognised in retained earnings on 1 January 2018 and the comparative figures will not be restated.

Presentation of contractual debts

Reclassification was conducted on 1 January 2018 to comply with requirements of HKFRS 15:

Since HKFRS 15 has been adopted on 1 January 2018, advances from customers that were presented in the payables and other payables were re-classified as contract liabilities.

The Group anticipated that no more than one year will be lapsed between the transfer of commodity to customers and payment by customers, therefore, the Group didn't adjust any transaction price for the time value of money.

No extra cost was incurred to complete the identified contracts.

Except for the reclassification of contract liabilities, the time point at which the sales revenue was recognised remained unchanged, therefore, the adoption of HKFRS 15 had no impact on the cumulative loss of the Group as at 1 January 2018.

As at 1 January 2018, the adoption of HKFRS 15 exerted the following impact on the Condensed Consolidated Statement of Financial Position:

	31 December 2017	Reclassification	1 January 2018
	HK\$'000	HK\$'000	HK\$'000
Contract liabilities	—	17,109	17,109
Trade payables and other payables	122,365	(17,109)	105,256

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (b) New standards and interpretations not yet adopted

HKFRS 16 Leases

Overview of Changes

HKFRS 16 was issued in January 2016. It 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 asset) and a financial liability to pay rentals must be recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for Group's operating leases. As at 31 December 2018, the Group's aggregate future minimum lease payments under non-cancellable operating lease are HK\$8,260,000 (Note 14), with operating lease commitments related to short-term lease and low-value lease totaling approximately HK\$367,000. Amounts of the short-term lease and the low-value lease will be recognised into in the profits and losses as expenses in the straight-line method. In respect of the remaining lease commitments, the Group will recognise all such leases as the right-of-use asset and the corresponding liabilities.

The Group will adopt HKFRS 16 on 1 January 2018, which is the mandatory date for adoption of the standard. The Group intends to adopt the simplified transition approach and will not restate the comparative figures for the year prior to first adoption. On the transition date, the right-of-use asset of the lease will be deemed to be measured under the new standard. Any and all right-of-use assets will be measured at the amount of lease liabilities as of the date of adoption (amount adjusted on the basis of prepaid or withheld lease expense).

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

Date of adoption by the Group

In addition, the following are the new accounting standards and amendments to and interpretation of the existing standards that have been announced and related to the Group but have not yet come into force in the financial year beginning on 1 January 2018, and the Group did not adopt in advance:

	Effective for annual periods beginning on or after
Uncertainty over income tax treatments – HK (IFRIC) Interpretation 23	1 January 2019
Long-term interests in Associates and Joint Ventures – HKAS 28 Amendments	1 January 2019
Annual Improvements to HKFRS Standards 2015–2017 Cycle	1 January 2019
Plan amendment, Curtailment or Settlement – HKAS 19 Amendments	1 January 2019
Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture – HKFRS 10 and HKAS 28 (Amendments)	To be determined

The above new standards and amendments to the standards are effective for the financial year beginning after 1 January 2019 but have not been applied in the consolidated financial statements. These standards and amendments are not expected to have a material impact on the Group's consolidated financial statements

4. SEGMENT INFORMATION

The Executive Directors are the Group's chief decision-makers. Management has determined the operating segments based on the report reviewed by the Executive Directors for the purposes of allocating resources and assessing performance.

During the year ended 31 December 2018, the Group's three operating segments are as follows:

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

The Executive Directors assess the performance of the operating segments based on the revenue and profit before tax in each segment, and they do not focus on the total liabilities of the segments. The unallocated activities primarily consist of corporate headquarter which manage and support the segments. The assets are mainly the monetary funds used by the Company for daily operations, office equipment and investment in joint ventures. The liabilities are mainly the financial liabilities as a result of the issuance of the convertible bonds by the Company.

