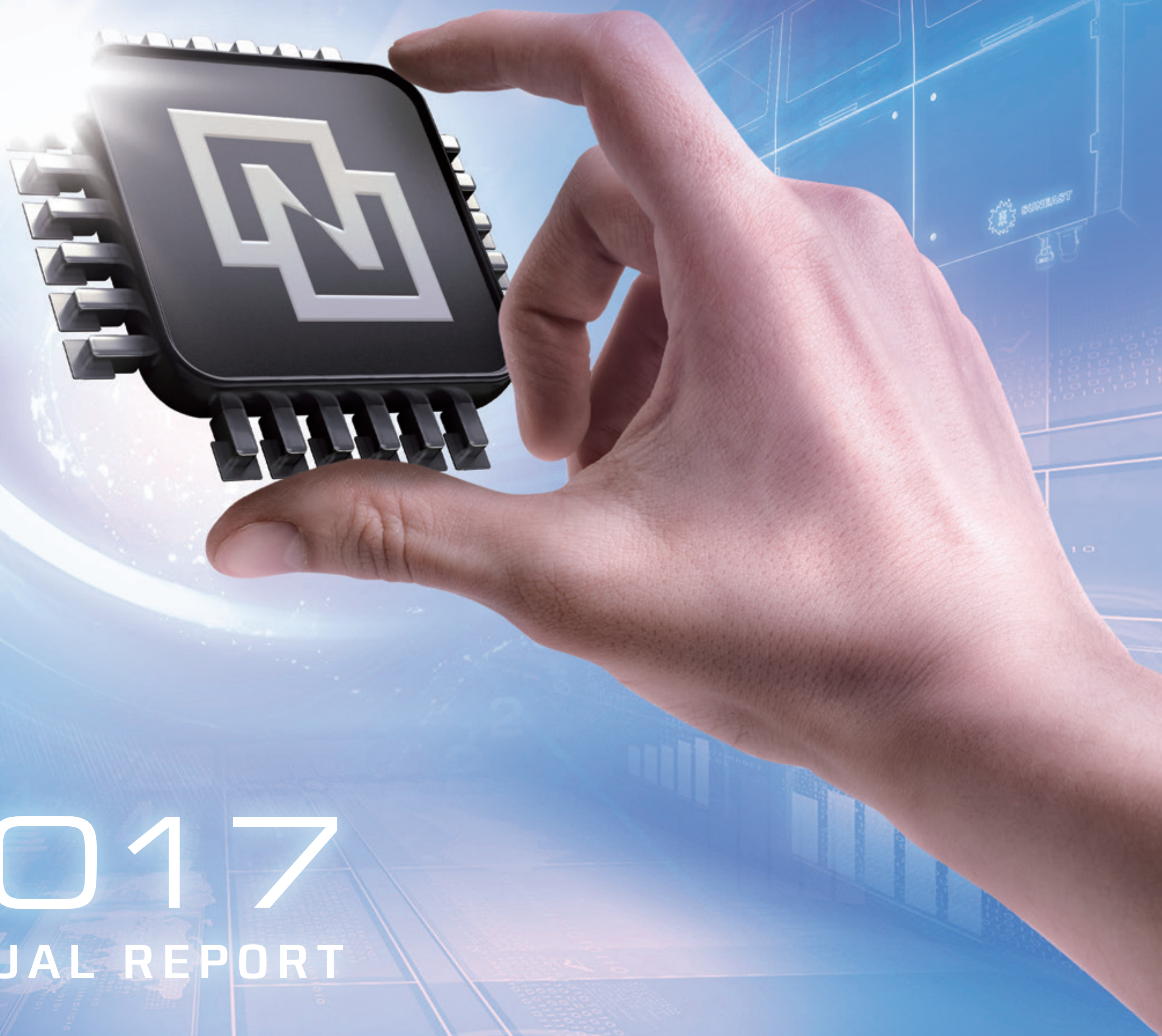
紫光控股
UNIS HOLDINGS

UNISPLENDOUR TECHNOLOGY (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 365

CHASE THE DREAM,
CHANGE THE WORLD



2017
ANNUAL REPORT

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. ZHANG Yadong *(Chairman)*
(appointed on 28 June 2017)
Mr. XIA Yuan *(Chief Executive Officer)*
Mr. ZHENG Bo
(appointed on 3 August 2017)
Mr. WANG Huixuan *(former Chairman)*
(re-designated as Executive Director from Non-executive Director and appointed as the Chairman of the Board on 17 February 2017 and resigned as Executive Director and Chairman of the Board on 28 June 2017)

Non-executive Directors

Mr. LI Zhongxiang *(Vice Chairman)*
Mr. QI Lian (resigned as Chairman of the Board on 17 February 2017 and re-designated as Non-executive Director from Executive Director on 3 August 2017)

Independent Non-executive Directors

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

Audit Committee

Mr. Cui Yuzhi *(Chairman)*
Mr. Li Zhongxiang
(appointed on 17 February 2017)
Mr. Bao Yi
Mr. Wang Huixuan
(resigned on 17 February 2017)

Rumuneration Committee

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

Nomination Committee

Mr. ZHANG Yadong *(Chairman)*
(appointed on 28 June 2017)
Mr. CUI Yuzhi
Mr. PING Fan
Mr. WANG Huixuan *(former Chairman)*
(appointed on 17 February 2017 and resigned on 28 June 2017)
Mr. QI Lian *(former Chairman)*
(resigned on 17 February 2017)

Company Secretary

Mr. Liu Wei

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business

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

Principal Banker

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

Auditor

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

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

CHAIRMAN'S STATEMENT

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 audited results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017.

Business Review

In 2017, the Company formulated a development strategy that highlighted its own competitive edges based on current industry condition and market trends. Under the guidance of this development strategy, the Group increased the investment in traditional SMT equipment manufacturing business, while beginning to explore new development idea and set footprint on financial investment business, and had made satisfactory progress in that regard, thus laying a solid foundation for the steady development in the future.

During the reporting period, focused on the SMT equipment manufacturing and related business and by formulating a development strategy tailored to its own competitive edges, the Group took full advantage of the opportunities arising from industry and market development, and achieved synchronous improvement in operating revenue and operation quality. In respect of the revenue, the Group recorded a year-on-year increase of 35% in the sales revenue of the self-manufactured SMT equipment and an average gross profit margin of 28% for the self-manufactured SMT equipment. The overall gross profit margin of the Group's products was 14%, which indicated a stable improvement in its profitability. In respect of the operation quality, the Group's operating cash flow was improved continuously mainly attributable to strict implementation of the new credit sales policy and the collection of overdue receivables, which caused the net amount of trade and bills receivables to decrease by 69% from approximately HK$194 million as at the beginning of the year to HK$61.12 million. In the meanwhile, the Group implemented cost control and took various optimization measures to further reduce sales expenses and administration expenses, with a year-on-year decrease of 57% from approximately HK$203 million as at the end of last year to HK$87.51 million as at the end of this year. In addition, the Group strengthened inventory management and established solid cooperation relationship with suppliers, while stepping up the efforts to dispose of the inventory, which caused the inventory to decrease from approximately HK$69.52 million as at the beginning of the year to approximately HK$39.16 million.

The financial investment business is a new business segment explored by the Group. As at 31 December 2017, the financial investment business remained profitable and recorded a profit before tax of approximately HK$40.83 million. The Group will continue the implementation of the low-frequency trading strategy with a focus on the high-tech companies listed in Hong Kong in the upstream and downstream industries for SMT equipment manufacturing, such as telecommunication equipment, semiconductor, Internet, computer and software.

During the reporting period, the finance lease and factoring business was maintained under stable operation.

Industry Review

During the year, the SMT equipment manufacturing industry entered into the development stage of "Industry 4.0" featured by intelligence, informatization and automation at a greater speed. From the global perspective, electronic products for personal consumption such as intelligent homes and intelligent wearable equipment have developed into new growth points in addition to smartphones, and with the emergence and popularity of new applications and technologies such as artificial intelligence, driverless technology, Internet of Things and 5G telecommunication, the computer and communication fields will also present a huge growth potential. In the domestic market, the SMT equipment manufacturing industry will benefit from the strong support of national policies and the faster localization of chip manufacturing, and will enjoy continuous driving forces for demand growth and technical development. In view of the above, the SMT equipment manufacturing industry is going to embrace valuable opportunities arising from the development of the industry. However, in the meanwhile, downstream enterprises will also impose higher requirements on the process and technology, cost control and environmental friendliness of SMT equipment due to the faster upgrade of new products, applications and technologies and the increased awareness of all walks of life on environmental protection, reflecting the urgent development need of the SMT equipment manufacturing industry to phase out low-end processing equipment and gradually shift its focus to middle and high-end customized automatic equipment.

Given the above, the Group has established and comprehensively implemented the development strategy of "one orientation, two key drivers, three breakthroughs and four initiatives", which means that, the Group will based on the enterprise positioning of becoming global leading SMT intelligent equipment provider use selective soldering and BIMS intelligent manufacturing system as two key drivers, to achieve three breakthroughs including building up selective soldering as hit products, establishment of brand-image that fulfilled the middle and high-end products positioning of the Group and the formation of sustainable and competitive profit model. To achieve the above objectives, the Group will take four initiatives, including implementing new sales policy that focuses on the hit products, increasing investment in R&D and market development of hit products, continuing the optimization and upgrade of human resources efficiency, and strengthening the internal control system.

Operation Review

As one of the first leading enterprises to engage in the R&D and manufacturing of SMT equipment in Mainland China, the Group used to independently develop and manufacture the first lead-free wave soldering machine and the first lead-free reflow soldering machine in Mainland China, and has accumulated profound technologies and competitive edges in independent R&D. During the reporting period, the Group continued to lay the strategic focus on the enhancement and promotion of the edges in independent R&D, and continuously increased the investment in R&D to proactively cater to the needs of the electronics manufacturing industry for upgrade and development. In 2017, the Group obtained 8 new patents, which brought the total number of patents to 40, and received various R&D and patent subsidies from the governments. During the year, the Group successfully developed and launched the selective wave soldering machine, which was the first product in Mainland China to adopt the design of online electromagnetic pump, and won the Award for Innovative Achievements in SMT in Mainland China and the Gold Award under the Fourth Session of the "Red Sail Award" for Industrial Design, representing the cutting-edge technology in the domestic market, and another industry honor won by the Group by virtue of its solid technical strengths and outstanding capability in innovation after the "Red Sail Award" for Industrial Design won by the fully automatic solder paste printer independently developed by the Group in 2016. In addition, the Group independently developed the BIMS intelligent manufacturing system, an information-based management and control solution for the all-process data of the SMT industry, which integrates five major functions of raw material supply, production plan, process management and control, product delivery and customer retrospection, and leverages on such strong technologies as data collection engine, cloud storage and cloud computing to enable enterprise customers to accomplish data integration, transaction processing and intelligent manufacturing in stages and tailors BIMS systems for different needs at a great speed, thus providing a solid platform for enterprise customers to realize Industry 4.0.

The Group also invested resources in market exploration and product marketing while giving full play to its competitive edges in independent R&D. During the reporting period, the Group actively explored the overseas market in line with the national strategy of "The Belt and Road Initiative" on the basis of continuously expanding the presence in the domestic market. In 2017, the Group participated in nearly 10 large-scale exhibitions at home and abroad, leaving footprints all over the Europe, Southeast Asia and Russia. In addition to the traditional Nepcon exhibition and forums on intelligent manufacturing in Mainland China, the Group also selectively participated in the most influential exhibitions across the world, including ExpoElectronica, the largest electronic equipment exhibition in Russia that has been held for 19 consecutive sessions, and the electronica in Germany, an international electronic production equipment exhibition with the largest scale, the highest popularity and the highest level of professionalism, where it was one of the few SMT equipment manufacturers from Mainland China that put up independent exhibition stage and participated in the exhibition independently. Through the aforesaid market activities, the selective wave soldering machine and the BIMS intelligent manufacturing system independently developed by the Group have made great impression on overseas customers by virtue of the advantages such as high cost-effectiveness, customization and high response speed, and have significantly improved the popularity of the Group as an independent developer of SMT equipment at home and abroad, thus further solidifying the brand image and positioning of the Group as a provider of middle and high-end products.

In respect of the sales, the Group implemented the strategy of selling through all channels, including direct sales, regional agency, industry supporting agency and intermediate trader, to achieve full coverage on various customers in various industries all over the world. With respect to the expansion in the overseas market, the Group actively promoted the agency mode to make full use of the advantages of the agencies in local resources. While expanding the sales network, the Group also adopted the marketing strategy of all-staff participation and a competitive sales incentive strategy to fully stimulate the enthusiasm of the sales force.

The Group attaches importance to internal optimization, and has been taking various measures to improve operation quality and achieve the integration and complementation of internal and external development in multiple aspects. In respect of human resources, the Group optimized the staffing and improved work efficiency by means of outsourcing processes, simplifying work flows, providing information-based feeds, building supply chain, combining posts and streamlining management levels. In respect of internal control, the Group put into practice a brand new credit sales policy to accelerate capital turnover, and step up the efforts on the collection of trade receivables, which caused the balance of trade receivables to decrease significantly on a year-on-year basis.

