

# UNISPLENDOUR TECHNOLOGY (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 365

## PILOT DREAMS OF FUTURE SUCCESS



Interim Report  
2019

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## **BOARD OF DIRECTORS**

### **EXECUTIVE DIRECTORS**

Mr. ZHANG Yadong (*Chairman*)  
Mr. XIA Yuan (*Chief Executive Officer*)  
Mr. ZHENG Bo

### **NON-EXECUTIVE DIRECTORS**

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

### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

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

## **AUDIT COMMITTEE**

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

## **REMUNERATION COMMITTEE**

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

## **NOMINATION COMMITTEE**

Mr. ZHANG Yadong (*Chairman*)  
Mr. CUI Yuzhi  
Mr. PING Fan

## **COMPANY SECRETARY**

Mr. LIU Wei

## **REGISTERED OFFICE**

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## **PRINCIPAL PLACE OF BUSINESS**

Unit 02-03, 69/F  
International Commerce Centre  
1 Austin Road West  
Tsim Sha Tsui  
Kowloon  
Hong Kong

## **PRINCIPAL BANKER**

DBS Bank (Hong Kong) Limited  
Units 1208-18 Miramar Tower  
132-134 Nathan Road  
Tsim Sha Tsui, Kowloon  
Hong Kong

## **AUDITOR**

PricewaterhouseCoopers  
Certified Public Accountants  
22nd Floor, Prince's Building  
Central, Hong Kong

## **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Conyers Corporate Services (Bermuda) Limited  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Tengis Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  | Notes | Six months<br>ended<br>30 June 2019<br>(Unaudited)<br>HK\$'000 | Six months<br>ended<br>30 June 2018<br>(Unaudited)<br>HK\$'000 |
|--|-------|--|--|
| <b>Revenue</b>   | 5     | 95,777   | 30,549   |
| Cost of Sales  |       | <u>(60,436)</u>  | <u>(72,817)</u>  |
| <b>Gross profit/(loss)</b>   |       | <b>35,341</b>  | <b>(42,268)</b>  |
| Other (loss)/income  | 6     | (1,085)  | 2,132  |
| Other gains, net   | 7     | 9,870  | 2,761  |
| Distribution costs   |       | (15,801)   | (18,832)   |
| Administrative costs   |       | <u>(23,468)</u>  | <u>(32,816)</u>  |
| <b>Operating profit/(loss)</b>   |       | <b>4,857</b>   | <b>(89,023)</b>  |
| Finance income   | 8     | 258  | 5,049  |
| Finance costs  | 8     | (8,829)  | (5,905)  |
| Finance costs, net   | 8     | <u>(8,571)</u>   | <u>(856)</u>   |
| <b>Loss before income tax</b>  |       | <b>(3,714)</b>   | <b>(89,879)</b>  |
| Income tax (expense)/credit  | 10    | (404)  | 12,442   |
| <b>Loss for the Period attributable to equity<br/>holders of the Company</b>       |       | <b>(4,118)</b>   | <b>(77,437)</b>  |
| <b>Other comprehensive income</b>  |       |  |  |
| <i>Item that may be reclassified subsequently to profit<br/>or loss</i>            |       |  |  |
| Exchange differences on translation of foreign<br>operations                       |       | <u>(164)</u>   | <u>(4,052)</u>   |
| <b>Other comprehensive income for the Period,<br/>net of tax</b>                   |       | <b>(164)</b>   | <b>(4,052)</b>   |
| <b>Total comprehensive loss for the Period</b>                                     |       | <b>(4,282)</b>   | <b>(81,489)</b>  |
| <b>Total comprehensive loss attributable to:<br/>Equity holders of the Company</b> |       | <b>(4,282)</b>   | <b>(81,489)</b>  |
| <b>Basic losses per share</b>  | 11(a) | <u>(0.28) Cents</u>  | <u>(5.32) Cents</u>  |
| <b>Diluted losses per share</b>  | 11(b) | <u>(0.28) Cents</u>  | <u>(5.32) Cents</u>  |

## CONDENSED CONSOLIDATED BALANCE SHEET

|  | Notes | At<br>30 June 2019<br>(Unaudited)<br>HK\$'000 | At<br>31 December 2018<br>(Audited)<br>HK\$'000 |
|--|-------|---|---|
| <b>Assets</b>  |       |   |   |
| <b>Non-current assets</b>  |       |   |   |
| Property, plant and equipment  |       | 146,024                                       | 139,115   |
| Land use rights  |       | 9,098   | 9,251   |
| Intangible assets  |       | 6,089   | 5,868   |
| Investment in an associate   |       | 233,740                                       | 234,856   |
| Other non-current assets   |       | —   | 2,410   |
| Deferred income tax assets   |       | 13,534  | 13,534  |
|  |       | 408,485                                       | 405,034   |
| <b>Current assets</b>  |       |   |   |
| Inventories  |       | 36,891  | 36,385  |
| Trade and bills receivables  | 12    | 60,234  | 54,459  |
| Less: Provision for impairment of trade receivables  |       | (15,025)                                      | (20,500)  |
| Trade and bills receivables, net   |       | 45,209  | 33,959  |
| Prepayments and other receivables  |       | 10,360  | 7,621   |
| Tax reserve certificates   |       | 7,100   | 5,325   |
| Financial assets at fair value through profit or loss<br>(details provided in Management Discussion and<br>Analysis – Securities Investment) |       | 139,787                                       | 137,339   |
| Security and restricted deposits   |       | 985   | 2,279   |
| Cash and cash equivalents  |       | 50,234  | 43,305  |
|  |       | 290,566                                       | 266,213   |
| <b>TOTAL ASSETS</b>  |       | <b>699,051</b>                                | <b>671,247</b>                                  |
| <b>EQUITY AND LIABILITIES</b>  |       |   |   |
| <b>Equity attributable to equity holders<br/>of the Company</b>  |       |   |   |
| Share capital and share premium  |       | 240,740                                       | 240,740   |
| Other reserves   |       | 673,976                                       | 674,140   |
| Accumulated losses   |       | (590,874)                                     | (586,756)                                       |
| <b>TOTAL EQUITY</b>  |       | <b>323,842</b>                                | <b>328,124</b>                                  |