At the special general meeting held on 7 August 2018, it is approved that Unisplendour Investment Holding Co. Limited ("Unisplendour Invesetment"), an indirectly wholly-owned subsidiary of the Company, Sino IC Leasing Co., Ltd. (芯鑫融資租賃有限責任公司, "Sino IC Leasing") and Unisplendour Si-Cloud Financial Leasing Co., Ltd. (紫光芯雲融資租賃有限公司, "Unis Si-Cloud") entered into a Capital Increase Agreement ("Capital Increase Agreement"). Pursuant to the Capital Increase Agreement, the parties thereunder conditionally agreed that Sino IC Leasing shall inject capital into Unis Si-Cloud with a total amount of RMB210,954,942.86. Upon completion of the capital increase transaction in August 2018, the registered capital of Unis Si-Cloud is increased to RMB405,440,816.33, and the shareholding interests of Unisplendour Investment and Sino IC Leasing in Unis Si-Cloud are 49% and 51%, respectively. Accordingly, Unis Si-Cloud, which is mainly engaged in finance lease and factoring business, ceased to be a subsidiary of the Company. Since the above-mentioned company's business is regarded as an independent business segment, the corresponding business has been classified as terminated operation after the completion of the capital increase by Sino IC Leasing.

4. SEGMENT INFORMATION (CONTINUED)

The segment information for the year ended 31 December 2018 is presented as follows:

	Year ended 31 December 2018					
	Production and sales of			Continuing operation		Terminated
	industrial products	Securities investment	Unallocated activities	segment total	operation segment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue/(loss)	181,497	(112,682)	2,615	71,430	23	71,453
Segment profit	53,592	(112,769)	2,615	(56,562)	(10)	(56,572)
Other income	2,525	1,343	—	3,868	—	3,868
Other gain, net	9,673	—	30	9,703	337	10,040
Distribution costs	(37,380)	—	—	(37,380)	—	(37,380)
Administrative costs	(40,457)	(8,692)	(15,146)	(64,295)	(2,406)	(66,701)
Reversal of impairment of receivables	14,157	—	—	14,157	—	14,157
Finance (costs)/income, net	(2,605)	(3)	(10,492)	(13,100)	650	(12,450)
Share of results of associates	—	—	187	187	—	187
Earning from disposal of a subsidiary	—	—	—	—	1,110	1,110
Loss before income tax	(495)	(120,121)	(22,806)	(143,422)	(319)	(143,741)
	As at 31 December 2018					
	Production and sales of			Continuing operation		Terminated
	industrial products	Securities investment	Unallocated activities	segment total	operation segment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment total assets	264,858	152,022	254,367	671,247	—	671,247

4. SEGMENT INFORMATION (CONTINUED)

The segment information for the year ended 31 December 2017 is presented as follows:

	Year ended 31 December 2017					
	Production and sales of industrial products <i>HK\$'000</i> <i>(restated)</i>	Securities investment <i>HK\$'000</i>	Unallocated activities <i>HK\$'000</i>	Continuing operation segment total <i>HK\$'000</i> <i>(restated)</i>	Terminated operation segment <i>HK\$'000</i> <i>(restated)</i>	Total <i>HK\$'000</i>
Segment revenue	195,989	50,040	—	246,029	6,999	253,028
Segment profit	22,126	49,055	—	71,181	6,999	78,180
Other income	2,634	—	—	2,634	1,112	3,746
Other (loss)/gain, net	(8,826)	24	798	(8,004)	1,762	(6,242)
Distribution costs	(33,987)	—	—	(33,987)	(1,057)	(35,044)
Administrative costs	(48,933)	(8,258)	(14,132)	(71,323)	(6,193)	(77,516)
Reversal of impairment of receivables	25,055	—	—	25,055	—	25,055
Finance (costs)/income, net	(1,674)	7	(7,426)	(9,093)	440	(8,653)
Share of results of an associate	—	—	(6)	(6)	—	(6)
Gains from changes in fair value of convertible bonds	—	—	78,405	78,405	—	78,405
(Loss)/profit before income tax	(43,605)	40,828	57,639	54,862	3,063	57,925
As at 31 December 2017						
	Production and sales of industrial products <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Unallocated activities <i>HK\$'000</i>	Continuing operation segment total <i>HK\$'000</i> <i>(restated)</i>	Terminated operation segment <i>HK\$'000</i> <i>(restated)</i>	Total <i>HK\$'000</i>
Segment total assets	316,626	256,917	28,038	601,581	170,151	771,732

4. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2018 and for the year ended 31 December 2017, the revenue of the Group is mainly arising from Mainland China and Hong Kong.

Revenue of approximately HK\$6,016,000 (for the year ended 31 December 2017: HK\$8,000,000) was derived from a single external customer. Such revenue was derived from the production and sales of industrial products segment.

As at 31 December 2018 and 31 December 2017, except for the financial instruments, the Group's non-current assets were located in Mainland China and Hong Kong.

5. OTHER INCOME

	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
Income from sales of scraps	2,525	2,634
Cash dividends	1,343	—
Gains on sales of available-for-sale financial assets	—	1,112
	<u>3,868</u>	<u>3,746</u>

6. OTHER GAIN/(LOSS), NET

	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
Losses on scrap inventories and inventory short	—	(8,257)
Gain/(loss) on disposal of property, plant and equipment	37	(239)
Exchange gains	1,883	143
Compensation income	2,224	944
Government grants	2,265	1,770
Payment of liquidated damage	—	(35)
Waiver of accounts payable	3,969	—
Others	(338)	(568)
	<u>10,040</u>	<u>(6,242)</u>

7. FINANCE COSTS, NET

	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
Finance income:		
– Interest income from bank deposits	(851)	(779)
– Exchange gains	—	(1,660)
	<u>(851)</u>	<u>(2,439)</u>
Finance costs:		
– Interest expenses on bank and other borrowings	2,807	3,248
– Amortisation of interest expense on convertible bonds	10,494	7,423
– Discount interest on bills receivable	—	421
	<u>13,301</u>	<u>11,092</u>
Finance costs, net	<u><u>12,450</u></u>	<u><u>8,653</u></u>

8. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (year ended 31 December 2017: 16.5%) on the estimated assessable profit for the year. The applicable tax rate of the subsidiaries of the Group in Mainland China is 25% (year ended 31 December 2017: 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.

	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
Current income tax	—	167
Deferred income tax	<u>(20,822)</u>	<u>6,189</u>
Income tax (credit)/expense	<u><u>(20,822)</u></u>	<u><u>6,356</u></u>

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

The tax on the Group's (loss)/profit 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:

	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
(Loss)/Profit before income tax	(144,851)	57,925
Tax at the statutory tax rates	(20,907)	6,958
Tax effects of:		
– Income not subject to tax	(222)	(12,937)
– Expenses not deductible for tax purposes	746	1,484
– Utilisation of previously unrecognised tax losses	(4,370)	(349)
– Tax losses for which no deferred income tax asset was recognised	3,931	11,200
Income tax (credit)/expense	(20,822)	6,356

9. (LOSSES)/EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
(Losses)/earnings attributable to equity holders of the Company	(122,919)	51,569
Weighted average number of ordinary shares in issue (in thousands)	1,455,000	1,455,000
Basic (losses)/earnings per share	(8.45) Cents	3.54 Cents

9. (LOSSES)/EARNINGS PER SHARE (CONTINUED)

(b) Diluted

Diluted losses per share are calculated based on the weighted average number of ordinary shares in issue, assuming that all diluted potential ordinary shares are converted into ordinary shares. The diluted potential ordinary shares of the Company refer to the convertible bonds in Note 13. The convertible bonds are assumed to be converted into ordinary shares, and the net profit is adjusted to eliminate the gains from changes in fair value of convertible bonds and interest expense less the tax effect.