In the meanwhile of consolidating the position in the SMT equipment manufacturing business, the Group exerted vigorous efforts on the development of the financial investment business segment during the reporting period. The Group began to invest in the shares of the high-tech companies listed on Hong Kong Stock Exchange from the end of 2016, which contributed a profit before tax of HK$40.83 million to the results of the Group for this financial year. In the future, the Group will take advantage of the long standing competitive edges of Tsinghua Unigroup in the integrated circuit industry and the competitive edges of the Group in the SMT equipment manufacturing industry to continuously enhance the strengths in financial investment business.

The Group also engages in the finance lease and factoring business. During the reporting period, this business segment was maintained under stable operation.

Outlook

Looking forward, the Group will firmly capture the valuable opportunities arising from the rapid development of the SMT equipment manufacturing industry, take advantage of the absolute leading edges of Tsinghua Unigroup in the integrated circuit and internet communication equipment markets in Mainland China, and resolutely implement the development strategy of "one orientation, two key drivers, three breakthroughs and four initiatives" to acquire competitive strengths among industry peers and build a brand image with a middle and high-end positioning, so as to further increase the sales volume of products and enhance the pricing power. In addition, the Group will continue to promote the development of the financial investment business, and broaden the Group's sources of income by building up a financial service platform.

On behalf of all the members of the Board, I hereby take this opportunity to express our heartfelt gratitude for the diligent efforts of the management and all the staff, as well as the trust and support of all the shareholders and partners throughout the past year. I believe that, with scientific development strategies, great advantages and resources accumulated over time and the joint efforts of all the staff, the Group is bound to see the positive effect gradually producing by the various investments made at the early stage and the visionary operating strategies, which will power the rise of the corporate value and enable the Group to create higher returns for the shareholders.

Zhang Yadong
Chairman

Hong Kong
22 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

During the reporting period, adhering to the development strategy of "one orientation, two key drivers, three breakthroughs and four initiatives" and centering on the SMT and related business, the Group made vigorous efforts to expand the securities investment segment, firmly captured the opportunities arising from market development and gave full play to its own advantages, thus achieving an improvement in its overall profitability. For the year ended 31 December 2017, the Group recorded a total net profit of approximately HK$51,569,000, mainly attributable to the change in the fair value of convertible bonds and profit from the securities investment segment.

SMT equipment manufacturing and related business

During the reporting period, SMT equipment manufacturing remained as the principal business segment of the Group and contributed a revenue of approximately HK$195,989,000, accounting for 77% of the Group's total revenue, of which the sales revenue from the SMT equipment researched and developed by the Group amounted to approximately HK$135,749,000, representing an increase of 35% compared to the reporting period of last year. In addition, the Group recorded significant year-on-year increases in the revenue from the main products such as wave soldering machine, reflow oven, screen printing machine and dispenser.

The Group is well aware that product quality and strengths form the foundation for the long lasting and stable development of the Group. During the reporting period, the Group input significant resources on own-brand SMT equipment, focusing on enhancing the advantages in R&D capabilities, to continuously launch new products that were in line with the positioning of the Group as a provider of middle and high-end products and catered to the market demand, and phase out outmoded production capacity with a low degree of automation and high energy consumption, so as to keep abreast of the development trend of the industry. During the year, the high-end selective wave soldering machine launched by the Group won the Award for Innovative Achievements in SMT in Mainland China and the Gold Award under the Fourth Session of the "Red Sail Award" for Industrial Design by virtue of the better performance in such aspects as stability, precision and informatization and the capability of reducing energy consumption significantly, e.g. reducing the consumption of flux, tin slag and Nitrogen by over 95% and the power consumption by 55%. The Group has also launched an energy saving lead-free vertical reflow oven, which is featured by a compact structure and a small footprint and offers production efficiency far higher than that of traditional solidification oven, and thus saving the work space and shortening the production time to the greatest extent.

In order to serve the new production modes of JIT (Just in Time) and BTO (Build to Order), etc., the Group independently developed the BIMS intelligent manufacturing system, an information-based management and control solution for the all-process data in the SMT industry which incorporates various application modules such as data collection, data processing, data exchange and intelligent manufacturing, to ensure consistent soldering quality and monitor equipment operation on a real-time basis, thus satisfying the fundamental desire of the customers and the market for lower manufacturing cost, higher production efficiency, better product quality and faster response to market demand, and making the Group the ultimate solver and pacesetter for the information-based management and control of all-process data on SMT.

The Group attaches importance to the investment in market development and brand building. During the reporting period, the Group further upgraded the sales system, invested plenty of resources in the sales market, actively built a sales network covering domestic and overseas markets with multiple channels and established a motivational sales incentive mechanism to facilitate the R&D, production and sales of own-brand SMT equipment. In the meanwhile, the Group put the "Go Out" strategy in practice by participating in nearly ten large-scale industry exhibitions of great influence at home and abroad to vigorously promote the own-brand hit products of the Group such as selective wave soldering machine and BIMS manufacturing system, so as to strengthen the brand image of the Group as a provider of middle and high-end products and enhance its popularity overseas.

In respect of internal control, the Group refined its operation management to improve operation quality and continuously improve operating cash flows, so as to lay a solid foundation for the long-term development. The Group implemented brand new sales credit policies to accelerate capital turnover. The balance of trade and bill receivables of the Group decreased by 69% on a year-on-year basis from approximately HK$194,202,000 as at the end of 2016 to approximately HK$61,120,000 as at the end of 2017.

Looking back into the year of 2017, the Group could not have made all such progress in the SMT equipment manufacturing segment without the relentless efforts made on the implementation of the development strategy of "one orientation, two key drivers, three breakthroughs and four initiatives". In the future, the Group will keep abreast of Industry 4.0, focus on strengthening its advantages in R&D capabilities, continue to exert diligent efforts on SMT equipment manufacturing, and continuously launch automatic equipment of high efficiency, low cost and great intelligence that caters to the demand from the market, so as to get well prepared to adapt to the industrial upgrade and transformation and capture preemptive opportunities.

Finance lease and factoring business

The Group set footprint on the finance lease and factoring business segment in 2015, which is under stable operation. During the reporting period, the finance lease and factoring business contributed a revenue of approximately HK$6,999,000.

Securities investment business

The Group included securities investment into the ordinary and usual course of business during the reporting period. The Group implements a low-frequency trading strategy and mainly invests in the high-tech companies listed on Hong Kong Stock Exchange, with a particular focus on the outstanding enterprises in such industries as telecommunication equipment, semiconductor, Internet, computer and software. For the year ended 31 December 2017, the revenue from the securities investment segment was approximately HK$50,040,000, and recorded a pre-tax profit of HK$40,828,000.

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 while diversifying the sources of revenue of the Group.

Name of investee		**Total investment gain/(loss) for the year ended 31 December 2017** ***HK$'000***
SMIC	(stock code: 981.hk)	19,513
SMIT	(stock code: 2239.hk)	1,937
GOME FIN TECH	(stock code: 628.hk)	(113)
GUO DIAN TECH	(stock code: 1296.hk)	(32)
ZTE	(stock code: 763.hk)	(521)
LEGEND HOLDINGS	(stock code: 3396.hk)	26,446
LENOVO GROUP	(stock code: 992.hk)	590
KINGSOFT	(stock code: 3888.hk)	908
TENCENT	(stock code: 700.hk)	1,312
		50,040

During the reporting period, the Group: (i) purchased an aggregate of 12,913,500 shares and sold 8,448,500 shares of SMIC; (ii) purchased an aggregate of 1,276,000 shares and sold 39,000 shares of SMIT; (iii) purchased an aggregate of 418,000 shares of GOME FIN TECH; (iv) purchased an aggregate of 1,000,000 shares of GUODIAN TECH; (v) purchased an aggregate of 323,200 shares and sold 1,320,000 shares of ZTE; (vi) purchased an aggregate of 4,510,000 shares of LEGEND HOLDINGS; (vii) purchased an aggregate of 1,000,000 shares and sold 2,030,000 shares of LENOVO GROUP; (viii) sold an aggregate of 1,295,000 shares of KINGSOFT; and (ix) sold an aggregate of 61,600 shares of TENCENT.

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$256,563,000 as at 31 December 2017:

Name of investee	Financial assets at fair value through profit or loss as at 31 December 2017	Percentage of total financial assets at fair value through profit or Joss
	HK$'000	*%*
SMIC	87,556	34.13
SMIT	6,192	2.41
GOME FIN TECH	376	0.15
GUO DIAN TECH	530	0.21
LEGEND HOLDINGS	161,909	63.10
	256,563	100

Financial Review

Income

In 2017, the Group recorded a total income of approximately HK$253,028,000 and gross profit margin of approximately 31%. An analysis of the income by business segment is as follows:

	Year ended 31 December 2017 (Audited) *HK$'000*	Nine months ended 31 December2016 (Audited) *HK$'000*
SMT and related	**195,989**	267,451
Finance lease and factoring	**6,999**	909
Securities investment	**50,040**	—
Total	**253,028**	268,360

Other gains

During the reporting period, the Group recorded other gains of approximately HK$3,746,000, including revenue from sales of scraps of approximately HK$2,634,000, and gains from sales of available-for-sale financial assets of HK$1,112,000.

Distribution costs

During the reporting period, the Group recorded distribution costs of approximately HK$35,044,000, representing a decrease of approximately 41% compared to the reporting period of last year, mainly attributable to the significant decline in technical service fees.

Administrative costs

During the reporting period, the administrative costs amounted to approximately HK$52,461,000, including labor costs of approximately HK$36,689,000 and rent of approximately HK$13,093,000.

Finance cost

During the reporting period, the net finance costs amounted to approximately HK$8,653,000, representing an increase of approximately HK$7,788,000 compared to the reporting period of last year, mainly attributable to the amortization of interest expense on convertible bond of approximately HK$7,423,000.

Gains from change in fair value of convertible bonds

On 30 May 2016, the Company issued zero coupon convertible bonds with face value of HK$148,000,000 to Unis Technology Strategy Investment Limited. During the reporting period, the gains from change in fair value of convertible bonds amounted to approximately HK$78,405,000.

Profit for the period

As a result of the foregoing, the profit attributable to the equity holders of the Company for the reporting period was approximately HK$51,569,000.

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 year/period. The Group's profit ratio before interest, tax, depreciation and amortisation was approximately 30% for the year/period.

	Year ended 31 December2017 *HK$'000*	Nine months ended 31 December2016 *HK$'000*
Profit/(loss) for the year/period attributable to equity holders of the Company	**51,569**	(603,151)
Finance costs	**8,653**	865
Income tax expense/(credit)	**6,356**	21,679
Depreciation and amortisation	**8,821**	7,839
Profit/(loss) before interest, tax, depreciation and amortisation	**75,399**	(572,768)

Liquidity, financial resources and gearing ratio

The Group has maintained sufficient operating capital. As at 31 December 2017, the net current assets of the Group amounted to approximately HK$441,038,000, and the liquidity ratio of the Group was maintained at a reasonably high level of 3.52, which was sufficient to support the ordinary operation of the Group.

As of 31 December 2017, the Group had no balance of bank borrowings.

Operating capital management

As at 31 December 2017, the Group held cash and cash equivalents of approximately HK$234,003,000, representing a decrease of approximately HK$60,049,000 compared with approximately HK$294,052,000 as at the beginning of the reporting period, which was mainly due to the repayment of borrowings of approximately HK$122,881,000.

Capital expenditure on property, plant and equipment

During the reporting period, total capital expenditure was approximately HK$6,485,000, in which approximately HK$1,574,000 was on the purchase of machinery and equipment, approximately HK$3,550,000 on the renovation and decoration of office and approximately HK$1,027,000 on the purchase of computer software and approximately HK$334,000 on the purchase of transportation equipment.

Charges on the Group's assets

As at 31 December 2017, the Group's banking facilities including its import/export loan, letter of credit, documentary credits, trust receipt and bank borrowings were secured by:

(i) security deposits of approximately HK$6,656,000; and

(ii) no cross guarantee provided by subsidiaries of the Group.

Equity and liabilities

As at 31 December 2017, the Group's net assets amounted to approximately HK$462,581,000. The increase in net assets during the reporting period as compared with the net liabilities of approximately HK$195,763,000 as at 31 December 2016 was mainly due to the change of the measurement method of convertible bonds to compound financial instrument.

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 emphasizes on ethical value and prevention of fraud and bribery, and has established a whistleblower program, including communication with other departments and business segments and units, to report any irregularities. In this regard, the Directors consider that the Group's operational risk is effectively mitigated.

Financial risk

The Group is exposed to credit risk, liquidity risk and foreign exchange 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 provisioin has 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, US dollar and Japanese yen. 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.

Human Resources

As at 31 December 2017, the Group employed approximately 382 full-time employees and workers in Mainland China, and employed approximately 21 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 labor law. In Hong Kong, the Group provides staff benefits including retirement scheme and bonuses related performance.

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 year ended 31 December 2017, except for the following deviations.

Code Provision A.6.7

Pursuant to the Code Provision A.6.7, Independent Non-executive Directors and other Non-executive Directors should attend general meetings. However, Independent Non-executive Directors and Non-executive Directors of the Company were absent from the special general meeting held on 30 March 2017 and the annual general meeting held on 1 June 2017 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.