|                                     | Notes | At<br>30 June 2019<br>(Unaudited)<br>HK\$'000 | At<br>31 December 2018<br>(Audited)<br>HK\$'000 |
|-------------------------------------|-------|---|---|
| <b>LIABILITIES</b>                  |       |   |   |
| <b>Non-current liabilities</b>      |       |   |   |
| Convertible bonds                   | 9     | 124,000                                       | 118,463   |
| Deferred income                     |       | 4,550   | 4,565   |
| Deferred income tax liabilities     |       | 14,812  | 14,410  |
|                                     |       | <u>143,362</u>                                | <u>137,438</u>                                  |
| <b>Current liabilities</b>          |       |   |   |
| Trade and bills payables            | 13    | 40,710  | 33,304  |
| Other payables                      |       | 41,100  | 41,029  |
| Contract liabilities                |       | 12,536  | 12,092  |
| Borrowings                          | 14    | 91,000  | 68,478  |
| Current income tax liabilities      |       | 46,501  | 50,782  |
|                                     |       | <u>231,847</u>                                | <u>205,685</u>                                  |
| <b>TOTAL LIABILITIES</b>            |       | <u>375,209</u>                                | <u>343,123</u>                                  |
| <b>TOTAL EQUITY AND LIABILITIES</b> |       | <u>699,051</u>                                | <u>671,247</u>                                  |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   | Share capital<br>HK\$'000 | Share premium<br>HK\$'000 | Other reserves<br>HK\$'000 | Accumulated losses<br>HK\$'000 | Total equity<br>HK\$'000 |
|---|---------------------------|---------------------------|----------------------------|--------------------------------|--------------------------|
| <b>Balance at 1 January 2019</b>                          | 145,500                   | 95,240                    | 674,140                    | (586,756)                      | 328,124                  |
| <b>Comprehensive loss</b>                                 |                           |                           |                            |                                |                          |
| Loss for the Period                                       | —                         | —                         | —                          | (4,118)                        | (4,118)                  |
| Exchange differences on translation of foreign operations | —                         | —                         | (164)                      | —                              | (164)                    |
| <b>Total comprehensive loss</b>                           | —                         | —                         | (164)                      | (4,118)                        | (4,282)                  |
| <b>Balance at 30 June 2019 (Unaudited)</b>                | 145,500                   | 95,240                    | 673,976                    | (590,874)                      | 323,842                  |
| <b>Balance at 1 January 2018</b>                          | 145,500                   | 95,240                    | 685,678                    | (463,837)                      | 462,581                  |
| <b>Comprehensive loss</b>                                 |                           |                           |                            |                                |                          |
| Loss for the Period                                       | —                         | —                         | —                          | (77,437)                       | (77,437)                 |
| Exchange differences on translation of foreign operations | —                         | —                         | (4,052)                    | —                              | (4,052)                  |
| <b>Total comprehensive loss</b>                           | —                         | —                         | (4,052)                    | (77,437)                       | (81,489)                 |
| <b>Balance at 30 June 2018 (Unaudited)</b>                | 145,500                   | 95,240                    | 681,626                    | (541,274)                      | 381,092                  |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

|  | Six months<br>ended<br>30 June 2019<br>(Unaudited)<br>HK\$'000 | Six months<br>ended<br>30 June 2018<br>(Unaudited)<br>HK\$'000 |
|--|--|--|
| NET CASH (USED IN)/FROM OPERATING ACTIVITIES                         | (11,254)   | 985  |
| NET CASH USED IN INVESTING ACTIVITIES                                | (1,723)  | (8,776)  |
| NET CASH FROM FINANCING ACTIVITIES                                   | 19,971   | 71,980   |
| NET INCREASE IN CASH AND CASH EQUIVALENTS                            | 6,994  | 64,189   |
| Cash and cash equivalents at beginning of the Period                 | 43,305   | 234,003  |
| Effect of foreign exchange rate changes on cash and cash equivalents | (65)   | (1,904)  |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD                       | 50,234   | 296,288  |

## 8 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### 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 located at 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 referred to as the "Group" hereafter) are principally engaged in SMT equipment manufacturing and securities investment.

These consolidated financial statements are presented in Hong Kong dollar (unless otherwise stated). These consolidated financial statements were approved for issue by the Board of Directors of the Company on 7 August 2019.

### 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the financial statements for the year ended 31 December 2018, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

#### 2.1 GOING CONCERN

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

### 3. ACCOUNTING POLICIES

Except for the adoption of new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the six months ended 30 June 2019, the accounting policies applied in preparing the condensed consolidated interim financial information are consistent with those of the financial statements for the year ended 31 December 2018.

The adoption of these new standards, amendments and improvements to HKFRSs and HKASs did not have any significant impact on the Group's financial performance and position for the six months ended 30 June 2019.

## 4. ESTIMATES

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

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements for the year ended 31 December 2018 with the exception of changes in estimates that are required in determining the provision for income taxes and disclosure of exception items.

## 5. 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 six months ended 30 June 2019, the Group's two operating segments are as follows:

- (1) Production and sales of industrial products; and
- (2) Securities investment.

The executive directors assess the performance of the operating segments based on the revenue and profit before tax in each segment. The executive directors do not focus on the total liabilities of the segments. The unallocated activities primarily consist of the corporate headquarter which manages and supports the segments. The assets are mainly the monetary funds, office equipment, investment in associate and financial assets at fair value through profit or loss used by the Company for daily operations. The liabilities are mainly the financial liabilities as a result of the issuance of the convertible bonds by the Company and bank borrowings granted to the Company.