	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
Operating (losses)/earnings attributable to equity holders of the Company	(122,919)	51,569
Gains from change in fair value and adjustment to interest expense of convertible bonds, net of tax	—	(70,982)
	<u>(122,919)</u>	<u>(19,413)</u>
Weighted average number of ordinary shares in issue (in thousands)	1,455,000	1,455,000
Adjustments for:		
– Assuming convertible bonds are converted into (in thousands) (i)	—	370,000
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	<u>1,455,000</u>	<u>1,825,000</u>
Diluted losses per share	<u>(8.45) Cents</u>	<u>(1.06) Cents</u>

- (i) In 2018, 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 year, it is not assumed that the Company's outstanding convertible bonds have been exercised in the calculation of the diluted losses per share for the year ended 31 December 2018.

10. TRADE RECEIVABLES AND OTHER RECEIVABLES

	As at 31 December 2018 HK\$'000	As at 31 December 2017 HK\$'000
Trade and bills receivables	54,459	98,514
Less: Provision for impairment of trade receivables	(20,500)	(37,394)
Trade and bills receivables, net	33,959	61,120
Prepayments	1,794	7,482
Other receivables	5,827	5,424
Current portion	41,580	74,026

Part of the Group's sales are on acceptance bills or documents against payment. The remaining amounts are with credit terms of thirty to ninety days. As at 31 December 2018 and 31 December 2017, the aging analysis of the trade and bills receivables based on invoice date is as follows:

	As at 31 December 2018 HK\$'000	As at 31 December 2017 HK\$'000
3 months or less	16,750	31,125
3 to 6 months	9,815	10,341
More than 6 months	27,894	57,048
	54,459	98,514

Movements on the Group's provision for impairment of trade receivables are as follows:

	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2017 HK\$'000
At the beginning of the year	37,394	99,092
Written-off	(1,728)	(40,863)
Reversal of impairment charges	(14,157)	(25,055)
Exchange adjustments	(1,009)	4,220
At the end of the year	20,500	37,394

10. TRADE RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

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

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

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

11. TRADE PAYABLES AND OTHER PAYABLES

	As at 31 December 2018 HK\$'000	As at 31 December 2017 HK\$'000
Trade payables	32,016	48,294
Bills payables	1,288	1,319
Employee salaries payables	21,473	25,590
Other taxes payables	14,351	18,458
Contract liabilities	12,092	—
Advances from customers	—	17,109
Other payables	1,539	3,515
Accrued expenses	3,666	8,080
	<u>86,425</u>	<u>122,365</u>

As at 31 December 2018 and 31 December 2017, the aging analysis of trade and bills payables based on the invoice date was as follows:

	As at 31 December 2018 HK\$'000	As at 31 December 2017 HK\$'000
Within 90 days	24,732	35,440
91 to 120 days	1,568	1,734
Over 120 days	7,004	12,439
	<u>33,304</u>	<u>49,613</u>

11. TRADE PAYABLES AND OTHER PAYABLES (CONTINUED)

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

	As at 31 December 2018 <i>HK\$'000</i>	As at 31 December 2017 <i>HK\$'000</i>
Renminbi	34,810	48,715
Hong Kong dollar	33	4,413
	<u>34,843</u>	<u>53,128</u>

12. BORROWINGS

	As at 31 December 2018 <i>HK\$'000</i>	As at 31 December 2017 <i>HK\$'000</i>
Current		
Secured bank loans due for repayment within one year (a)	<u>68,478</u>	<u>—</u>

- (a) The bank loans are secured by the properties of the Group with net value of HK\$87,652,000 and pledged by trade receivables of HK\$27,889,000, and corporate guarantees are provided by its subsidiaries.

As at 31 December 2018, the average annual borrowing interest rate was 5.66% (31 December 2017: 4.49%).

The above borrowings are carried at amortised cost. The fair value approximated to its carrying amount as the term is short.