Code Provision E.1.2

Pursuant to the Code Provision E.1.2, Chairman of the Board should attend annual general meetings. Mr. Wang Huixuan (he was then the Chairman of the Board) was absent from the annual general meeting held on 1 June 2017 due to other business commitments. The Company had already provided Mr. Wang with the relevant meeting documents and specified to him the details of the meeting and the matters that need to be brought to the attention subsequent to the meeting. This served to strengthen the construction of communications among the Chairman of the Board and the shareholders.

Model Code For Securities Transactions By Directors

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

Board of Directors

The Board, headed by the Chairman, is responsible for the oversight of the management of the business and affairs of the Company with the objective of enhancing shareholder value. It is responsible for the formulation and the approval of the Group's development and business strategies and policies, approval of annual budgets and business plans, recommendation of dividend, and supervision of management in accordance with the governing rules. The management of the Company is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

The Board of the Company comprises a total of eight Directors, with three Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. More than one-third of the Board is Independent Non-executive Directors and not less than one of them have appropriate professional qualifications or accounting or related financial management expertise. The composition of the Board is shown on page 25 under the "Attendance Record at Meetings" in this report. Biographies of the Directors which include relationship among members of the Board are set out on pages 33 to 35 under the "Directors Profile" in this annual report.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-executive Directors are independent in accordance with the Listing Rules.

Directors are provided with complete, adequate explanation and information to enable them to make an informed decision or assessment of the Company's performance, position and prospects and to discharge their duties and responsibilities on a timely basis. The Directors, to properly discharge their duties, are given access to independent professional advisers, when necessary, at the expense of the Company.

Regular Board meetings are scheduled to be held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the strategies and policies of the Company.

Board of Directors (Continued)

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in the Code Provision D.3.1 of the Code.

The Board had reviewed the Company's corporate governance policies and practices, trainings and continuing professional development of Directors and the senior management personnel, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Code and disclosure in this report.

Continuing Professional Development

The Directors have undergone satisfactory training throughout the year and provided the training record to the Company. During the year ended 31 December 2017, the training records of Directors are set out below:

	Corporate Governance/update on laws, rules and regulations	
Directors	**Read Materials**	**Attend Seminars, Briefings and Conferences**
Executive Directors		
Mr. ZHANG Yadong *(Chairman)*[1]	✓	✓
Mr. XIA Yuan *(Chief Executive Officer)*	✓	✓
Mr. ZHENG Bo[2]	✓	✓
Mr. WANG Huixuan *(former Chairman)*[3]	✓	✓
Non-executive Directors		
Mr. LI Zhongxiang *(Vice Chairman)*[4]	✓	✓
Mr. QI Lian[5]	✓	✓
Independent Non-executive Directors		
Mr. CUI Yuzhi	✓	✓
Mr. BAO Yi	✓	✓
Mr. PING Fan	✓	✓

Board of Directors (Continued)

Continuing Professional Development (Continued)

Notes:

1. Mr. Zhang Yadong was appointed as Executive Director, the Chairman of the Board and the Chairman of the Nomination Committee on 28 June 2017.

2. Mr. Zheng Bo was appointed as Executive Director on 3 August 2017.

3. Mr. Wang Huixuan was re-designated as Executive Director from Non-executive Director and appointed as the Chairman of the Board and the Chairman of the Nomination Committee and meanwhile no longer served as the member of the Audit Committee on 17 February 2017. Mr. Wang resigned as Executive Director and the Chairman of the Board on 28 June 2017 and no longer served as the Chairman of the Nomination Committee.

4. Mr. Li Zhongxiang was appointed as a member of the Audit Committee on 17 February 2017.

5. Mr. Qi Lian has no longer served as the Chairman of the Board as well as the Chairman and the member of the Nomination Committee with effect from 17 February 2017, and was re-designated as Non-executive Director from Executive Director on 3 August 2017.

Directors' and Officers' insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and Officers.

Chairman and Chief Executive Officer

The Company complies with the Code provision A.2.1 which stipulates that the role of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual at the same time.

During the reporting period, the roles of the Chairman of the Group were served by Mr. Qi Lian (resigned as the Chairman of the Board on 17 February 2017), Mr. Wang Huixuan (the period from 17 February 2017 to 28 June 2017) and Mr. Zhang Yadong (was appointed so on 28 June 2017 and has been serving until the present).

For the year ended 31 December 2017, the role of Chief Executive Officer of the Group was served by Mr. Xia Yuan.

Board of Directors (Continued)

Nomination Committee

The Company has established a Nomination Committee in accordance with the requirements of the Code for the purpose of reviewing the structure, size and composition of the Board on an annual basis, identifying suitable candidates to become Directors and making recommendation to the Board, assessing the independence of independent Non-executive Directors and advising the Board in respect of the appointment or re-appointment of directors.

The Nomination Committee currently comprises three members, Mr. Zhang Yadong (Chairman of the Committee), who is an Executive Director, and Mr. Cui Yuzhi and Mr. Ping Fan, who are independent Non-executive Directors. Mr. Zhang Yadong was appointed as the Chairman of the Nomination Committee on 28 June 2017. Mr. Wang Huixuan was appointed as the Chairman of the Nomination Committee on 17 February 2017 and resigned as the chairman and the member of the Nomination committee on 28 June 2017. Mr. Qi Lian resigned as the Chairman and the member of the Nomination Committee on 17 February 2017.

The Nomination Committee met four times during the year ended 31 December 2017 and the individual members' attendance records are disclosed in the section "Attendance Record at Meetings" in this report. The Nomination Committee has considered and provided the Board with the following proposals:

(a) review on the structure, size and composition of the Board of Directors of the Group;

(b) identification of candidates suitably qualified to become Directors and advise on so to the Board;

(c) advice on the re-appointment and the re-designation of Directors; and

(d) assessment of the independence of Independent Non-executive Directors.

Board of Directors (Continued)

Remuneration Committee

The Company has established a Remuneration Committee in accordance with the requirements of the Code for the purpose of reviewing the remuneration policy and fixing the remuneration package for all Directors. The Remuneration Committee currently comprises three members, Mr. Bao Yi (Chairman of the Committee) and Mr. Ping Fan, who are independent Non-executive Directors, and Mr. Qi Lian, who is a Non-executive Director.

The Remuneration Committee met three times during the year ended 31 December 2017 and the individual members' attendance records are disclosed in the section "Attendance Record at Meetings" in this report. The Remuneration Committee has considered and provided the Board with the following proposals:

(a) reviewed the remuneration policies of the Directors of the Company;

(b) advised on the remuneration of Executive Directors to the Board; and

(c) reviewed and approved the annual performance bonus schemes and the granting of discretionary bonus to both management and other employees of the Company.

The Remuneration Committee is to determine, with responsibility delegated by the Board, the remuneration packages of individual Executive Directors. Further particulars in relation to Directors' remuneration and the five individuals with highest emoluments as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 35 and note 9 to the consolidated financial statements.

Board of Directors (Continued)

Audit Committee

The Audit Committee currently comprises three members, Mr. Cui Yuzhi (Chairman of the Committee) and Mr. Bao Yi, who are independent Non-executive Directors, and Mr. Li Zhongxiang, who is Non-executive director. Mr Wang Huixuan ceased to act as a member of the Audit Committee on 17 February 2017, and Mr. Li Zhongxiang was appointed as member of the Audit Committee on 17 February 2017.

The principal duties of the Audit Committee include to review the financial reporting system, risk management and internal control system of the Group, review the financial information of the Company, which includes review of the completeness of the financial statements, annual reports and accounts, interim reports of the Company, as well as the review of the significant advice related to financial reporting as set out in the statements and reports, to advise the Board on the appointment, re-appointment and removal of the external auditor as well as the remuneration and the employment terms of the external auditor, to review and monitor the work procedures and the independence of the auditor, to monitor the Company's compliance with the requirements of laws and the Listing Rules, and to engage independent legal or other advisers as it determines necessary.

The Audit Committee met four times during the year ended 31 December 2017 and the individual members' attendance records are disclosed in the section "Attendance Record at Meetings" in this report. The Audit Committee has considered and provided the Board with the following proposals:

(a) reviewed the draft annual and interim financial statements and draft results announcements during the year;

(b) reviewed the remuneration of the external auditor and advised the Board about so;

(c) advised the Board about the re-appointment of the external auditor; and

(d) reviewed the annual audit planning of the external auditor.

Board of Directors (Continued)

Attendance Record at Meetings

The attendance record of each Director at the Board Meetings, Audit Committee Meetings, Remuneration Committee Meetings, Nomination Committee Meetings and General Meetings during the year ended 31 December 2017 is set out in the following table:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Annual General Meetings	Special General Meetings
Number of meeting held	**10**	**4**	**3**	**4**	**1**	**1**
Executive Directors						
Mr. ZHANG Yadong *(Chairman)*[1]	3/3	N/A	N/A	1/1	N/A	N/A
Mr. XIA Yuan *(Chief Executive Officer)*	10/10	N/A	N/A	N/A	1/1	1/1
Mr. ZHENG Bo[2]	2/2	N/A	N/A	N/A	N/A	N/A
Mr. WANG Huixuan *(former Chairman)*[3]	6/6	N/A	N/A	2/2	0/1	0/1
Non-executive Directors						
Mr. LI Zhongxiang *(Vice Chairman)*[4]	10/10	4/4	N/A	N/A	0/1	0/1
Mr. QI Lian[5]	10/10	N/A	3/3	1/1	0/1	0/1
Independent Non-executive Directors						
Mr. CUI Yuzhi	10/10	4/4	N/A	4/4	0/1	0/1
Mr. BAO Yi	9/10	3/4	3/3	N/A	0/1	0/1
Mr. PING Fan	10/10	N/A	3/3	4/4	0/1	0/1

Board of Directors (Continued)

Attendance Record at Meetings (Continued)

Notes:

1. Mr. Zhang Yadong was appointed as Executive Director, the Chairman of the Board and the Chairman of the Nomination Committee on 28 June 2017.

2. Mr. Zheng Bo was appointed as Executive Director on 3 August 2017.

3. Mr. Wang Huixuan was re-designated as Executive Director from Non-executive Director and appointed as the Chairman of the Board and the Chairman of the Nomination Committee and meanwhile no longer served as the member of the Audit Committee on 17 February 2017. Mr. Wang resigned as Executive Director and the Chairman of the Board on 28 June 2017 and no longer served as the Chairman of the Nomination Committee.

4. Mr. Li Zhongxiang was appointed as a member of the Audit Committee on 17 February 2017.

5. Mr. Qi Lian has no longer served as the chairman of the Board as well as the Chairman and the member of the Nomination Committee with effect from 17 February 2017, and was re-designated as Non-executive Director from Executive Director on 3 August 2017.

Auditor's Remuneration

For the year ended 31 December 2017, the remuneration paid to the Company's auditor, PricewaterhouseCoopers, is set out as follows:

Services rendered	Fee paid/payable HK$'000
Audit services	2,346
Non-audit services	–
	2,346

Company Secretary

The Company Secretary, Mr. Liu Wei, is an employee of the Company who has knowledge of the Company's daily operations affairs.

During the year ended 31 December 2017, the Company Secretary more no less than fifteen hours of relevant professional training to update his skills and knowledge.

Directors' responsibility statement

The Directors acknowledge their responsibility for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group's results and its cash flows.

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and it is appropriate to adopt the going concern basis in preparing the financial statements.

Auditor's responsibility statement

The auditor's responsibilities on the consolidated financial statements of the Group are set out in the Independent Auditor's Report on pages 53 to 59.

Risk Management and Internal Control

The Board is responsible for ensuring the establishment and maintenance of the effective risk management and internal control systems of the Group. The Group has established the internal control systems, which include, (i) defining management structure with limits of authority to evaluate the Group's risks, achieve the division goals and business objectives, (ii) maintaining proper accounting records for the provision of financial information for internal analysis or for publication; and (iii) complying with relevant legislation and regulations. Specifically, the Group formulated and commenced to implement the "Working Rules of the Risk Management Committee" and the "Internal Auditing System" in 2016. The Risk Management Committee is a specialised body designated under the Office of the Chief Executive Officer of the Company, which is mainly responsible for reviewing the risk management strategies, significant risk management solutions and significant risk management assessment reports formulated and submitted by the Internal Audit Department of the Company, and submitting to the Board the "Annual Report of Comprehensive Risk Management" based on the aforesaid works. The Internal Audit Department is the special committee established under the Risk Management Committee, which is specifically responsible for the internal audit work of the Group, continuously monitoring the daily risk incidents faced by the Company and establishing the relevant risk assessment and management mechanism, and monitoring and assessing the internal control mechanism of the Company.

During the year ended 31 December 2017, the Board had conducted a review of the effectiveness of the systems of internal control in respect of the financial, operational, compliance controls and risk management function of the Group. The Board continued to strengthen and improve the construction of the internal control mechanism and sorted out the internal control procedures of the financial system of the Company. The Board focused on the construction of the internal control system of the financial mechanism and its implementation. As of 31 December 2017, all the audit findings had already been submitted to relevant departments as feedbacks and for the confirmed implementation of rectification. During the reporting period, the Board had also reviewed on the resources of the aspects of accounting, internal audit and financial reporting, qualifications and experiences of the employees, as well as the training courses received by employees and the relevant budgeting conditions. The Board confirmed that the risk management and internal control system of the Group has been effective and resourceful.