## 5. SEGMENT INFORMATION (CONTINUED)

The segment information for the six months ended 30 June 2019 is as follows:

|  | Six months ended 30 June 2019<br>(Unaudited)         |                          |                   |                           |                |
|--|--|--------------------------|-------------------|---------------------------|----------------|
|  | Production<br>and sales<br>of industrial<br>products | Securities<br>investment | Segments<br>total | Unallocated<br>activities | Total          |
|  | HK\$'000   | HK\$'000                 | HK\$'000          | HK\$'000                  | HK\$'000       |
| Segment revenue                        | 92,745   | 2,448                    | 95,193            | 584                       | 95,777         |
| Segment profit                         | 32,309   | 2,448                    | 34,757            | 584                       | 35,341         |
| Other income/(loss)                    | 23   | —                        | 23                | (1,108)                   | (1,085)        |
| Other gains/(losses), net              | 9,888  | —                        | 9,888             | (18)                      | 9,870          |
| Distribution costs                     | 15,801   | —                        | 15,801            | —                         | 15,801         |
| Administrative costs                   | 9,049  | —                        | 9,049             | 14,419                    | 23,468         |
| Finance costs, net                     | 3,032  | 2                        | 3,034             | 5,537                     | 8,571          |
| <b>Profit/(loss) before income tax</b> | <b>14,338</b>  | <b>2,446</b>             | <b>16,784</b>     | <b>(20,498)</b>           | <b>(3,714)</b> |

The segment information for the six months ended 30 June 2018 is as follows:

|  | Six months ended 30 June 2018<br>(Unaudited)         |                                   |                          |                   |                           |                 |
|--|--|-----------------------------------|--------------------------|-------------------|---------------------------|-----------------|
|  | Production<br>and sales<br>of industrial<br>products | Finance<br>lease and<br>factoring | Securities<br>investment | Segments<br>total | Unallocated<br>activities | Total           |
|  | HK\$'000   | HK\$'000                          | HK\$'000                 | HK\$'000          | HK\$'000                  | HK\$'000        |
| Segment revenue/(loss)                     | 104,742  | 24                                | (75,394)                 | 29,372            | 1,177                     | 30,549          |
| Segment profit/(loss)                      | 31,988   | (17)                              | (75,416)                 | (43,445)          | 1,177                     | (42,268)        |
| Other income                               | 2,130  | —                                 | 2                        | 2,132             | —                         | 2,132           |
| Other gains, net                           | 2,761  | —                                 | —                        | 2,761             | —                         | 2,761           |
| Distribution costs                         | 18,688   | 144                               | —                        | 18,832            | —                         | 18,832          |
| Administrative costs                       | 15,671   | 1,829                             | —                        | 17,500            | 15,316                    | 32,816          |
| Finance (income)/costs, net                | (4,695)  | (282)                             | 743                      | (4,234)           | 5,090                     | 856             |
| <b>Profit/(loss) before income<br/>tax</b> | <b>7,215</b>   | <b>(1,708)</b>                    | <b>(76,157)</b>          | <b>(70,650)</b>   | <b>(19,229)</b>           | <b>(89,879)</b> |

## 6. OTHER (LOSS)/INCOME

|                             | Six months<br>ended 30 June<br>2019<br>(Unaudited)<br>HK\$'000 | Six months<br>ended 30 June<br>2018<br>(Unaudited)<br>HK\$'000 |
|-----------------------------|--|--|
| Income from sales of scraps | 23   | 1,885  |
| Other (loss)/income         | <b>(1,108)</b>   | 247  |
|                             | <b>(1,085)</b>   | 2,132  |

## 7. OTHER GAINS, NET

|  | Six months<br>ended 30 June<br>2019<br>(Unaudited)<br>HK\$'000 | Six months<br>ended 30 June<br>2018<br>(Unaudited)<br>HK\$'000 |
|--|--|--|
| Reversal of bad debt written off                         | 5,353  | 4,051  |
| Government grants  | 1,505  | 852  |
| Gain/(loss) on disposal of property, plant and equipment | 486  | (1,813)  |
| Compensation income                                      | 67   | 32   |
| Inventories write-downs and inventories gain             | 2  | 514  |
| Other gains/(losses)                                     | <b>2,457</b>   | (875)  |
|  | <b>9,870</b>   | 2,761  |

## 8. FINANCE COSTS, NET

|  | Six months<br>ended 30 June<br>2019<br>(Unaudited)<br>HK\$'000 | Six months<br>ended 30 June<br>2018<br>(Unaudited)<br>HK\$'000 |
|--|--|--|
| <b>Finance income:</b>                           |  |  |
| – Interest income from bank deposits             | 258  | 682  |
| – Exchange gains                                 | –  | 4,341  |
| – Discount gains                                 | –  | 26   |
| <b>Finance costs:</b>                            |  |  |
| – Interest expenses on bank and other borrowings | 8,829  | 5,905  |
| <b>Finance costs, net</b>                        | <b>8,571</b>   | <b>856</b>   |

## 9. CONVERTIBLE BONDS

On 30 May 2016, the Company issued 730,000,000 ordinary shares at a price of HK\$0.4 per share and zero coupon convertible bonds with face value of HK\$148,000,000 to Unis Technology Strategy Investment Limited. The bonds shall be matured in five years from the date of issue at their face value of HK\$148,000,000 or be 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 at the special general meeting held on 9 May 2016. The management initially recognised the convertible bonds issued in whole as financial liabilities at fair value through profit or loss based on analysis and assessment on relevant terms of the agreement and in consideration of the substance of the agreement.

On 30 March 2017, the special general meeting approved the supplementary agreement for the convertible bonds signed by the Company and Unis Technology Strategy Investment Limited. 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 amended terms, 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 re-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 was subsequently measured by the cost method. In 2017, the recognised gains from change in fair value of convertible bonds for the year were HK\$78,405,000, the recognised interest expense was HK\$7,423,000, and the recognised book value of the convertible bonds as at 31 December 2017 was HK\$107,969,000. For the six months ended 30 June 2018, the recognised interest expense was HK\$5,046,000 and the recognised book value of the convertible bonds was HK\$113,015,000. For the six months ended 30 June 2019, the recognised interest expense was HK\$5,537,000 and the recognised book value of the convertible bonds was HK\$124,000,000.