The carrying amounts of the Group's borrowings are denominated in the following currency:

	As at 31 December 2018 <i>HK\$'000</i>	As at 31 December 2017 <i>HK\$'000</i>
Renminbi	<u>68,478</u>	<u>—</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 Strategy Investment Company. 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. The above convertible bonds are classified as financial liabilities at fair value through profit or loss.

On 30 March 2017, the special general meeting approved the supplementary agreement for the convertible bonds signed by the Company and Unis Strategy Investment Company. The supplementary agreement removes the relevant terms in relation to the conversion price adjustment under the original agreement. Accordingly, the convertible bonds issued by the Company pursuant to the original agreement were derecognised. According to the supplementary agreement, the convertible bonds were 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 was derecognised. Pursuant to the amended terms and the fair value at the date, the Company has recognised the convertible bonds as compound financial instruments, among which the fair value of the liability component was HK\$100,546,000, the fair value of the equity component was HK\$577,941,000, and the liability component of the compound financial instruments were subsequently measured by the amortised cost method. In 2017, the gains from change in fair value of convertible bonds for the year were recognised at HK\$78,405,000. The recognised interest expense of convertible bonds for the year were HK\$10,494,000 (Note 7).

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

14. COMMITMENTS

Operating lease commitments – the Group as lessee

The Group leases certain office premises or staff quarter under non-cancellable operating lease agreements. 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 31 December 2018 <i>HK\$'000</i>	As at 31 December 2017 <i>HK\$'000</i>
Within one year	8,260	12,039
More than one year but not more than five years	—	14,078
	<u>8,260</u>	<u>26,117</u>

As at 31 December 2018 and 31 December 2017, the Group had no non-cancellable contracted capital commitments.

15. RELATED PARTY TRANSACTIONS

Key management compensation

Key management includes Directors (Executive Director and Non-executive Director), Company Secretary and executives in key departments such as operations. The remuneration paid or payable to key management personnel for employee services is as follows:

	Year ended 31 December 2018 <i>HK\$'000</i>	Year ended 31 December 2017 <i>HK\$'000</i>
Salaries and other short-term employee benefits	5,076	7,023
Post-employment benefits	27	237
	<u>5,103</u>	<u>7,260</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group adhered to the development strategy of “one orientation, two key drivers, three breakthroughs and four initiatives”, and centered on SMT equipment manufacturing and related business, while engaging in securities investment business.

In 2018, the Group faced various challenges. The economy of China and even the world was hit by the continuously-volatile international market to varying degrees, in particular the import & export trade. Chinese electronic equipment industry relying on import and export was adversely affected, resulting in somewhat slowdown of growth of the industry as a whole. Businesses of the Group were also indirectly affected, and the securities investment business of the Group suffered from book losses, which led to an unsatisfactory earning performance in overall. The Group recorded consolidated net loss of approximate HK\$134,457,000 for the year ended 31 December 2018. Given our experience and advantages gained in the SMT equipment manufacturing market over years, and our constant investment in technology research and development in the sector, the management believed that we will be able to duly take advantage of opportunities of the gradual economic recovery and exuberance of industry development to gain a steady rise in our earning performance in future.

SMT Equipment Manufacturing And Related Business

During the year, the Group focused on SMT equipment manufacturing and related business. As the Group has terminated the low-end businesses such as agent product sales since 2018 to centralise resources and go all out to develop and sale the self-manufactured products, it recorded a sales revenue of approximately HK\$181,497,000 from its own-brand SMT equipment manufacturing and related business for the year ended 31 December 2018, representing a significant year-on-year growth of 34% compared to HK\$135,749,000 of the same period last year. During the year, the SMT equipment manufacturing and related business segment saw an increase in its overall gross profit margin from 14% to 30% comparing to the same period last year.