Shareholders' Rights

Procedures for Shareholders to convene a Special General Meeting ("SGM")

Pursuant to the Company's bye-laws and the Companies Act 1981 of Bermuda ("Companies Act"), registered Shareholders holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("SGM Requisitionists") can deposit a written request to convene a SGM at the registered office of the Company ("Registered Office"), which is presently situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The SGM Requisitionists must state in their request(s) the purposes of the SGM and such request(s) must be signed by all the SGM Requisitionists and may consist of several documents in like form, each signed by one or more of the SGM Requisitionists.

The Share Registrars will verify the SGM Requisitionists' particulars in the SGM Requisitionists' request. Promptly after confirmation from the Share Registrars that the SGM Requisitionists' request is in order, the Company Secretary will arrange with the Board to convene a SGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the SGM Requisitionists' request is verified not in order, the SGM Requisitionists will be advised of the outcome and accordingly, a SGM will not be convened as requested.

The SGM Requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM if within twenty-one days of the deposit of the SGM Requisitionists' request, the Board does not proceed duly to convene a SGM provided that any SGM so convened is held within three months from the date of the original SGM Requisitionists' request. A SGM so convened by the SGM Requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Company.

Shareholders' Rights (Continued)

Procedures for shareholders to put forward proposals at a general meeting

Pursuant to the Companies Act, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionists"), or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and it must be deposited at the Registered Office with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

Procedures for shareholders to propose a person for election as a Director

As regards the procedures for proposing a person for election as a Director, please refer to the session of Investor/Shareholder Enquiry under the column of Investor Relations of the Company's website at www.unistech.com.hk.

Shareholders' Rights (Continued)

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

The Company Secretary
Mr. Liu Wei
Unit 02-03, 69/F,
International Commerce Centre,
1 Austin Road West,
Tsim Sha Tsui,
Kowloon, Hong Kong

Fax: (852) 2343 3120
Email: Enquiry@unistech.com.hk

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Constitutional Documents

During the reporting period, there had not been changes in the Memorandum and Articles of Association of the Company. The Memorandum and Articles of Association have already been posted on the session of Bye-laws under the column of Investor Relations of the Company's website at www.unistech.com.hk for the investors' viewing.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for year ended 31 December 2017, the nine months ended 31 December 2016, and three years ended 31 March 2016, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December 2017 HK$'000	Nine months ended 31 December 2016 HK$'000	Year ended 31 March 2016 HK$'000	2015 HK$'000	2014 HK$'000
RESULTS					
Revenue	**253,028**	268,360	727,213	838,203	787,603
Profit/(loss) before income tax	**57,925**	(581,472)	(8,869)	4,321	12,796
Income tax (expense)/credit	**(6,356)**	(21,679)	433	(1,786)	(3,370)
Profit/(loss) for the year/period attributable to equity holders of the Company	**51,569**	(603,151)	(8,436)	2,535	9,426

	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000	As at 31 March 2016 HK$'000	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES					
Total assets	**771,732**	952,640	754,522	824,379	744,788
Total liabilities	**309,151**	(1,148,403)	(435,342)	(481,327)	(412,883)
	462,581	(195,763)	319,180	343,052	331,905

DIRECTORS PROFILE

Executive Directors

Mr. Zhang Yadong, aged 47, serves as Executive Director, Chairman of the Board and Chairman of Nomination Committee of the Company. He holds an EMBA degree from Tsinghua University and has the title as senior economist. Mr. Zhang is currently the President and Director of Tsinghua Unigroup Ltd. (a controlling shareholder of the Company), and a Director of Uni Credit Corporation Ltd. (中青信投控股有限責任公司). He served as the Office Secretary of the party committee of Xinjiang Agricultural University, the manager of Bank of Communications Urumqi Development Zone Branch (交通銀行烏魯木齊開發區支行), the Chairman of Xinjiang Financial Leasing Limited (新疆金融租賃有限公司), the President of Beijing Guorongxin Investment Management Limited (北京國融信投資管理有限公司), the President of Beijing Asia Gas Investment Group Limited (北京亞燃投資集團有限公司), the Chairman of Xinjiang Zhongyouhuagong Group Limited (新疆中油化工集團有限公司), the President of Xinjiang Qingjian Investment Holding Limited (新疆青建投資控股有限公司), and the President of Shiji Ruitong (Beijing) Investment Management Limited (世紀睿通 (北京) 投資管理有限公司).

Mr. Xia Yuan, aged 37, serves as Executive Director and Chief Executive Officer of the Company. He holds a doctoral degree in communication studies from Zhejiang University (浙江大學), a master's degree in marketing communications from Bournemouth University and a bachelor's degree in English literature from University of International Relations (國際關係學院). Mr. Xia is a committee member of Shanghai Youth Federation (上海市青聯委員). Mr. Xia served as the Assistant General Manager of Beijing Tong Ren Tang Health Pharmaceutical Co., Ltd. (北京同仁堂健康藥業股份有限公司), the Vice President, Assistant to Pesident of China Great Wall Computer (H.K.) Holdings Limited (中國長城計算機 (香港) 控股有限公司), a Sales Engineer and a Sales Manager at Huawei Technologies Co. Ltd. (華為技術有限公司). He was an Independent Non-executive Director of China Union Holdings Ltd. (華聯控股股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000036). Mr. Xia has over 10 years of experiences in strategic planning, marketing and capital operations.

Mr. Zheng Bo, aged 33, serves as Executive Director of the Company. He holds a Bachelor degree in financial management from the University of International Business and Economics. Mr. Zheng is currently the General Manager and Supervisor of Investment Management Centre of Tsinghua Unigroup Ltd (a controlling shareholder of the Company), the Director of Xiamen Unigroup Xue Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 000526) and the Supervisor of Unigroup Guoxin Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 002049)). He served as the Consultant of Deloitte Touche Tohmatsu Certified Public Accountants LLP Beijing Branch, the Senior Consultant of Ernst & Young (China) Advisory Limited, the Tax Manager of Sinovel Wind Group Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 601558)), the Manager of Financial Management Department of China Resources Pharmaceutical Group Limited (stock code: 3320.hk), the Vice General Manager of Investment Management Department of Tsinghua Unigroup Ltd.

Non-executive Directors

Mr. Li Zhongxiang, aged 51, serves as Non-executive Director, Vice Chairman of the Board and member of Audit Committee of the Company. He holds a bachelor's degree in statistics from the Renmin University of China, and has the title as Senior Accountant. Mr. Li is currently the Vice President of Tsinghua Holdings (a controlling shareholder of the Company), the Vice Chairman of Tsinghua Unigroup (a controlling shareholder of the Company), the Chairman of Qingqingchuang Technology Service (Beijing) Co., Ltd. (青清創科技服務 (北京) 有限公司), the Director of Tsinghua Holdings International (HK) Co., Ltd. and the Supervisor of Tsinghua Holding Sanlian Venture Capital (Beijing) Management Co., Ltd. (清控三聯創業投資 (北京) 管理有限公司). He served as the Financial Controller, Vice President, Senior Vice President and Director of Unisplendour Corporation Limited, a company listed on the Shenzhen Stock Exchange (stock code: 000938), the Chief Accountant of Xiamen Marine Industry (Group) Co., Ltd. (廈門海洋實業 (集團) 股份有限公司), the managerial staff of Beijing Urban Construction Research Center (北京城建研究中心), and the principle staff member of the Education Department of the Ministry of Geology and Mineral Resources of PRC.

Mr. Qi Lian (齊聯), aged 50, serves as Non-executive Director and member of Remuneration Committee of the Company. He holds a master's degree in business administration from Chinese University of Hong Kong and a master's degree in electrical engineering from Tsinghua University. Mr. Qi obtained his senior engineer qualification in August 1999. Currently, Mr. Qi is Director and Co-President of Tsinghua Unigroup (a controlling shareholder of the Company), Director of New H3C Group Ltd. (新華三集團有限公司董事) and Director and President of Beijing Unis Memory Technology Co., Ltd. (北京紫光存儲科技有限公司). Mr. Qi held the following positions in Unisplendour Corporation Limited (紫光股份有限公司) and its predecessor, 清華紫光股份有限公司 (Tsinghua Unisplendour Corporation Limited), a company listed on the Shenzhen Stock Exchange (stock code: 000938), Vice Chairman of the Board, Director, President, Executive Vice President and Secretary of the Board, and Chief Investment Officer. Mr. Qi was a Director of China Transinfo Technology Co., Ltd. (北京千方科技股份有限公司) and its predecessor, Surekam Corporation (北京聯信永益科技股份有限公司), a company with shares listed on the Shenzhen Stock Exchange (stock code: 002373). He also served as Chief Manager of Tsinghua Unigroup Strategic Research Centre (清華紫光集團戰略研究中心), Deputy General Manager of Tsinghua Unigroup Test Control Co., Ltd (清華紫光集團測控公司), and Chairman of 500.com Limited, a company listed on the New York Stock Exchange (stock code: WBAI).

Independent Non-executive Directors

Mr. Cui Yuzhi, aged 52, serves as Independent Non-executive Director, Chairman of Audit Committee and member of Nomination Committee of the Company. Mr. Cui is a seasoned independent investment advisor. He holds a Bachelor of Science degree in Applied Physics from the University of Notre Dame (graduated with highest honor), and MBA from the University of Chicago Booth School of Business. Mr. Cui has nearly 20 years' experience in finance management with deep expertise in international capital market and enterprise operations. Mr. Cui held senior positions at various organizations, including Executive President of Tendcare Medical Group, Portfolio Manager at Atlantis Investment Hong Kong, General Manager of investment and operations at Renhe Commercial (Stock Code: 1387.hk), CFO of Zhong An Real Estate (Stock Code:672.hk), CFO of Excellence Group, CFO of Treasury Holdings China Limited, and Vice President of Shanghai Forte Group.

Mr. Bao Yi, aged 42, serves as Independent Non-executive Director, Chairman of Remuneration Committee and member of Audit Committee of the Company. Mr. Bao is currently the Chairman of Cedarlake Capital, a cross-border platform of equity investments, and is committed to drive the value creation of synergy among global major industries, economies and capital markets. Prior to establishing Cedarlake Capital, Mr. Bao was an important investment banker and the Managing Director of Morgan Stanley, and served as the main founder, pioneer and Chief Executive Officer of Morgan Stanley Huaxin Securities Co., Ltd. Mr. Bao also served as Chairman of Granday Financial Leasing Co., Ltd. Mr. Bao obtained MBA from the Wharton School of the University of Pennsylvania. He is granted as financial expert of the Hundred Talents Program of Pudong District, Shanghai.

Mr. Ping Fan, aged 39, serves as Independent Non-executive Director and member of Remuneration Committee and Nomination Committee. He holds a bachelor's degree in management from the Business School of the University of Manchester, and an EMBA from the School of Economics and Management of Tsinghua University. Mr. Ping is currently the Chairman and CEO of Shanghai Lang Sheng Investment Limited, a Commissioner of All-China Youth Federation, an Entrepreneurs' Council Member of Chinese Economists 50 Forum, a member of CPPCC of Shanghai Huangpu District, and the Chairman of the Shanghai Concord Bilingual School.

The Board of Directors present their report and the audited consolidated financial statements of Unisplendour Technology (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2017.

Principal Activities

During the reporting period, the principal activity of the Company is investment holding. The principal activities of the respective subsidiaries of the Company cover the businesses of SMT equipment manufacturing, finance lease and factoring, as well as the investment in securities. There were no significant changes in the nature of the Group's principal activities during the year.

Results and Dividends

The Group's profit for the year ended 31 December 2017 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 60 to 147.

The Directors do not recommend the payment of a dividend for the year.

Summary of Financial Information

The published results and a summary of assets and liabilities of the Group for the last five financial years, are set out on page 32 of this annual report.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group and the Company during the reporting period are set out in note 14 to the consolidated financial statements.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 23 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 25 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2017, the Company's share premium account, in the amount of approximately HK$95,240,000, may be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

In the reporting period, aggregate sales attributable to the Group's five largest customers were approximately 11.00% of the total sales for the period and sales attributable to the largest customer included therein were approximately 3.16%. Purchases from the Group's five largest suppliers accounted for approximately 16.75% of total purchases during this period and purchases from the largest supplier included therein amounted to approximately 8.32%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest suppliers during the reporting period.

Directors

The Directors of the Company:

Executive Directors

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

Non-executive Directors

Mr. LI Zhongxiang *(Vice Chairman)**
Mr. QI Lian (re-designated as Non-executive Director from Executive Director on 3 August 2017)

Independent Non-executive Directors

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

* Members of the Audit Committee

Directors (Continued)

In accordance with clause 86 of the Company's bye-laws, the director's term of office of Mr. Zhang Yadong will be expired, and he will be eligible and will offer himself for re-election at the forthcoming general meeting of shareholders of the Company, as informed to the Board. The director's term of office of Mr. Zheng Bo will be expired at the Annual General Meeting 2018 of the Company, and he will be eligible and will offer himself for re-election by that time, as informed to the Board.

In accordance with clauses 87 and 88 of the Company's bye-laws, Mr. Li Zhongxiang and Mr. Xia Yuan will retire and, being eligible, will offer themselves for re-election at the Annual General Meeting 2018, as informed to the Board.

In accordance with the Company's bye-laws, the Directors of the Company, including the Independent Non-executive Directors, are subject to retirement by rotation and re-election at the Annual General Meeting. Every director is subject to retirement at least once every three years.

The Company has received annual confirmations of independence from all Independent Non-executive Directors and as at the date of this report still considers them to be independent.