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

## 10. INCOME TAX EXPENSE/(CREDIT)

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 June 2018: 16.5%) on the estimated assessable profit for the Period. The applicable tax rate of the subsidiaries of the Group in mainland China is 25% (six months ended 30 June 2018: 25%). Taxation on overseas profits has been calculated on the estimated assessable profit for the Period at the rates of taxation prevailing in the countries in which the Group operates.

|                                       | Six months<br>ended 30 June<br>2019<br>(Unaudited)<br>HK\$'000 | Six months<br>ended 30 June<br>2018<br>(Unaudited)<br>HK\$'000 |
|---------------------------------------|--|--|
| <b>Current income tax:</b>            |  |  |
| Current tax on profits for the Period | 404  | 374  |
| <b>Total current income tax</b>       | <b>404</b>   | <b>374</b>   |
| Deferred income tax                   | —  | (12,816)   |
| <b>Income tax expense/(credit)</b>    | <b>404</b>   | <b>(12,442)</b>  |

- (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 Period, such review is still ongoing.

## 11. LOSSES PER SHARE

### (a) BASIC

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

|  | Six months<br>ended 30 June<br>2019<br>(Unaudited)<br>HK\$'000 | Six months<br>ended 30 June<br>2018<br>(Unaudited)<br>HK\$'000 |
|--|--|--|
| Losses attributable to equity holders<br>of the Company                        | (4,118)  | (77,437)   |
| Weighted average number of ordinary shares<br>in issue ( <i>in thousands</i> ) | 1,455,000  | 1,455,000  |
| <b>Basic losses per share</b>  | <b>(0.28) Cents</b>  | <b>(5.32) Cents</b>  |

### (b) DILUTED

As it is assumed that the conversion of the Company's outstanding convertible bonds will result in a decrease in loss per share for the Period, 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 six months ended 30 June 2019.

## 12. TRADE AND BILLS RECEIVABLES

At 30 June 2019 and 31 December 2018, the ageing analysis of the trade and bills receivables based on invoice date is as follows:

|                    | At<br>30 June 2019<br>(Unaudited)<br>HK\$'000 | At<br>31 December 2018<br>(Audited)<br>HK\$'000 |
|--------------------|---|---|
| Less than 3 months | 30,218  | 16,750  |
| 3 to 6 months      | 8,232   | 9,815   |
| More than 6 months | 21,784  | 27,894  |
|                    | <u>60,234</u>                                 | <u>54,459</u>                                   |

## 13. TRADE AND BILLS PAYABLES

At 30 June 2019 and 31 December 2018, the ageing analysis of trade and bills payables based on the invoice dates is as follows:

|                | At<br>30 June 2019<br>(Unaudited)<br>HK\$'000 | At<br>31 December 2018<br>(Audited)<br>HK\$'000 |
|----------------|---|---|
| Within 90 days | 34,083  | 24,732  |
| 91 to 120 days | 1,052   | 1,568   |
| Over 120 days  | 5,575   | 7,004   |
|                | <u>40,710</u>                                 | <u>33,304</u>                                   |

## 14. BORROWINGS

|  | At<br>30 June 2019<br>(Unaudited)<br>HK\$'000 | At<br>31 December 2018<br>(Audited)<br>HK\$'000 |
|--|---|---|
| <b>Current</b>   |   |   |
| Secured bank loans due for repayment within one year (a) | 91,000  | 68,478  |
|  | <u>91,000</u>                                 | <u>68,478</u>                                   |

- (a) The bank loans granted are secured by the Group's properties and land use rights with guarantees provided by the Company and its subsidiaries.

At 30 June 2019, all bank and other borrowings are due for repayment within one year. At 30 June 2019, the average annual borrowing rate was 5.87%.

## 15. COMMITMENTS

### (a) 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:

|                 | At<br>30 June 2019<br>(Unaudited)<br>HK\$'000 | At<br>31 December 2018<br>(Audited)<br>HK\$'000 |
|-----------------|---|---|
| Within one year | 5,727   | 8,260   |
|                 | <u>5,727</u>                                  | <u>8,260</u>                                    |

## 16. EVENTS AFTER THE PERIOD

The Company is controlled by Tsinghua Unigroup Co., Ltd. ("Tsinghua Unigroup") and its wholly-owned subsidiaries. Tsinghua Holding Co., Ltd. ("Tsinghua Holding") holds 51% shareholding interests in Tsinghua Unigroup and is the *de facto* controller of the Company. On 4 September 2018, the Company was informed by Tsinghua Unigroup, that on 4 September 2018, its controlling shareholder Tsinghua Holding entered an Equity Transfer Agreement (collectively the "Equity Transfer Agreements") with each of Suzhou High-speed Rail New Town State-owned Assets Management and Operation Co., Ltd. ("HRNT") and Hainan Union Asset Management Corporation ("Hainan Union") respectively, and entered into a Joint Control Agreement with the two companies mentioned above. Pursuant to the Equity Transfer Agreements, Tsinghua Holding will transfer such shareholding interests, representing 30% and 6% of the entire shareholding interests in Tsinghua Unigroup to HRNT and Hainan Union respectively. Upon completion of the Equity Transfers, Tsinghua Holding, HRNT and Hainan Union will hold in total 51% shareholding interests in Tsinghua Unigroup, in which Tsinghua Holding will hold 15% shareholding interests in Tsinghua Unigroup, HRNT will hold 30% shareholding interests in Tsinghua Unigroup, and Hainan Union will hold 6% shareholding interests in Tsinghua Unigroup. Each of the Equity Transfer Agreements shall take effect from the date on which all of the conditions to effectiveness listed in the Equity Transfer Agreements are fulfilled. On 25 October 2018, the Company was informed by Tsinghua Holding that Tsinghua Holding has entered into a termination agreement with each of HRNT and Hainan Union to terminate the relevant Equity Transfer Agreement entered into by such parties on 4 September 2018. Tsinghua Holding, HRNT and Hainan Union have also entered into a joint termination agreement terminating the Joint Control Agreement dated 4 September 2018.

## 16. EVENTS AFTER THE PERIOD (CONTINUED)

According to the announcement of the Company dated 29 October 2018, the Company received notification from Tsinghua Holding, that on 25 October 2018, Tsinghua Holding has entered into a cooperation framework agreement ("Framework Agreement") with Tsinghua Unigroup and Shenzhen Investment Holding Co., Ltd. ("SIHC"). According to the Framework Agreement, among others, Tsinghua Holding and SIHC intend to enter into an equity transfer agreement (the "Transfer Agreement") for Tsinghua Holding to transfer 36% of the entire shareholding interests in Tsinghua Unigroup to SIHC. Upon completion of such transfer, Tsinghua Holding and SIHC will hold such shareholding interests, representing 15% and 36% of the entire shareholding interests in Tsinghua Unigroup. The Company was informed by Tsinghua Unigroup on 9 August 2019 that, Tsinghua Holding has entered into a termination agreement with Tsinghua Unigroup and SIHC on 8 August 2019 to terminate the Framework Agreement entered into by such parties on 25 October 2018. Tsinghua Holding remains as the controlling shareholder of both Tsinghua Unigroup and the Company.