In respect of internal operation management, the Group implemented the credit sale policy and continuously collected the overdue accounts receivable and have achieved remarkable results. As of 31 December 2018, the net amount of trade receivables and other receivables of the Group reduced from approximately HK\$74,026,000 for the same period last year to approximately HK\$41,580,000, representing a year-on-year decrease of 44%. Compared with the data as of 31 December 2016, there was a dramatic year-on-year decrease of 88%. In addition, by implementing strict cost control, administrative costs of the Group were lower than those for the same period last year. During the year, the Group's administrative costs decreased by 14% to approximately HK\$66,701,000 from approximately HK\$77,516,000 in the same period last year.

During the year, the Group continued focusing on independent R&D of SMT equipment. The Group mostly adopted humanised design in products while considering characteristics of low-cost operation, energy efficiency, and environmental friendliness. The new self-manufactured SMT equipment received wide recognition and various awards from the market and industry. Our SMT equipment has been granted the Gold Award under the “Red Sail Award” for three consecutive years since 2016. During the year, the Group developed new SMT equipment including UXT high-end reflow soldering machine, nitrogen reflow soldering machine, high-end lead-free wave soldering machine and external selective fluxer, etc. These new products were significantly improved in their functionality, performance, stability and reliability, safety, maintainability and easiness to operate, and they can be embedded with BIMS intelligent manufacturing system, which is the flagship product of the Group, effectively serving the customers' new production modes of JIT (Just in Time) and BTO (Build to Order) and strengthening real-time monitoring in such respects as data traceability, smart fault prevention and maintenance, and remote management. As of 31 December 2018, the Group owned 60 design patents in aggregate, 16 of which were granted in 2018.

In respect of market promotion, the Group actively implemented the “Go Out” strategy and participated in many large-scale exhibitions with great influence at home and abroad during the year, including 2018 PIC APEX EXPO in the USA, Productronia China and NEPCON China 2018 in Shanghai, China International Mobile Manufacturing Automation Technology Exhibition and South China International Industrial Automation Exhibition in Guangdong, and Shenzhen International Intelligent Equipment Industry Exposition and NEPCON in Shenzhen. Thanks to the great influence of the exhibitions across the industry, and the detailed explanation and presentation by our senior engineers on site, our self-manufactured products such as wave soldering machine, vertical reflow oven and BIMS intelligent manufacturing system were effectively promoted, and our middle to high-end brand image was further consolidated, while market popularity of the Group at home and abroad being enhanced.

Review of 2018, the overall growth of China's electronic industry was lowered as a result of the sluggish macro-economy and the ongoing industrial consolidation in China, however, in the long terms, China will gradually become one of global leaders in 5G technology, standards, industries and applications with the initiation and acceleration of 5G network development; and in the meanwhile, intelligent automobile electronics has become the focus and strategic growth point for the development of global automobile sector, which will increase the demand for special equipment for electronic assembly. Based on those, demands for the upstream electronic equipment will be driven. The management believes that the Group will be able to seize the industry development opportunity on the basis of its independent development advantage in the SMT equipment manufacturing sector and its considerable experience and resources gained in the industry over years. Besides, the Group will also actively explore the development opportunities of high-end manufacturing beyond SMT equipment manufacturing in order to gradually achieve its goal of being the smart equipment industry leader in China.

Finance lease and factoring business

The Group issued announcements and a circular concerning the major transaction in relation to the deemed disposal of shareholding interests in a subsidiary on 2 May 2018, 11 June 2018 and 16 July 2018, respectively. In accordance with the relevant announcements and circular, upon the completion of the capital increase transaction, Unis Si-Cloud, which is mainly engaged in finance lease and factoring business, will cease to be a subsidiary and become an associate company of the Company. Unis Si-Cloud will cease to be consolidated into the consolidated financial statements of the Company. The above-mentioned capital increase transaction and the transactions as contemplated under the capital increase agreement were approved at the special general meeting held on 7 August 2018, and the delivery was completed on 31 August 2018.