Directors' Biographies

Biographical details of the Directors of the Company are set out on pages 33 to 35 of this annual report.

Directors' Service Contracts

Mr. Zhang Yadong have entered into a service contract with the Company for a term of three years effective from 28 June 2017 which has continued thereafter until termination by three months' notice in writing served by either party to the other.

Mr. Xia Yuan has entered into a service contract with the Company for a term of three years effective from 2 June 2016 which has continued thereafter until termination by three months' notice in writing served by either party to the other.

Mr. Zheng Bo has entered into a service contract with the Company for a term of three years effective from 3 August 2017 which has continued thereafter until termination by three months' notice in writing served by either party to the other.

Directors' Service Contracts (Continued)

Mr. Li Zhongxiang has entered into a service contract with the Company for a term of three years effective from 27 September 2016 which has continued thereafter until termination by three months' notice in writing served by either party to the other.

Apart from the foregoing, no Director proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2017.

Related Party Transactions

During the year ended 31 December 2017, the Group had not entered into any non-exempt connected transaction under the Listing Rules. Related party transactions entered into by the Group during the year ended 31 December 2017, which do not constitute non-exempt connected transactions under the Listing Rules, are disclosed in note 33 to the consolidated financial statements.

Competing Interest

During the year ended 31 December 2017, the Directors were not aware of any business or interest of the directors, the controlling shareholder and their respective close associates (as defined under the Listing Rules) that competes or may compete with the business of the Group and any other conflict of interest, which any such person has or may have with the Group.

Contract of Significance

There was no contract of significance between the Company or any of the subsidiaries, and a controlling shareholder or any of its subsidiaries as at 31 December 2017.

Directors' Interests in Shares and Underlying Shares

At 31 December 2017, none of the Directors had registered an interest or short position in the share capital of the Company or any of 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 pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' Rights to Acquire Shares or Debentures

At no time during the reporting 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 31 December 2017, according to the Directors or Chief Executive of the Company, the following persons (other than the Directors or Chief Executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follow:

Long position in the shares

Name of Shareholder	Nature of Interest	Number of the ordinary shares held	Approximate percentage of total shareholding
			%
Unis Technology Strategy Investment Limited *(note 1)*	Beneficial owner	986,829,420	67.82
Reach General *(note 2)*	Beneficial owner	100,000,000	6.87
Chen Ping	Beneficial owner	100,000,000	6.87
But Tin Fu *(note 3)*	Beneficial owner/ interest of controlled corporation	89,867,168	6.18

Notes:

1. Unis Technology Strategy Investment Limited is wholly owned by 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 89,867,168 shares, comprising (a) 39,525,200 shares directly held by Mr. But Tin Fu, (b) 3,796,000 shares directly held by Sun East Group Limited, which is beneficially owned as to 50% by Mr. But Tin Fu and 50% by Ms. Leung Hau Sum, who is the wife of Mr. But Tin Fu, (c) 2,424,800 shares directly held by Sum Win Management Corp., which is wholly owned by Mr. But Tin Fu and (d) 44,121,168 shares directly held by Mind Seekers Investment Limited, which is wholly owned by Mr. But Tin Fu.

Substantial Shareholder's Interest in Shares and Underlying Shares (Continued)

Long position in the shares (Continued)

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

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the reporting period.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares preferentially on a pro rata basis to existing shareholders.

Management Contracts

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the reporting period.

Tax Relief

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holding of the shares of the Company.

Permitted Compensation Provision

The bye-laws of the Company provides that each Director or other Officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate Directors' and Officers' liability insurance in respect of relevant legal actions against the directors.

Events After the Period

Subsequent to the date of this report, the Group has no material events after the period.

Segmental Information

Details of segment information are set out in note 5 to the consolidated financial statements.

Environmental Policies Performance

The Group is committed to the maintenance of the long term sustainability of the environment and communities in which it operates. As a responsible corporation, to the best knowledge of the Directors, the Group has complied with the relevant laws and regulations regarding environmental protection during the year ended 31 December 2017.

Compliance With the Relevant Laws and Regulations

As far as the Board and management of the Company are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the businesses and operations of the Group. During the reporting period, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Relationship with Suppliers, Customers and Other Stakeholders

The Group understands fully the success of the Group's business depends on the inextricably-linked support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Equity-Linked Agreement

Save as disclosed in this annual report, the Group has not entered into any equity-linked agreement during the reporting period.

Directors' Remuneration

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group.

Sufficiency of Public Float

Based on the public information that is available to the Company and within the knowledge of the directors, the directors confirmed that at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Auditor

The Company has appointed PricewaterhouseCoopers as the auditor of the Company with the effective period from 27 September 2016 until the conclusion of the 2017 Annual General Meeting of the Company to fill the casual vacancy due to the resignation of BDO Limited ("BDO") which took effect from 27 September 2016. The resignation of BDO was due to that the Company and BDO could not reach an agreement on the audit fee as of 31 December 2016.

PricewaterhouseCoopers has retired and has been reappointed at the 2017 Annual General Meeting of the Company with its terms of office until the conclusion of the forthcoming annual general meeting of the Company. It will be eligible for reappointment on that meeting.

Save as the above, there has been no other change in auditor of the Company in the preceding three years.

On behalf of the Board

Zhang Yadong
Chairman

Hong Kong
22 March 2018

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reporting standard and scope

This Environmental, Social and Governance Report is prepared in accordance with the requirements of Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

This is the Environmental, Social and Governance report (the "report") prepared by the Company and its subsidiaries (collectively, the "Group") relevant to the environmental, social and governance information and activities of the Group during the period from 1 January 2017 to 31 December 2017 (the "past period"). The environmental data in the report mainly covers the Group's production area in Shenzhen, Guangdong Province, Mainland China (the "site") which bears the Group's major production activities, and the data is mainly derived from internal records and estimates.

Content of the report

The Group deeply understands the importance of environmental protection and social responsibility. In the past period, the Group fully acknowledged the impact of its own operating activities on various areas such as the environment and society. The gas emissions and waste generated during the process of production and operations were strictly monitored and controlled through effective measures. This achieved a significant reduction in various key performance indicators. The Group has also actively performed its social responsibilities, which include its commitment on providing employees with a fair, safe and satisfactory working environment and the scientific management of the suppliers' relationships. Adhering to the production concept of "prioritising quality", the Group has also further enhanced its devotion and contribution to all the communities where it operates. The good relationships with various stakeholders have been maintained and improved from different aspects. In the future, the Group will continue to strictly implement effective measures for environmental protection; meanwhile, it will pay attention to the interests of the stakeholders such as its employees, suppliers, clients and the community, thereby assuming social responsibilities of greater importance to environmental protection and social development.

The report will provide an overview of the Group's development policies and social responsibilities in the past period in the three aspects of environment, employees and operations.

1. Environment

Emissions

As a process manufacturing enterprise, the Group does not produce large-scale and highly polluting emissions in its production process. In the past period, the major air pollutants produced in the production and operation of the site were nitrogen oxides (NOx), with a total amount of about 0.006 tons, which represented a decrease of approximately 93% as compared to the reporting period last year (the nine-month period commencing from 1 April 2016 and ending on 31 December 2016), and its main source was exhaust gases from vehicles. The Group has established comprehensive regulations on the management of vehicles, carrying out strict control on the reasonableness and conditions of the use of vehicles, in order to ensure that its impact on the environment has been continuously reduced.

The Group has not directly procured fossil fuels, oil or liquefied petroleum gas as the primary sources of energy for its production and business activities, and has only used a small amount of diesel for vehicles. Currently, the primary source of energy is the electricity purchased from outside, which is mainly for product production. The Group has established detailed regulations on the management of product production and process, as well as operating instructions, in order to enhance production efficiency and effectiveness, and reduce energy consumption and unnecessary waste. In the past period, the Group directly produced a total of approximately 12.27 tons of greenhouse gases, which represented a decrease of approximately 69% as compared to the reporting period last year, in which approximately 10.70 tons were carbon dioxide (CO_2) (representing a decrease of approximately 80% as compared to the reporting period last year), approximately 0.02 tons were methane (CH_4) (representing a decrease of approximately 80% as compared to the reporting period last year) and approximately 1.55 tons were nitrous oxide (N_2O) (representing a decrease of approximately 77% as compared to the reporting period last year), and indirectly produced approximately 1,037.17 tons of greenhouse gases (carbon dioxide (CO_2)) from the use electricity purchased from outside. The greenhouse gases indirectly produced were calculated based on the emission coefficient provided in the Guangdong Province Enterprise (Unit) Carbon Dioxide Emissions Information Reporting Guide (2014 Version) (廣東省企業 (單位) 二氧化碳排放資訊報告指南 (2014 版)).

Waste

The Group has established detailed regulations on the management of waste recycling and has set up special garbage stations in the site. This aims to ensure the effective recycling of garbage from production and avoid the occurrence of secondary contamination. During the past period, the Group outsourced the basic processing process and removed the relevant production facilities within the site. As such, no hazardous waste such as sewage and sludge was generated. In the past period, the harmless waste produced amounted to approximately 48.15 tons, which represented a drop of about 26% as compared to 65.25 tons in the reporting period last year. Harmless wastes were mainly office and living garbage in the site (including the staff accommodation area).

For harmless wastes, the Group has required production workshops, warehouses, office areas, accommodation and cleaning companies to dispose garbage according to the categorisation of recyclable, non-recyclable and production tailings, and the recyclable wastes shall be collectively disposed by cleaning companies.

Use of resources

During the period from 1 January 2017 to 31 December 2017, the Group's site consumed a total of 1,624,305 kWh of electricity, which represented a decrease of approximately 34% as compared to 2,464,853 kWh during the reporting period last year, while consumed 18,489 m^3 of water, which represented a decrease of over 73% as compared to 69,144 m^3 during the reporting period last year. In terms of the use of electricity, the Group has established regulations on the management of electricity, regulating the operating standards of equipment based on safety and energy saving, and the department of engineering and maintenance has regularly examined and maintained the equipment relevant to production, office and living, in order to ensure that the equipment is in the best condition and consumption of electricity resources is minimised. In addition, the Group has adopted a series of measures to require and encourage employees to save electricity in production and accommodation areas, including turning off relevant equipment or reducing standby time in non-use time and optimising indoor lighting. In terms of the use of water resources, through advocacy, the Group has encouraged employees to reduce the waste of water resources, while collected statistics on the monthly water consumption and reviewed the abnormal data.

The Group's finished products are mainly SMT-related and welding equipment, which have to be packaged using materials such as wooden boards, cardboard boxes, bubble bags and stretch films before dispatching, and during the period from 1 January 2017 to 31 December 2017, a total of approximately 215.24 tons of packaging materials were used. The main purpose of the packaging is to prevent the damage to the finished products in the course of transportation, and the materials used are relatively simple and are recyclable.

The Group has established relevant regulations on the management of a series of environmental issues arising from the production operation, involving waste gases management, noise management and waste management, etc., and all of the regulated matters in the management regulations are in compliance with the requirements of relevant legal and regulatory standards. According to the judgment of the management, the Group's business activities do not have significant impact on natural resources, and the management has adopted necessary measures to properly tackle the environmental problems involved in production activities, minimising the impact on the environment.

2. Employees

Employee employment and labor standards

The Group cares about and values the work safety of every employee as well as his or her development and growth in the enterprise. In strict compliance with the laws and regulations related to labor and employment in the countries and regions where it operates, the Group has formulated complete systems and regulations regarding the employment of staff. Also, the rights and obligations of employees have been clearly set out in the staff manual.

In the aspects of employee employment session, assessment and promotion, the Group does not assess employees in terms of age, sex, race, marital status, religion and nationality, physical disability, sexual orientation or political background etc., fairly treating all employees. Through the legal and compliant employment contracts with employees, various systems and regulations as well as the benefit policies, the Group ensures the working and rest hours of employees and pays adequate labor remuneration in a timely manner. Various benefits such as festive holidays, birthdays and occupational health checks are provided. Also, a number of subsidies such as food, transport and call charge are offered. In addition, various material and non-material rewards and incentives are given.

Caring about the life of employees, the Group provides talent housing benefits to the employees with excellent work performance. Meanwhile, the Group adopts family-friendly employment practice to assist the employees in striving for the balance between work and family responsibilities. For instance, apart from ensuring the female staff are entitled to the holidays and insurance as stipulated in the laws, the Group provides certain additional protective measures to the female staff who are in their pregnancy and periods of labor and breastfeeding. The Group has also conducted various cultural events for employees, enriched the leisure life of female staff and organized parent-child activities for the employees and their children on a regular basis. This has created a work atmosphere with greater harmony.

The Group implements a flexible remuneration system which comprehensively considers factors such as employees' qualifications, ability, market salary level and corporate profitability. In the past period, the Group did not violate any local government policies on employees' salaries. In addition, the Group prohibits the use of child labor and forced labor in any workplace.

According to the operation development needs, the Group phased out production manufacturing equipment lagging behind and affecting the environment and adjusted personnel structure during the phase out, and the adjustment was in line with local government policies and regulations.