On 20 June 2019, Unis Technology Strategy Investment Limited, the controlling shareholder of the Company ("Unis Technology"), entered into a non-binding term sheet (the "Term Sheet") with a potential purchaser (the "Potential Purchaser"), regarding a possible sale of 986,829,420 Shares ("Subject Shares") held by Unis Technology, representing approximately 67.82% of the entire issued share capital of the Company as at the date of the announcement and the latest practicable date ("Possible Acquisition"). If the Possible Acquisition materialises, it will lead to a change in control of the Company by way of a transfer of the Subject Shares and a mandatory general offer under Rule 26.1 of the Takeovers Code. As at the last practicable date, no formal agreement has been entered into in respect of the Possible Acquisition, the discussion is still in progress, and the Possible Acquisition may or may not proceed. The Company will pay close attention to the development of the above-mentioned matters and perform its obligation on information disclosure in accordance with the relevant laws and regulations.

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Unisplendour Technology (Holdings) Limited (the "Company"), I hereby present the report on the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019.

## **OVERALL**

In the first half of 2019, China's export trade was adversely affected by global economic uncertainties and intensified China-US trade dispute, and the slower growth of manufacturing industry and the fluctuation in the financial market also weakened the momentum of global economic recovery. Businesses of the Group as an upstream SMT equipment manufacturer was also affected given that the traditional electronic equipment market tends to be saturated. However, with the popularisation and maturity of 5G communication, automotive electronics, wearable intelligent devices and other emerging technologies, the Group believes that the artificial intelligence and consumer electronics industries will embrace new potential for growth and development, and thus benefiting the SMT equipment manufacturing industry. During the Period, the Group made great efforts to operate, plan and expand its own-brand SMT equipment business, and also actively refined its internal control and risk management policy to reduce operating and administrative costs, thus further enhancing the competitiveness of the Group and to be well prepared to meet the new round of vigorous development of the industry.

## **BUSINESS REVIEW**

During the Period, the Group is principally engaged in SMT equipment manufacturing and related business, as well as securities investment business.

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. The Group was also committed to the development and sales of own-brand equipment. During the Period, thanks to the active marketing policy, the continuous launch of new SMT intelligent equipment catering to the market demand, and the effective cost control measures, the gross profit margin of SMT equipment manufacturing and related business sector increased to 35% against 31% for the same period last year, contributing to the improvement of the Group's profit performance. However, due to the adversely effect of the global economic downturn, the revenue from that sector was approximately HK\$92,745,000, representing a slight decrease as compared to HK\$104,742,000 for the same period last year.

In respect of securities investment business, the Group has implemented a low-frequency trading strategy and focused its investment on Hong Kong-listed high-tech enterprises closely linked with SMT equipment manufacturing, including semiconductors, computers and software, etc. In the first half of 2019, Hong Kong's stock market continued to fluctuate under the influence of external factors such as China-US trade friction and global financial fluctuations. However, the stock market rebounded slightly due to the expectation brought by Federal Reserve's interest rate cut, capital liquidity release due to the requirement reserve ratio cut by the People's Bank of China, and the market-wide understanding of the progress made in China-US trade negotiations. During the Period, a floating profit of approximately HK\$2,448,000 was recorded in the securities investment sector.

## INDUSTRIAL TRENDS

Since the 1980s, the artificial intelligence industry in China has bloomed with of strong national support in terms of policies and resources. Thanks to the increasing investment, China has made continuous breakthroughs in this field. Entering into the 21st century, China's artificial intelligence industry embraced a stage of vigorous development. The consumer electronics market was gradually dominated by those integrated and intelligent products featuring multi-functional designs, resulting in continuous expansion of demand. Technological advancement has also promoted continuous upgrading of consumption. As the upstream industry of consumer electronics, SMT equipment manufacturing industry has also benefited from that. The total output value of the industry has been affected periodically, but in overall, the industry has maintained a steady growth.

In recent years, although the traditional electronic equipment market has shown signs of saturation and the growth of the industry has slowed down, the mature emerging technologies will bring new impetus to the development of the industry. On 6 June 2019, the Ministry of Industry and Information Technology rolled out commercial 5G licenses to four telecommunications network providers, marking the official commercial use of 5G in China. It is estimated that the shipment volume of 5G smartphones will increase from 2 million units in 2019 to 1.5 billion units in 2025, with an annual compound growth rate of 201%<sup>1</sup>. The global auto market size is expected to reach RMB1 trillion by 2020<sup>2</sup>. In the first quarter of 2019, the shipment volume of wearable devices such as smart glasses and smart watches reached 19.5 million units, up 34.7% year on year<sup>3</sup>. The consumer electronics industry will usher in a new period of growth. As a supplier of SMT intelligent equipment, the Group will continue to actively respond to the development of the industry and the needs of customers and market. A full range of SMT solutions the Group focuses on, including electronic assembly equipment such as wave soldering machine, reflow soldering machine (oven), dispenser and our self-developed intelligent manufacturing management system BIMS, as well as LOA data series information-based platform can effectively satisfy the customers' new production modes of JIT (Just in Time) and BTO (Build to Order).