Securities investment business

The Group implements a low-frequency trading strategy and mainly invests in the high-tech companies listed on the Stock Exchange, with a particular focus on the outstanding enterprises in such industries as telecommunication equipment, semiconductor, Internet, computer and software. However, a segment loss of approximately HK\$112,682,000 was recorded for the year ended 31 December 2018 due to the impact from worldwide economic downturn.

The management believed the segment loss in 2018 are in short-term nature and would not cause adverse influence on the long-term development of overall business and operations of the Group. In addition, the Group has established a strict reporting mechanism to ensure that the management can monitor all the investments in real time, so as to protect the safety of investment.

Name of investee	Total investment (loss)/gain for the year ended 31 December 2018 <i>HK\$'000</i>
SMIC (stock code: 981.hk)	(43,195)
SMIT (stock code: 2239.hk)	350
GOME FIN TECH (stock code: 628.hk)	(138)
GUODIAN TECH (stock code: 1296.hk)	(245)
LEGEND HOLDINGS (stock code: 3396.hk)	(69,454)
	<u>(112,682)</u>

During the year, the Group sold an aggregate of 1,600,000 shares of SMIT.

The Group's investments in listed shares were recorded as financial assets at fair value through profit or loss on the consolidated balance sheet, which amounted to approximately HK\$137,339,000 as at 31 December 2018:

Name of investee	Financial assets at fair value through profit or loss as at 31 December 2018 <i>HK\$'000</i>	Percentage of total financial assets at fair value through profit or loss %
SMIC	44,361	32.30
GOME FIN TECH	238	0.17
GUODIAN TECH	285	0.21
LEGEND HOLDINGS	92,455	67.32
	<u>137,339</u>	<u>100</u>

FINANCIAL REVIEW

Income

In 2018, the Group recorded a total income of approximately HK\$71,453,000. An analysis of the income by business segment is as follows:

	Year ended 31 December 2018 (Audited) <i>HK\$'000</i>	Year ended 31 December 2017 (Audited) <i>HK\$'000</i>
SMT and related business	181,497	195,989
Terminated operation	23	6,999
Securities investment	(112,682)	50,040
Unallocated activities	2,615	—
Total	<u>71,453</u>	<u>253,028</u>

Other gains

During the year, the Group recorded other gains of approximately HK\$3,868,000, including revenue from scraps of approximately HK\$2,525,000, and cash dividends of approximately HK\$1,343,000.

Distribution costs

During the year, the Group recorded distribution costs of approximately HK\$37,380,000, representing an increase of approximately 7% compared to that of the last year.

Administrative costs

During the year, the administrative costs amounted to approximately HK\$66,701,000, including labour costs of approximately HK\$25,689,000 and rental of approximately HK\$11,745,000.

Finance costs

During the year, the net finance costs amounted to approximately HK\$12,450,000, representing an increase of approximately HK\$3,797,000 compared to that of last year, mainly attributable to the amortisation of interest expense on bonds, and the interests expense on borrowings.

Loss for the year

As a result of the foregoing, the loss attributable to the equity holders of the Company for the year was approximately HK\$122,919,000.

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

The following table illustrates the Group's (loss)/profit before interest, tax, depreciation and amortisation for the respective year. The Group's profit before interest, tax, depreciation and amortisation ratio was approximately -171% for the year.

	Year ended 31 December 2018 <i>HK\$'000</i>	Year ended 31 December 2017 <i>HK\$'000</i>
(Loss)/profit for the year attributable to equity holders of the Company	(122,919)	51,569
Finance costs	12,450	8,653
Income tax (credit)/expense	(20,822)	6,356
Depreciation and amortisation	9,200	8,821
(Loss)/profit before interest, tax, depreciation and amortisation	<u>(122,091)</u>	<u>75,399</u>

Liquidity, financial resources and gearing ratio

The Group has maintained sufficient operating capital. As at 31 December 2018, the net current assets of the Group amounted to approximately HK\$60,528,000, and the liquidity ratio of the Group was maintained at 1.29, which was sufficient to support the ordinary operation of the Group. With reference to total borrowings over equity attributable to the equity holders of the Company as at 31 December 2018, the gearing ratio of the Group was 20.87%.