Employee health and safety

The health and safety of employees is the Group's top priority. The Group has formulated the Safety Management System and Comprehensive Contingency Plan to systematically and institutionally manage safe production, as well as established the safe production committee and separately set up security officers at all levels to timely supervise safe production and the handling of emergencies. During the past period, the Group further optimized the work environment of the site and provided the employees with green, environmentally-friendly, healthy and safe work space. The works included improving the process workflow and conducting regular "5S" on-site safety inspection with evaluation and comparison. The Group also carried out regular enhancement and daily maintenance and supervision over the hygiene and various potential safety risks of the production and office areas.

The Group has established clear Safe Operation Procedures on all posts to regulate operating rules, and strictly requires employees of special posts to have relevant licenses. All production posts are given labor protection supplies and strict daily inspection is conducted, and the Group has formulated the Equipment Repair and Maintenance Regulation on regular check on supplies to ensure the production safety of employees. The Group arranges annual occupational physical examination for employees of special types of work to ensure their health. In the past period, the Group strengthened and strictly implemented various safety standards and systems. During the year, the Group conducted safety training of over 30 hours for nearly 300 persons, as well as organizing first-aid training for its staff. Items such as regular environmental testing of occupational hazards and regular occupational health checks were provided to the employees for the early prevention of occupational diseases. By organizing and conducting fire drills for the whole enterprise, the Group enhanced the fire safety awareness of the staff.

The Group's site has a canteen and strictly and regularly conducts inspection on the food hygiene and safety of the contractor, while regularly collects staff's feedback to create a favorable dining environment and dining quality for employees. During the past period, the Group actively improved the dining and water-use conditions for the employees, including the comprehensive renovation of the canteen and the upgrade of its hardware and ancillary facilities, which significantly enhanced the dining environment of the employees. The Group also replaced the water dispensers on the site and adopted water-filtering equipment to improve the staff's health in using water. The Living Area Management Office of the Group specifically conducts inspection and regular evaluation on the health and safety of the accommodation, and receives and arranges handling to indoor supplies maintenance issues in staff's feedback, in order to ensure the health and safety of staff in the accommodation.

Employee development and training

The Group is concerned about the personal growth and career development of employees. The Group reviews and updates the comprehensive annual training program of employees on a yearly basis. This serves to provide the employees of various business segments and the related business segments with on-the-job training such as sales services, after-sales services and management which are suitable for their career development. Meanwhile, based on the corporate development and the employees' requests in respect of their career development, the Group has actively collaborated with the external training companies to conduct after-work training programs on management, sales and services for the employees. This has increased the career development opportunities of the employees as well as their paths. During the past period, the Group, in aggregate, conducted internal and external training of 400 hours with over 2,000 attendees. The Group has also organized two large-scale outdoor outreach training sessions, which have helped to enhance the cohesion and the execution capability of the management team.

In addition to providing help on career development of employees, the Group is also committed to the enhancement of employee overall quality. In the past period, the Group continued to provide resource support and care for the employees' sports associations of football, badminton and so on. Meanwhile, the Group has added various interest classes such as calligraphy, tai-chi and tea culture to further enrich the leisure cultural life of the staff and refine individual temperament.

3. Operation

Supply chain management

The Group has formulated a complete mechanism on supplier selection, evaluation and re-evaluation, in order to achieve the targets of regulating procurement process and meeting procurement needs in a fair and open environment. The assessment content of the relevant supplier review includes: the capability to deliver products and services, the technical standards of supplied materials, the supplier's capability of quality assurance and the trial of material samples. For specific materials, the supplier also needs to sign an environmental guarantee agreement to ensure that the material is in compliance with relevant environmental management substance requirements and labeling requirements and does not contain hazardous chemical substances specific to the Group.

The Group also conducts regular evaluations on existing suppliers to evaluate the supply prices, delivery conditions, quality of materials and service conditions, in order to ensure that continuous quality products and services are received. All evaluation procedures of relevant suppliers of the Group are jointly participated by departments such as procurement, research and development, quality and production departments to ensure that the procedures are carried out in an equal and transparent manner.

Product liability

Adhering to the concept of "prioritising quality and customer experience" and focusing on the characteristics of the Groups' major products, the Group has formulated a series of management regulations covering product design, material inspection, product production, finished product inspection, product packaging, dispatching, installation and after-sales service, in order to ensure that the quality of products meets or exceeds customers' requirements and complies with relevant local or international standards.

At the same time, the Group keeps the customer information obtained in the course of business strictly confidential, and confidentiality provisions are included in contracts entered with customers to prevent the disclosure of confidential or private information.

Anti-corruption

The Group attaches great importance to professional conduct and integrity, and all businesses are subject to the Anti-Bribery Ordinance in Hong Kong and the relevant anti-corruption legislations in Mainland China. Also, the Group established an internal audit department and risk management committee to ensure that the business activities of the directors and employees are in compliance with anti-corruption requirements and bind on their actions. The Group believes that the above measures are necessary for the Company's long-term sustainable development, and hence can obtain trust from employees, customers, suppliers or other stakeholders under open standards.

Community investment

The Group has always been actively pursuing a harmonious development of its community. Through continuous charitable devotion to society, contribution has been made in the creation of a community with harmonious and healthy development.

During the past period, the subsidiaries of the Group was committed to forming and developing a volunteering team, as well as organizing various forms of volunteering activities on their own initiative. This has contributed to the maintenance and enhancement of the public environment of the community where the enterprise is located in terms of security, environment, transportation and so on. In Shenzhen, Guangdong Province where the site of the Group is located, the Group has successively organized and participated in volunteering services, such as maintaining order and answering enquiries at bus stations, keeping order at the heavily-congested junctions during the commuting hours, properly parking the pubic bicycles in the community, improving the environment of the industrial park and visiting the sanitation workers, as well as organizing volunteering services for the Bao'an marathon. The Group has also paid attention to the volunteering services of the large-scale events which focus on the growth of the next generation in terms of good faith, the education about the revolutions in history and so on. The Group was ranked as one of the best ten volunteering teams at Fuyong, Shenzhen for the year.

In addition, the Group has actively responded to the call for "precise poverty alleviation" in mainland China. The Group encouraged the employees to make donations through multiple events such as "Warmth carried by the Spring Breeze" (「春風送暖」). These have greatly supported the poverty alleviation work at the areas in need. The Group provided assistance especially in Yi County and Chicheng County of Hebei Province, Aohan Banner of Inner Mongolia Autonomous Region, Hetian City of Xinjiang Autonomou Region, Danjiangkou City of Hubei Province and other regions. Meanwhile, having also paid attention to Guangdong Province where the site is located, the Group has made charitable donations to the poverty alleviation activities in Guangdong Province.

Looking to the future, the Group will continue to devote its resources to the community where the enterprise is located. By continuously encouraging and recruiting more employees to join the volunteering team, the Group will promote the development of both the enterprise and the public affairs of the community.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Unisplendour Technology (Holdings) Limited
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Unisplendour Technology (Holdings) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 60 to 147, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated statement of comprehensive income for the year ended 31 December 2017;
- the consolidated statement of changes in equity for the year ended 31 December 2017;
- the consolidated statement of cash flows for the year ended 31 December 2017; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year ended 31 December 2017 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Recognition and measurement of the convertible bonds
- Impairment of trade and other receivables

Key Audit Matter	How our audit addressed the Key Audit Matter

Recognition and measurement of convertible bonds

Refer to note 3.3 Fair value measurement, note 4 Critical accounting estimates and judgements and note 28 Convertible bonds of the consolidated financial statements.

With the approval obtained in the special general meeting held on 9 May 2016, the Company issued 730,000,000 ordinary shares and zero coupon convertible bonds with face value of HK$148,000,000 to Unis Technology Strategy Investment Limited on 30 May 2016. The management assessed the key terms in the relevant agreements and considered the substance of the contractual arrangements. The convertible bonds issued by the Company are designated as financial liabilities at fair value through profit or loss at initial recognition.

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 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. The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component of a compound financial instrument is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in other reserves. Accordingly, as at 30 March 2017, the Company derecognised such financial liabilities at fair value through profit or loss of HK$678,487,000. Meanwhile, the fair value of the liability component amounted to HK$100,546,000 was recognised as initial amount, and the balance amounted to HK$577,941,000 was recognised as initial amount of equity component.

The fair value of the convertible bonds were determined by using valuation technique and such technique involves the estimations on significant unobservable inputs such as volatility of the stock price and credit spread of the Company. The management engaged an independent valuer to assist on the fair value assessment of the convertible bonds at the date that supplementary agreement was entered into.

We focus on these areas as the accounting for the recognition and measurement of the issuance of convertible bonds involves complex accounting judgements and the valuation assessment of the convertible bonds involves significant assumptions and judgements.

Regarding the convertible bonds are recognised as compound financial instruments in 2017, we performed the following procedures:

- We interviewed management to understand the business substance of the arrangements, obtained and inspected the relevant supporting documents such as the agreements, board meeting minutes and the announcements by the Company; and
- We evaluated the management's analysis of the amendment of the agreement and the relevant accounting treatment by the management.

Regarding the fair value assessment of convertible bonds, with the involvement of our internal valuation experts, we performed the following procedures:

- We assessed the objectivity, independence and competence of the external valuer engaged by the management;
- We analysed and assessed the valuation model adopted by management and the external valuer;
- We analysed and assessed the significant unobservable inputs used in the valuation model as follows:
    - o Volatility of the stock price by referencing to the Company's historical movement on stock price;and
    - o Credit spread by comparing to the credit spread of the comparable companies.
- We analysed and assessed the sensitivity analysis performed by the Company over the above significant unobservable inputs; and
- We performed an independent valuation assessment of the convertible bonds and compared the valuation results with management.

We performed the procedures above and obtained the relevant evidence to support management's assessment on the accounting treatment of the convertible bonds and the key assumptions and judgements adopted in the calculation of the fair value of the convertible bonds by the management.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade and other receivables	
Refer to note 4 Critical accounting estimates and judgements and note 20 Trade receivables and other receivables of the consolidated financial statements. As of 31 December 2017, the total trade and other receivables of the Group was amounted to HK$103,938,000, the provision for impairment on trade and other receivables was amounted to HK$37,394,000. The Group considered the credit quality of the customers and the analysis and assessment on the latest market and business operations updates to determine the collectability of the trade receivables. We focus on these areas as its significance and the assessment for impairment of trade receivables involves critical accounting estimates and judgements.	Regarding the impairment of trade receivables, we performed the following procedures: • We understood and evaluated the Group's internal controls over the process of identifying events or circumstances give rise to impairment on trade receivables and the respective impairment assessments, and we tested relevant key internal controls; • We performed independent assessment to identify events or circumstances which may give rise to impairment of trade receivables on a sampling basis. We focused on trade receivable accounts with material balances, long outstanding or poor credit records; and • We obtained the impairment calculation schedule of a specific trade receivable account on a sampling basis and assessed the impairment analysis performed by the management including inspection of the relevant supporting documents. Based on the procedures performed and evidence obtained, we found the accounting estimates and judgements in relation to the provision for impairment of trade receivables were supported by the evidence we obtained.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regards.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is YAO Wenping.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2017 HK$'000	Nine months ended 31 December 2016 HK$'000 (note 1)
Revenue	5	253,028	268,360
Cost of sales	8	(174,848)	(306,109)
Gross profit/(loss)		78,180	(37,749)
Other income	6	3,746	2,927
Other losses, net	7	(6,242)	(640)
Distribution costs	8	(35,044)	(58,972)
Administrative costs	8	(52,461)	(144,361)
Operating loss		(11,821)	(238,795)
Finance income	10	2,439	5,475
Finance costs	10	(11,092)	(6,340)
Finance costs, net	10	(8,653)	(865)
Share of results of an associate	13(b)	(6)	–
Gains/(losses) from change in fair value of convertible bonds	28	78,405	(341,812)
Profit/(loss)before income tax		57,925	(581,472)
Income tax expense	11	(6,356)	(21,679)
Profit/(loss) for the year/period attributable to equity holders of the Company		51,569	(603,151)
Other Comprehensive Income			
Items that will not be reclassified subsequently to profit or loss			
Surplus on revaluation of properties	14	10,327	2,651
Deferred tax relating to revaluation surplus	29	(2,222)	(407)
		8,105	2,244
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		20,729	(14,548)
Other comprehensive income/(loss) for the year/period, net of tax		28,834	(12,304)
Total comprehensive income/(loss) for the year/period		80,403	(615,455)
Total comprehensive profit/(loss) attributable to:			
Equity holders of the Company		80,403	(615,455)
Basic earnings/(losses) per share	12(a)	3.54 Cents	(44.24) Cents
Diluted loss per share	12(b)	(1.06) Cents	(44.24) Cents

The notes on pages 66 to 147 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Notes	31 December 2017 HK$'000	31 December 2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**143,366**	133,021
Land use rights	15	**10,005**	9,660
Investment in an associate	13(b)	**2,634**	—
Finance lease receivables	16	**—**	542
		156,005	143,223
Current assets			
Inventories	17	**39,157**	69,516
Trade receivables and other receivables	20	**74,026**	359,397
Finance lease receivables	16	**732**	3,927
Tax reserve certificates		**4,590**	3,600
Financial assets at fair value through profit or loss	19	**256,563**	76,042
Security and restricted deposits	22	**6,656**	2,883
Cash and cash equivalents	21	**234,003**	294,052
		615,727	809,417
TOTAL ASSETS		**771,732**	952,640
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital and share premium	23	**240,740**	240,740
Other reserves	25	**685,678**	78,676
Accumulative losses	24	**(463,837)**	(515,179)
TOTAL EQUITY		**462,581**	(195,763)

	Notes	31 December 2017 HK$'000	31 December 2016 HK$'000
LIABILITIES			
Non-current liabilities			
Convertible bonds	28	**107,969**	756,892
Deferred income	30	**4,772**	—
Deferred income tax liabilities	29	**21,721**	13,310
		134,462	770,202
Current liabilities			
Trade payables and other payables	26	**122,365**	202,936
Borrowings	27	**—**	122,881
Current income tax liabilities		**52,324**	52,384
		174,689	378,201
TOTAL LIABILITIES		**309,151**	1,148,403
TOTAL EQUITY AND LIABILITIES		**771,732**	952,640

The notes on pages 66 to 147 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 60 to 147 were approved by the Board of Directors on 22 March 2018 and were signed on its behalf.