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<sup>1</sup> Data source: Guosheng Securities Institute

<sup>2</sup> Data source: Report on the Development Status and Prospect of China's Intelligent Automobile Industry from 2016 to 2020, Kaide Research Center of Industrial Economy

<sup>3</sup> Data source: Qianzhan Industry Institute

## OUTLOOK

In recent years, following the continuous rise of production costs in mainland China and changes in the business environment, China's manufacturing industry tends to transfer its market given the multiple political and economic factors, which also have effect on the high-tech sector. The Group's main downstream customers have begun to gradually relocate their factories to Southeast Asia and will gradually boost the Group's export to Southeast Asia under such impact. However, the transfer of the market cannot be achieved overnight, and the revenue of SMT equipment manufacturing and related business sector of the Group will suffer a short-term decline caused by the extension of the construction cycle. In addition, in view of uncertain factors such as pending China-US trade frictions and weak global economic growth, the Group will still have to face many challenges in the second half of 2019. However, as a leading SMT intelligent equipment enterprise which enjoys leading positions in domestic sales volume and technology, the Group will firmly move forward and eliminate difficulties to respond to the economic dynamics of China and the world. Based on the principle of "high quality, high efficiency and high reliability", while continuing to consolidate and enhance its independent research and development advantages, the Group will make greater efforts in marketing and further deepen its core competitiveness in order to achieve the ultimate goal of improving profitability.

On behalf of all members of the Board, I hereby take this opportunity to express our heartfelt gratitude for the diligent efforts and trust in the Company of the management, all staff and business partners, as well as the continuous support of all shareholders to the Group.

### **Zhang Yadong**

*Chairman*

Hong Kong  
7 August 2019

## BUSINESS REVIEW

During the Period, the Group is principally engaged in SMT equipment manufacturing and related business, and securities investment business.

In the first half of 2019, the overall performance of the global manufacturing industry was weak, and the economic and trade environment was shrouded in risk aversion, which suppressed the business development of the Group. In view of this, the Group continued to deeply expand its existing advantages in the field of SMT equipment manufacturing, and continuously launched new SMT equipment that caters to market demand as well as middle to high-end enterprise positioning, while further strengthening risk control and internal management, resulting in a significant year-on-year decrease in operating costs. In general, benefiting from a floating profit of approximately HK\$2,448,000 recorded in the securities investment business and a year-on-year decrease by approximately 16% and 28% in distribution costs and administrative costs respectively, the loss for the Period attributable to the equity holders of the Company was significantly reduced by approximately 95% year on year, and the earning performance was improved significantly. In the long run, new industrial trends such as 5G communication technology, smart wearable devices, and intelligent automobile electronics will drive a new round of industrial upgrading in the electronics manufacturing industry, and the Group will adhere to the fundamental development strategy of “one orientation, two key drivers, three breakthroughs and four initiatives”, focusing on the aspects such as equipment development, promotion, sales and internal control, fully grasp the precious opportunities of industry development, and make unremitting efforts to become the world’s leading supplier of SMT intelligent equipment.

## SMT EQUIPMENT MANUFACTURING AND RELATED BUSINESS

SMT equipment manufacturing and related business are at the core of the Group’s development.

During the Period, the management actively responded to the slowdown in market growth and the reduction of downstream customer demand caused by the uncertain business environment, with an aim to consolidate the dominant position in the industry and enhance the profitability. Benefiting from the continuous introduction of new SMT equipment which were well-received by the market and the adoption of effective cost control measures, the gross profit margin of the segment was further increased to approximately 35% from approximately 11% for the same period in 2017 and approximately 31% for the same period in 2018, and the profitability was further enhanced. However, due to macro adverse factors, the revenue of the segment was approximately HK\$92,745,000, representing a slight decrease from approximately HK\$104,742,000 for the same period last year.

## SMT EQUIPMENT MANUFACTURING AND RELATED BUSINESS (Continued)

In respect of product R&D, the Group currently has a full range of SMT solutions covering a range of hardware equipment such as the selective wave soldering machine, wave soldering machine, reflow soldering machine (ovens), solder paste printer and dispenser, as well as intelligent manufacturing management system BIMS, LOA information-based platform and other software systems, and can help downstream customers to establish new production modes such as JIT (Just in Time) and BTO (Build to Order), so as to improve production efficiency and reduce production cost under the new trend of slower capacity growth and faster iteration of consumer demand. During the Period, the Group launched a number of new equipment featuring intelligence, high precision and high flexibility to meet the market demand, including the selective wave soldering machine with intelligent identification function, which can be equipped with a recognition camera and can automatically capture and identify position reference points for precise positioning of welding points. In addition, the Group also introduced a new type of reflow soldering machine that can monitor the thermal profile of a single board in real time, a high-speed dispenser that can be embedded with flying camera function, and a silver solder paste printer for the silver paste printing industry, striving to continuously improve and perfect equipment chain construction, and strengthen customer stickiness and brand pricing strength.

The management is well aware that marketing is an important part of brand building. During the period under review, the Group continued to adhere to the “Go Out” strategy and participated in many well-known industry exhibitions including the 7th China Information Technology Expo, NEPCON ASIA, and Integrated Automation, Motion & Drives Shenzhen. Taking advantage of these opportunities, the Group brought various newly launched intelligent equipment and main products to the public, and arranged core R&D personnel to introduce the product features and answer questions to potential customers at the exhibition site, thereby promoting the close integration of product R&D and sales market and strengthening the brand image as a middle to high-end SMT equipment manufacturer.

In view of the short-term weakness of the macro economy, the management focused on cost control and credit policy in operational management. During the Period, the distribution costs and administrative costs of the segment decreased to approximately HK\$15,801,000 and approximately HK\$9,049,000, respectively, which were further reduced on the basis of the same period last year. In respect of credit management, while continuing to implement the original credit policy, the management appropriately adjusted its credit policy in response to the reasonable demand of high-quality customers with high credit levels, so as to strengthen the business cooperation with high-quality customers on the premise of ensuring the stable operating cash flow. Moreover, most of the new trade receivables and bills receivables have a credit period of less-than three months, and the trade receivables and bills receivables with a credit period of three to six months or more than six months decreased by approximately 16% and 22% respectively as compared with the same period of the previous year. As a result, the total amount of trade receivables and bills receivables increased only slightly over the same period of the previous year.