As of 31 December 2018, bank borrowings balance of the Group was approximately HK\$68,478,000.

Operating capital management

As at 31 December 2018, the Group held cash and cash equivalents of approximately HK\$43,305,000, representing a decrease of approximately HK\$190,698,000 compared with HK\$234,003,000 as at the beginning of the year, which was mainly due to ceasing to consolidate Unis Si-Cloud into the Company's consolidated financial statements following the deemed disposal of 51% shareholding interest of it. The Group's average inventory turnover days were approximately 106 days (31 December 2017: 113 days), the average debtors turnover days were 70 days (31 December 2017: 120 days), and the average creditors turnover days were approximately 114 days (31 December 2017: 112 days).

Capital expenditure on property, plant and equipment

During the year, total capital expenditure was approximately HK\$9,435,000, in which approximately HK\$888,000 was on the purchase of machinery and equipment, approximately HK\$8,118,000 on the renovation and decoration of office, and approximately HK\$429,000 on the purchase of financial software.

Charges on the Group's assets

As at 31 December 2018, 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 and properties, which had an aggregate net carrying value at the balance sheet date of HK\$102,052,000; and
- (ii) guarantee and pledged receivables provided by the Group and its subsidiaries.

Equity and liabilities

As at 31 December 2018, the Group's net assets amounted to HK\$328,124,000. The decrease in net assets during the year as compared with the net assets of HK\$462,581,000 as at 31 December 2017 was mainly attributed to loss for the year.

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, foreign exchange risk, and price risk, etc.

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 Renminbi, Hong Kong dollar, and US dollar. During the year, the Group did not utilise 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.

Price risk

Since the business of the Group's securities investment segment is derived from the investment in stocks listed on the Main Board of the Stock Exchange, the price fluctuations of the shares held by the Group will affect the Group's after-tax profits. In order to manage the risk of fluctuations of securities price, the Group will diversify its investment portfolio according to the historical fluctuations of the stocks held and the risk control policies of the Company to avoid or reduce the risks arising from stock price fluctuations.

PURCHASE, REDEEM OR SELL THE COMPANY'S LISTED SECURITIES

The Company or any of its subsidiaries had not purchased, redeemed or sold any of the Company' listed securities during the year.

DIVIDENDS

The Board did not recommend a final dividend for the year ended 31 December 2018 (31 December 2017: Nil).

HUMAN RESOURCES

As at 31 December 2018, the Group employed approximately 341 full-time employees and workers in Mainland China, and employed approximately 24 employees in Hong Kong. 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 Mainland China, 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 endeavours 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 year ended 31 December 2018, except for the following deviations.

Code Provision A.6.7

Pursuant to Code Provision A.6.7, independent non-executive directors and other non-executive directors shall attend general meetings. However, the independent non-executive directors and non-executive directors of the Company were absent from the annual general meeting held on 6 June 2018 and the special general meeting held on 8 August 2018 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 Audit Committee of the Company has been established in accordance with the requirements of the Code for the purpose of reviewing and monitoring the internal control and financial reporting matters of the Group, including reviewing the annual results for the year ended 31 December 2018. The Audit Committee comprises one non-executive director and two independent non-executive directors of the Company, and is chaired by an independent non-executive director.

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, the Company confirmed that they had 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, the Company’s securities have a sufficient public float 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 (www.hkex.com.hk) and the website of the Company (www.unistech.com.hk). The annual report of the Company for the year ended 31 December 2018 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
Unisplendour Technology (Holdings) Limited
Zhang Yadong
Chairman

Hong Kong, 27 March 2019

** For identification purposes only*

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