ZHANG Yadong
Director

XIA Yuan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share Capital HK$'000	Share premium HK$'000	Other reserves HK$'000 (note 25)	Accumulated losses HK$'000	Total equity HK$'000
Balance as at 1 January 2017		145,500	95,240	78,676	(515,179)	(195,763)
Comprehensive income						
Profit for the year		–	–	–	51,569	51,569
Changes in the measurement method of convertible equity	28	–	–	577,941	–	577,941
Surplus on revaluation of properties	14	–	–	10,327	–	10,327
Deferred tax relating to surplus on revaluation of properties	29	–	–	(2,222)	–	(2,222)
Exchange differences on translation of foreign operations		–	–	20,729	–	20,729
Total comprehensive income		–	–	606,775	51,569	658,344
Transactions with equity holders in their capacity as equity holders						
Transfers to reserve	24	–	–	227	(227)	–
Total transactions with equity holders in their capacity as equity holders		–	–	227	(227)	–
Balance as at 31 December 2017		145,500	95,240	685,678	(463,837)	462,581

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share Capital HK$'000	Share premium HK$'000	Other reserves HK$'000 (note 25)	Retained earnings/ (Accumulated losses) HK$'000	Total equity HK$'000
Balance as at 1 April 2016		52,500	87,728	90,603	88,349	319,180
Comprehensive loss						
Loss for the period		—	—	—	(603,151)	(603,151)
Surplus on revaluation of properties	14	—	—	2,651	—	2,651
Deferred tax relating to surplus on revaluation of properties	29	—	—	(407)	—	(407)
Exchange differences on translation of foreign operations		—	—	(14,548)	—	(14,548)
Total comprehensive loss		—	—	(12,304)	(603,151)	(615,455)
Transactions with equity holders in their capacity as equity holders						
Proceeds from shares issued	23	93,000	7,512	—	—	100,512
Transfers to reserve	24	—	—	377	(377)	—
Total transactions with equity holders in their capacity as equity holders		93,000	7,512	377	(377)	100,512
Balance as at 31 December 2016		145,500	95,240	78,676	(515,179)	(195,763)

The notes on pages 66 to 147 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2017 HK$'000	Nine months ended 31 December 2016 HK$'000 (note 1)
Cash flows from operating activities			
Cash generated from/(used in) operations	31	76,842	(213,086)
Interest paid		(3,248)	(6,340)
Income tax paid		(2,038)	(1,426)
Net cash generated from/(used in) operating activities		71,556	(220,852)
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(6,485)	(1,977)
Proceeds from disposal of property, plant and equipment	31	5,000	1,645
Purchase of available-for-sale financial assets		(249,725)	(95,109)
Proceeds from the diposal of available-for-sale financial assets		250,837	26,176
Capital contribution to associates	13(b)	(2,640)	—
(Increase)/Decrease in security and restricted deposits	22	(3,773)	11,797
Interest received	10	779	333
Net cash used in investing activities		(6,007)	(57,135)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares, net of issuance costs	23	—	367,592
Proceeds from issuance of convertible bonds	23	—	148,000
Proceeds from borrowings	31	19,172	145,223
Repayment of borrowings	31	(146,344)	(165,561)
Repayment of finance lease liabilities		—	(262)
Net cash (used in)/generated from financing activities		(127,172)	494,992
Net (decrease)/increase in cash and cash equivalents		(61,623)	217,005
Cash and cash equivalents at the beginning of the year/period	21	294,052	71,905
Exchange gains on cash and cash equivalents		1,574	5,142
Cash and cash equivalents at the end of the year/period		234,003	294,052

The notes on pages 66 to 147 are an integral part of these consolidated financial statements.

1 General Information

Unisplendour Technology (Holdings) Limited (the "Company"), 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 principal business of the Company is investment holding. The principal businesses of the subsidiaries of Company are set out in note 13(a) to these consolidated financial statements. The Company and its subsidiaries are collectively referred to as the "Group" hereafter.

On 30 May 2016, the Company issued 730,000,000 ordinary shares (note 23) 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 28). 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 issued share capital of the Company held by the public reduced 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 and 31 December 2017, the percentage of the issued share capital of the Company held by Unis Strategy Investment Company was 67.82%.

1 General Information (Continued)

On 29 June 2016, the Board of Directors of the Company announced that the financial year end date of the Company has been changed from 31 March to 31 December commencing from the financial period ended 31 December 2016. Accordingly, the current financial periods cover the twelve-month period from 1 January 2017 to 31 December 2017, and the comparative period of the nine months from 1 April 2016 to 31 December 2016, and the information of the comparative periods are not directly comparable.

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 on 22 March 2018.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out as below. These policies have been consistently applied to all the years/ periods presented, unless otherwise stated.

2.1 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 consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Going concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is set out in note 27.

2.1.2 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 2017:

- Recognition of deferred tax assets for unrealised losses - Amendment to Hong Kong Accounting Standards (HKAS) 12, and

- Disclosure initiative - Amendments to HKAS 7.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. The Amendments to HKAS 7 requires disclosure of changes in liabilities arising from financing activities, please see note 31.

(b) New standards and interpretations not yet adopted

HKFRS 9 Financial instruments

Nature of Change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets.

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policies and disclosures (Continued)

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

HKFRS 9 Financial instruments (Continued)

Impact

The Group has assessed its financial assets and financial liabilities. It is expected that the adoption of the new standards on 1 January 2018 will have the following influences:

The new impairment model requires the recognition of impairment based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income (FVOCI), contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. According to the assessment to date, the Group expects little change in the impairment provision for trade receivables.

The new standard also introduces expanded disclosure requirements and changes in presentation. The Group expects that the nature and scope of disclosure of the relevant financial instruments will change, especially during the financial year when the new standard is adopted.

Adoption date by the Group

The standard will be mandatory for fiscal years beginning on or after 1 January 2018. The Group will apply the new standard retrospectively starting from 1 January 2018 and adopt the simple and practical accounting method permitted by the standard. The comparative figures for 2017 will not be restated.

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policies and disclosures (Continued)

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

HKFRS 15 Revenue from contracts with customers

Nature of Change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

The management has assessed that the application of the new standards has no significant impact on the Group's financial statements.

Adoption date by the Group

The standard will be mandatory for fiscal years beginning on or after 1 January 2018. The Group intends to apply the new standard using the modified retrospective approach, which means that the cumulative effect of the adoption will be recognised in retained earnings on 1 January 2018 and the comparative figures will not be restated.

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policies and disclosures (Continued)

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

HKFRS 16 Leases

Nature of Change

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 leasers will not significantly change.

Impact

The standard will affect primarily the accounting for Group's operating leases. As at 31 December 2017, the Group's aggregate future minimum lease payments under non-cancellable operating lease are HK$26,117,000 (payments within one year are HK$12,039,000, and payments over one year but within five years are HK$ 14,078,000)(note 32). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit or loss and classification of cash flows. Some of the commitments may be covered by short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

Adoption date by the Group

The new standard is mandatory for financial years commencing on or after 1 January 2019. At present, the Group does not intend to adopt the standard before its effective date. The Group intends to adopt the simplified transition approach and will not restate the comparative figures for the year prior to first adoption.

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policies and disclosures (Continued)

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

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 2017, and the Group did not adopt in advance:

		Effective for annual periods beginning on or after
Amendment to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
Amendment to HKFRS 4	Insurance contracts	1 January 2018
HK (IFRIC) 22	Foreign advance transactions and consideration	1 January 2018
Amendment to HKFRS 40	Investment property transfer	1 January 2018
Amendment to HKFRS 28	Investments in associates and joint ventures	1 January 2018
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policies and disclosures (Continued)

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

The above new standards and amendments to the standards are effective for the financial year beginning after 1 January 2018 but have not been applied in thess consolidated financial statements. These standards and amendments are not expected to have a material impact on the Group's consolidated financial statements.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2 Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

2 Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for subsequent recognition of retained interest as associates, joint ventures or financial assets. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means that the amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries (Continued)

2.2.2Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor’s share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group’s share of the net fair value of the associate’s identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

2 Summary of Significant Accounting Policies (Continued)

2.3 Associates (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of associates' in the statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the statement of profit or loss.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive director that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollar, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

2 Summary of Significant Accounting Policies (Continued)

2.5 Foreign currency translation (Continued)

(b) Transactions and balances (Continued)

Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents are presented in the profit or loss within "finance income or expenses". All other foreign exchange gains and losses are presented in the profit or loss under "Other (losses)/gains, net".

Translation differences on non-monetary financial assets and liabilities such as equities measured at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.
- goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Resulting currency translation differences are recognised in other comprehensive income.

2 Summary of Significant Accounting Policies (Continued)

2.6 Property, plant and equipment

Properties are recognised as fair value based on the valuations by external independent valuers, less subsequent depreciation for properties at each balance sheet date.

A revaluation surplus is credited to other reserves in shareholders' equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase dealt with in other comprehensive income. A decrease in the net carrying amount of properties arising on revaluation is recognised in other comprehensive income to the extent of the revaluation surplus in asset revaluation reserve relating to the same asset and the remaining decrease is recognised in profit or loss.

All machinery and equipment, furniture, fixtures and property decoration, computer software and motor vehicles are stated at historical cost less depreciation.

Depreciation is calculated using the straight-line method based on costs or revaluation (net of residual value) of assets over their estimated useful lives. The Group's property, plant and equipment are amortised using the straight-line method over their estimated useful lives as follows:

–	Properties	20-22 years
–	Machinery and equipment	5-10 years
–	Furniture, fixtures and property decoration	5-10 years
–	Computer software	3-10 years
–	Motor vehicles	3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gains, net" in the profit or loss.

2 Summary of Significant Accounting Policies (Continued)

2.7 Land use rights

Land use rights represent up-front payments to acquire long term interest in the usage of the land, and are stated at cost less accumulated amortisation and any impairment loss. Amortisation is calculated on straight-line method to write off the up-front payments over the lease terms of fifty years.

2.8 Research and development costs

Costs associated with research activities are recognised as an expense as incurred. Development items (related to design and test of new and improved products) are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset;
- the Group has adequate technical, financial and other resources to complete and use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs recognised in previous periods are stated as intangible assets, and amortised since the date when the asset was available for use using straight line method over its estimated useful life.

2 Summary of Significant Accounting Policies (Continued)

2.9 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and bills receivables, factoring receivables and other receivables, finance lease receivables, security and restricted deposits and cash and cash equivalents.

2 Summary of Significant Accounting Policies (Continued)

2.10 Financial assets (Continued)

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date– the date on which the Group commits to purchase or sell the assets. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category and dividend income from financial assets at fair value through profit or loss are presented in the profit or loss in the period in which they arise.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.12 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 Summary of Significant Accounting Policies (Continued)

2.12 Impairment of financial assets (Continued)

Assets carried at amortised cost (Continued)

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable information indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

2.13 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is calculated by using weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overhead (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 Summary of Significant Accounting Policies (Continued)

2.15 Trade and bills receivables

Trade and bills receivables are amounts and bills due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and bills receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets; otherwise they are classified as non-current assets.

Trade and bills receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, bank deposits, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and entity balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade and bills payables

Trade and bills payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and bills payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer); otherwise they are classified as non-current liabilities.

Trade and bills payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least twelve months after the balance sheet date.

2 Summary of Significant Accounting Policies (Continued)

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.21 Convertible bonds

In 2016, convertible bonds (including related embedded derivatives) issued by the Company are designated to be measured at fair value through profit or loss on initial recognition, and the transaction costs are deducted from the statement of comprehensive income. At the end of each reporting period after initial recognition, all convertible bonds are measured at fair value and changes in their fair value are directly recognised in profit or loss in the period in which they are incurred.

If the convertible bonds holders convert the convertible bonds to share capital, and the number of shares to be issued does not vary with changes in their fair value, the convertible bonds are classified as compound financial instruments. The liability component of a compound financial instrument is recognised initially at the fair value then measured by amortized cost of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in other reserves. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

2.22 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 Summary of Significant Accounting Policies (Continued)

2.22 Current and deferred income tax (Continued)

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 Summary of Significant Accounting Policies (Continued)

2.22 Current and deferred income tax (Continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Employee benefits

Group companies adopt several pension plans including defined contribution plan, short-term employee benefits and termination benefits.

(a) Defined contribution plan

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Defined benefit plan is a pension plan without a fixed amount of contribution.