## SMT EQUIPMENT MANUFACTURING AND RELATED BUSINESS (Continued)

The management believes that although the current macro market headwinds may temporarily weigh down the business development and profitability of the Group, the underlying demands of the downstream industries still hold great potential. With the gradual release of the industrial chain effect related to 5G communication technology, the increasing popularity of the automotive electronics industry with artificial intelligence as the development prospect, and the steady growth of downstream consumer electronics such as mini LED displays and smart wearable devices, SMT equipment manufacturing will certainly benefit from the continuous and stable development of the electronics industry for a long term. The Group will adhere to the business strategy of moving steadily, working conscientiously and seeking improvement in stability, pay close attention to market trends, and give full play to its product advantages in the field of SMT equipment manufacturing for decades, to capture and fully grasp the opportunities of industry development.

## SECURITIES INVESTMENT BUSINESS

The Group is engaged in securities investment business with a low-frequency trading strategy, focusing on the upstream and downstream companies having synergy effect with the Company's main SMT equipment manufacturing business. At present, the investment is concentrated in high-tech companies listed on the Stock Exchange, mainly including the outstanding enterprises in such industries as semiconductor, computer and software. For the six months ended 30 June 2019, the securities investment segment recorded a floating profit of approximately HK\$2,448,000.

In view of the risk characteristics of the investment market, the Group has established a strict reporting mechanism to ensure that the management can promptly monitor all the investment activities, so as to mitigate the investment risks and ensure investment security.

| Name of investee                      | Total investment gain/(loss) for the six months ended 30 June 2019 (Unaudited) HK\$'000 |
|---------------------------------------|---|
| SMIC (stock code: 981.hk)             | 11,981  |
| GOME FIN TECH (stock code: 628.hk)    | 33  |
| GUODIAN TECH (stock code: 1296.hk)    | (5)   |
| LEGEND HOLDINGS (stock code: 3396.hk) | (9,561)   |
|                                       | 2,448   |

### SECURITIES INVESTMENT BUSINESS (Continued)

The Group's investments in listed securities were recorded as financial assets at fair value through profit or loss on the consolidated balance sheet, which was approximately HK\$139,787,000 as at 30 June 2019:

| Name of investee | Financial assets<br>at fair value through<br>profit or loss as<br>at 30 June 2019<br>(Unaudited)<br>HK\$'000 | Approximate<br>percentage of total<br>financial assets<br>at fair value<br>through profit or loss<br>% |
|------------------|--|--|
| SMIC             | 56,341   | 40.31  |
| GOME FIN TECH    | 272  | 0.19   |
| GUODIAN TECH     | 280  | 0.20   |
| LEGEND HOLDINGS  | 82,894   | 59.30  |
|                  | 139,787  | 100  |

## FINANCIAL REVIEW

### REVENUE

An analysis of the Group's revenue by business segment for the Period is as follows:

|  | Six months<br>ended 30 June<br>2019<br>(Unaudited)<br>HK\$'000 | Six months<br>ended 30 June<br>2018<br>(Unaudited)<br>HK\$'000 |
|--|--|--|
| SMT equipment manufacturing and related business | 92,745   | 104,742  |
| Finance lease and factoring                      | —  | 24   |
| Securities investment                            | 2,448  | (75,394)   |
| Comprehensive services                           | 584  | 1,177  |
|  | 95,777   | 30,549   |

### OTHER GAINS

During the Period, the Group recorded other gains of approximately HK\$9,870,000, which included reversal of bad debt written off of approximately HK\$5,353,000, government grants of approximately HK\$1,505,000, and gain on disposal of property, plant and equipment of approximately HK\$486,000.

### DISTRIBUTION COSTS

During the Period, benefiting from the effective cost control policy, the Group recorded distribution costs of approximately HK\$15,801,000, representing a decrease of approximately 16% as compared with the six months ended 30 June 2018.

### ADMINISTRATIVE COSTS

Benefiting from the integration and optimisation of human resource structure in the SMT equipment manufacturing and related business segment during the last financial period, the Group recorded administrative costs of approximately HK\$23,468,000 during the Period, representing a decrease of approximately 28% as compared with the six months ended 30 June 2018.

### FINANCE COSTS

During the Period, finance costs amounted to approximately HK\$8,829,000, representing an increase of approximately HK\$2,924,000 as compared with the six months ended 30 June 2018, which mainly generated from interest expenses on bank borrowings.

## 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\$4,118,000, while the loss attributable to the equity holders of the Company for the six months ended 30 June 2018 was approximately HK\$77,437,000.

## PROFIT/(LOSS) BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION

The following table illustrates the Group's profit/(loss) before interest, tax, depreciation and amortisation for the respective periods. The Group's profit ratio before interest, tax, depreciation and amortisation was approximately 7.47% for the Period.

|   | Six months<br>ended 30 June<br>2019<br>(Unaudited)<br>HK\$'000 | Six months<br>ended 30 June<br>2018<br>(Unaudited)<br>HK\$'000 |
|---|--|--|
| Loss for the period attributable to equity holders of the Company | <b>(4,118)</b>   | (77,437)   |
| Finance costs, net  | <b>8,571</b>   | 856  |
| Income tax expense/(credit)                                       | <b>404</b>   | (12,442)   |
| Depreciation and amortisation                                     | <b>2,296</b>   | 2,563  |
| Profit/(loss) before interest, tax, depreciation and amortisation | <b>7,153</b>   | (86,460)   |

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group had sufficient operating capital and maintained a high level of net current assets at approximately HK\$290,566,000 and a healthy current ratio at 1.25 times. With reference to the ratio of total borrowings as at 30 June 2019 to the equity attributable to the equity holders of the Company, the gearing ratio of the Group was 28.10%.

## OPERATING CAPITAL MANAGEMENT

As at 30 June 2019, the Group held cash and bank balances of approximately HK\$51,219,000, representing an increase of approximately HK\$5,635,000 compared with approximately HK\$45,584,000 as at the beginning of the Period. During the Period, by strictly managing trade receivables and effectively activating the utilisation efficiency of capital, the Group recorded the average debtors turnover days further shortened to approximately 61 days (31 December 2018: 70 days), and the average creditors turnover days decreased to approximately 110 days (31 December 2018: 114 days), while the average inventory turnover days slightly increased to approximately 109 days (31 December 2018: 106 days).

## CAPITAL EXPENDITURE ON PROPERTY, PLANT AND EQUIPMENT

During the Period, total capital expenditure was approximately HK\$4,203,000, in which approximately HK\$2,493,000 was on the renovation of production plants, and approximately HK\$1,710,000 was on the purchase of mechanical equipment.

## CHARGES ON THE GROUP'S ASSETS

As at 30 June 2019, 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 the Group's certain land and properties, which had an aggregate net carrying value at the reporting date of HK\$85,375,000;
- (ii) security deposits of approximately HK\$985,000; and
- (iii) cross guarantee provided by the Company and its subsidiaries.

## EQUITY AND LIABILITIES

As at 30 June 2019, the Group's net assets was approximately HK\$323,842,000, compared with the net assets of HK\$328,124,000 as at 31 December 2018. The decrease on equity for the Period was mainly attributed to the loss of approximately HK\$4,118,000 for the Period and the loss from the translation of foreign currency of approximately HK\$164,000.

## EMPLOYEES

At 30 June 2019, the Group employed approximately 333 full-time staff and workers in mainland China and approximately 17 staff in Hong Kong. The Group continues to maintain and enhance the capability of its employees by providing sufficient regular training. The Group remunerates its employees based on industry practice. In mainland China, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, the Group provides employee benefits including retirement scheme and performance bonuses.

### **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 non-compliance incidents 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 non-compliance incidents. 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 Period to ensure that adequate impairment provisions 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 mainly denominated in Renminbi, Hong Kong dollar, and US dollar. During the Period, 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.

**DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES**

At 30 June 2019, none of the Directors had any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), that was required to be recorded in the register to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

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

**SUBSTANTIAL SHAREHOLDER'S INTEREST IN SHARES AND UNDERLYING SHARES**

As at 30 June 2019, according to the register required to be kept under section 336 of the SFO, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

## LONG POSITIONS IN THE SHARES

| Name of shareholder   | Nature of interest   | Number of the ordinary shares held | Approximate percentage of total shareholding % |
|---|--|------------------------------------|--|
| <b>Substantial Shareholders</b>                               |  |                                    |  |
| Unis Technology Strategy Investment Limited ( <i>Note 1</i> ) | Beneficial owner   | 986,829,420                        | 67.82  |
| Chen Ping   | Beneficial owner   | 100,000,000                        | 6.87   |
| Reach General ( <i>Note 2</i> )                               | Beneficial owner   | 93,152,000                         | 6.40   |
| But Tin Fu ( <i>Note 3</i> )                                  | Beneficial owner/<br>interest of controlled<br>corporation | 87,783,168                         | 6.03   |

## Notes:

1. Unis Technology Strategy Investment Limited is wholly owned by Beijing Unis Capital Management Co., Ltd. (北京紫光資本管理有限公司), which in turn, is wholly owned by Tsinghua Unigroup Co., Ltd. (紫光集團有限公司). Tsinghua Unigroup Co., Ltd. (紫光集團有限公司) is owned as to 51% by Tsinghua Holdings Co., Ltd. (清華控股有限公司) and 49% owned by Beijing Jiankun Investment Group Co., Ltd. (北京健坤投資集團有限公司). Tsinghua Holdings Co., Ltd. (清華控股有限公司) is wholly owned by Tsinghua University (清華大學) and Beijing Jiankun Investment Group Co., Ltd. (北京健坤投資集團有限公司) is owned as to 70% by Mr. Zhao Weiguo.
2. Reach General International Limited ("Reach General") is 100% beneficially owned by Mr. Wu Xin.
3. Mr. But Tin Fu is interested in 87,783,168 shares, comprising (a) 37,525,200 shares directly held by Mr. But Tin Fu, (b) 3,796,000 shares directly held by Sun East Group Limited, which is owned as to 50% by Mr. But Tin Fu and 50% by Ms. Leung Hau Sum, the spouse of Mr. But Tin Fu, (c) 2,424,800 shares directly held by Sum Win Management Corp., which is wholly owned by Mr. But Tin Fu and (d) 44,037,168 shares directly held by Mind Seekers Investment Limited, which is wholly owned by Mr. But Tin Fu.

Save as disclosed above, the Company had not been notified of any other person (other than the Directors or chief executive of the Company) who had interests (whether direct or indirect) or short positions in the shares or underlying shares of the Company that were required to be recorded in the register kept under section 336 of the SFO as at 30 June 2019.

## **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 relevant rules and regulations, and applicable codes and standards. The Company has adopted the Code Provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Listing Rules.

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code. The Company was in compliance with the Code for the six months ended 30 June 2019, except for the following deviation from the Code Provision A.6.7 as disclosed below.

### **CODE PROVISION A.6.7**

Pursuant to the Code Provision A.6.7, generally independent non-executive directors and other non-executive directors should attend general meetings. Mr. Cui Yuzhi, Mr. Bao Yi and Mr. Ping Fan, the independent non-executive directors of the Company, and Mr. Li Zhongxiang and Mr. Qi Lian, the non-executive directors of the Company, were absent from the annual general meeting held on 30 May 2019 due to other business commitments. To ensure compliance with the Code in the future, the Company had provided directors who did not attend the meeting with relevant meeting documents and specified to them the details of the meeting and the matters that need to be brought to the attention subsequent to the meeting in support of their understanding of the views of the shareholders of the Company. The Company will also continue to 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 established the Audit Committee (the “Committee”) in accordance with the requirements of the Code, for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Committee comprises one non-executive director and two independent non-executive directors of the Company. The Group’s interim results for the six months ended 30 June 2019 has been reviewed by the Committee. The Committee is of the opinion that these statements comply with the applicable accounting standards, regulations and the Stock Exchange’s requirements, and that adequate disclosures have been made.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

## **DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

## **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 to the Listing Rules as a code of conduct regarding securities transactions by Directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2019.

## **PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE’S WEBSITE**

The Company’s interim report containing all the information required by the Listing Rules will be published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.unistech.com.hk](http://www.unistech.com.hk)) and be despatched to Shareholders in due course.

The Board wishes to remind investors that the above unaudited interim financial results and operational statistics for the six months ended 30 June 2019 and the six months ended 30 June 2018 are based on the Group's internal information. Investors should note that undue reliance on or use of such information may cause investment risks. Investors are advised to exercise caution when dealing in the securities of the Company.

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