2 Summary of Significant Accounting Policies (Continued)

2.23 Employee benefits (Continued)

(b) Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognised by the Group (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

2.24 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 Summary of Significant Accounting Policies (Continued)

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(a) *Sales of goods*

The Group manufactures and sells a series of industrial products. Sales of goods are recognised when the Group has delivered products to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales are made with a credit term of thirty to ninety days, which is consistent with the market practice.

(b) *Construction contract*

When the outcome of a construction contract can be estimated, contract revenue and cost is recognised over the period of the contract by reference to the stage of completion at balance sheet date. The group uses the 'percentage-of-completion' method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

2 Summary of Significant Accounting Policies (Continued)

2.25 Revenue recognition (Continued)

(b) Construction contract (Continued)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(c) Finance lease income

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Unearned finance income is calculated using effective interest method, which allocates rentals to each period during the lease term, and allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate (implied effective interest rate) of return on the lessor's net investment in the lease.

(d) Factoring income

Factoring income is determined based on the time of transferring fund use rights and the calculation of effective interest rates.

(e) Securities investment income

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category and dividend income from financial assets at fair value through profit or loss are presented in the profit or loss of the period.

2.26 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2 Summary of Significant Accounting Policies (Continued)

2.27 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets.

2.29 Lease

(a) Where the Group is the lessor of financial lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Upon the commencement of the lease term, the Group recognises the minimum lease payments as finance lease receivables, and recognises unguaranteed residual value as assets under the same category. The Group recognises the difference between (a) the unguaranteed residual value of minimum lease payments and (b) the present value of such payments (carried as finance lease receivables, net in the balance sheet) as unearned finance income. Minimum lease payments are payments over the lease term that the lease is or can be required to make plus any residual value guaranteed to the lessor by the leasee, or a party unrelated to the lessor.

Unearned finance income is allocated to each period during the lease term using the effective interest method that allocates each rental between finance income and repayment of capital in each accounting period in such a way that finance income is recognised as a constant periodic rate of return (implicit effective interest rate).

2 Summary of Significant Accounting Policies (Continued)

2.29 Lease (Continued)

(a) Where the Group is the lessor of financial lease (Continued)

Initial direct costs such as commission, legal fees and internal costs that are incremental and directly attribute to negotiating and arranging a lease, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

In respect of derecognition and impairment, finance lease receivables are treated as loans and receivables.

The impairment loss of finance lease receivables is measured by the difference between the carrying amount of receivables and the present value of estimated future cash flows (discounted based on the implied effective interest rate used in initial recognition).

(b) Where the Group is the lessee

Lessee of operating lease

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the leased asset to the leasee. Payments received from leasees under operating leases (net of any incentives grant to the leasee) are recognised in the profit or loss on a straight-line basis over the lease periods.

Lessee of finance lease

The leased asset is recognised as the lower of the fair value of the leased assets and the present value of the minimum lease payments, the difference between the lease assets and minimum lease payment is recognised as unrecognised finance expenses using the effective interest method to amortise during the lease periods. The minimum lease payments less unrecognised finance expenses is stated as financial lease liability.

2.30 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

3 Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is conducted by senior management of the Group and approved by the Board of Directors.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in Mainland China and Hong Kong, and the primary foreign exchange risk arises from financial instruments measured by currencies other than the functional currency of the Group. The functional currency of the Group's subsidiaries in Mainland China is Renminbi, and the functional currency of the Company and the Group's subsidiaries in Hong Kong and the immediate holding companies in other regions is Hong Kong dollar. The foreign exchange risk of the Group arises from the financial instruments of the Group's subsidiaires in Mainland China as measured by Renminbi, the financial instruments of the Company and the Group's subsidiaries in Hong Kong and other regions as measured by Hong Kong dollar and the Group's investments in foreign operations in Mainland China.

As at 31 December 2017, if Renminbi had weakened/strengthened by 5% against Hong Kong dollar and US dollar (31 December 2016: 5%) with all other variables held constant, the Group's loss after tax for the period would have been increased/ decreased by HK$1,713,000 (31 December 2016: HK$7,077,000), mainly as a result of exchange losses/gains on cash and cash equivalents measured by US dollar of the Group's subsidiaries in Mainland China.

Foreign exchange risk arises when future commercial transactions or recognised asset or liabilities are denominated in a currency that is not the Group's functional currency. Currently, there are no hedging policies for the Group on transactions, assets and liabilities denominated in foreign currencies. The Group closely monitors and controls foreign exchange risk and considers engaging in hedging activities if there is significant foreign exchange risk.

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's equity investments in other entities are stocks publicly traded in the stock market. As at 31 December 2017, the equity investments of the Group consist of stocks that are traded in the Main Board of the Hong Kong Stock Exchange. Therefore, the Groups's profits and interests after tax would be affected by the increased or decreased of the shares held by the Group, if the shares held by the Group had increased/decreased by 5%, with all other factors held constant, the Group's after-tax profit (i.e. equity) would have been increased/decreased by approximately HK$10,711,000(For the nine months ended 31 December 2016: HK$2,281,000).

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. As the terms of the fixed rate borrowings obtained are relatively short, therefore, the Group's fair value interest rate risk is relatively low. The Group currently has not entered into any interest rate swap contract and will only consider for hedging of significant interest rate risk.

As at 31 December 2017, there was no borrowing balances of the Group.

As at 31 December 2017 and 31 December 2016, the expected fluctuations in interest rate had no significant impact on interest income derived from cash and cash equivalents.

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The Group is exposed to credit risks arising from the cash and cash equivalents and trade receivables and other receivables.

In respect of cash and cash equivalents and restricted deposits, the Group manages the credit risk by placing all bank deposits in state-owned financial institutions and banks and security companies with good reputation (all of which are financial institutions with high credit quality).

In order to manage credit risk arising from trade receivables and other receivables, the Group assesses the debtors' financial position on a periodical basis. Certain of the Group's sales are on letter of credit or documents against payment and the remaining balances are with credit terms of thirty to ninety days. The Group regularly reviews the recoverability of trade receivables and other receivables, based on the expected recoverability and timing of collection, the Group provides for bad debts.

The credit risk on the factoring receivables is the risk of losses that the debtor is unable or unwilling to fulfill its obligations or commitments. In order to manage the credit risk on the factoring receivables, the Group manages credit risk exposure through periodic analysis on the borrower's prepayment ability of the principal and interest, and produces the review report by re-visiting the different risk types customers. The Group generally requires guarantee for factoring business and the guarantee methods are determined based on credit position of the receivable sellers, risk exposure of factoring business and the characteristics of different guarantee methods, and assesses the guarantor's guarantee ability, legal ownership and valuation of the collaterals and pledges and the feasibility to realise such rights over the collaterals and pledges. In respect of factoring receivables (including long-term receivables) guaranteed by third parties, the Group assesses the guarantor's financial position, credit position and compensation capacity.

The maximum exposure to credit risk on the factoring receivables is the carrying amount of the factoring receivables (note 20).

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group manages the liquidity risk through holding of sufficient cash and bank balances. The Group further mitigates the liquidity risk by maintaining cash reserve and utilising bank financing. The Directors consider the Group is not exposed to significant liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, (including interest payment computed using contractual rates or, if floating, based on current rates at each balance sheet date).

	within 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
As at 31 December 2017			
Trade payables and bills payables	49,613	–	49,613
Other payables and accrued expenses	11,595	–	11,595
Convertible bonds	–	148,000	148,000
	61,208	148,000	209,208
As at 31 December 2016			
Trade payables and bills payables	61,431	–	61,431
Other payables and accrued expenses	53,024	–	53,024
Borrowings	126,312	–	126,312
Convertible bonds	–	148,000	148,000
	240,767	148,000	388,767

3 Financial Risk Management (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. The gearing ratio were as follow:

	31 December 2017 HK$'000	31 December 2016 HK$'000
Total Liabilities	**309,151**	1,148,403
Total Assets	**771,732**	952,640
Gearing ratio	**40.06%**	120.55%

The decrease of the above gearing ratio was mainly attributed to the Supplemental Deed entered into by the Company with Unis Strategy Investment Company, which removed the partial 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 will be derecognised (note 28).

3 Financial Risk Management (Continued)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2017 and 31 December 2016 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

See note 14 for disclosure of the properties that are measured at fair value, note 19 for disclosure of the financial assets at fair value through profit or loss and note 28 for disclosure of the convertible bonds.

Financial instruments at fair value as at 31 December 2017 were as follows:

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
ASSETS				
Trading securities (note 19)	**256,563**	**–**	**–**	**256,563**

Financial instruments at fair value as at 31 December 2016 were as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
ASSETS				
Trading securities (note 19)	76,042	–	–	76,042
LIABILITIES				
Convertible bonds	–	–	756,892	756,892

There were no transfer between level 1, 2 and 3 during the period/year.

3 Financial Risk Management (Continued)

3.3 Fair value estimation

(a) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2017.

	Convertible bonds	
	Year ended 31 December 2017 HK$'000	Nine months ended 31 December 2016 HK$'000
Year/Opening balance	**756,892**	–
At initial recognition date (note28)	**–**	415,080
Changes in fair value (note 28)	**(78,405)**	341,812
Part recorded under equity (note 28)	**(577,941)**	–
Part of liabilities changed to be measured at cost	**(100,546)**	–
Year/Closing balance	**–**	756,892

The Company uses the binomial model to assess the fair value of the convertible bonds. The inputs used by the model include the stock price of the Company, the conversion price of the convertible bonds, the risk-free rate, the dividend interest yield, the expected volatility of the stock price and the credit spread of the Company.

As at 31 December 2017, there is no financial instrument in level 3 measured at fair value of the Group.

3 Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

(a) Financial instruments in level 3 (Continued)

Quantitative information about fair value measurements using significant unobservable inputs (level 3) as at 31 December 2016 were as follows:

Significant unobservable inputs	31 December 2016
Expected volatility of the stock price	80.55%
Credit spread of the Company	861.5bps

A higher expected volatility of the stock price will increase the fair value of the convertible bonds, a lower credit spread of the Company will increase the fair value of the convertible bonds.

As at 31 December 2016, if the expected volatility had increased/decreased by 10% and the credit spread of the Company had increased/decreased by 100bps, with all other variables held constant, the changes in fair value of the convertible bonds were as follows:

	Estimated change in expected volatility		Estimated change in credit spread of the Company	
	+10%	-10%	+100bps	-100bps
Increase/decrease in fair value of convertible bonds	4,341,000	(4,019,000)	(1,332,000)	1,436,000

3 Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

(a) Financial instruments in level 3 (Continued)

Valuation processes of the Group

The Group employed an independent valuer who obtained the relevant professional qualification and experiences in relation to valuation of financial instruments to assess the valuation of the convertible bonds on each balance sheet date.

The Group's Finance Department is responsible for reviewing the valuations performed by the independent valuer for financial reporting purposes. The finance department reports directly to the Chief Financial Officer (the "CFO") and the Audit Committee (the "AC"). The CFO, AC and the independent valuer will meet at least annually to discuss valuation process and the respective valuation results, in line with the Group's reporting date. As at 31 December 2016, the fair value of the convertible bonds was assessed by the independent valuer.

At each balance sheet date, finance department will:

- Verify all major inputs to the independent valuation report;
- Perform sensitivity analysis based on the valuation inputs; and
- Discuss with independent valuer.

All level 2 and level 3 valuation results on the balance sheet date are discussed with the CFO, AC and the Finance Department on the annual valuation meeting. The finance department will submit the report with the explanation of the change in fair value after the meeting.

As at 31 December 2017, the carrying values of current financial assets (including cash and cash equivalents, security deposits, restricted deposits, trade and bills receivables, factoring receivables and other receivables), current financial liabilities (including trade payables, bills payables, other payables and other accrued expenses) and convertible bonds in non-current liabilities are a reasonable approximation of fair value.

4 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next financial year are addressed below.

(a) Impairment of trade receivables and other receivables

The management of the Group determines the impairment of trade receivables and other receivables on a regular basis. This estimation is based on the credit history of the customers/borrowers and current market conditions. Management reassesses the impairment of receivables at the balance sheet date.

(b) Income taxes

The Group is subject to income taxes in Hong Kong and Mainland China. Significant judgement is required in determining the amount of the provision for income taxes (such as the determination of the profits derived from offshore businesses) and the timing of payment of related taxes (note 11).

The recognition of deferred income tax assets are recognised for tax losses and temporary differences to the extent that the realisation of the related tax benefit through the future taxable profit is probable. The calculation of the future taxable profit involves judgements and estimates together with the considerations of the Group's tax planning strategy and the impact of the macro economic conditions. Different judgements and estimates may affect the recognition and measurement of the deferred income tax assets.

No deferred income tax assets were recognised as the management of the Group is not able to determine whether it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

4 Critical Accounting Estimates and Judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less anticipated costs to completion and applicable variable selling expenses. These estimates are made based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to adverse market condition. Management reassesses the estimations at the balance sheet date to ensure inventories are stated at the lower of cost and net realisable value.

(d) Fair value of convertible bonds

Convertible bonds issued by the Group are not traded in active market, and its fair value is determined by using valuation techniques. The Group determines the fair value of convertible bonds by using binomial model. Significant unobservable inputs including volatility of the stock price and credit spread of the Company are disclosed in note 3.3.

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. The Executive Directors reassess the business positions from the perspective of its products and businesses. From January 2017, the Group incorporated securities investment business into the Company's daily business, and therefore classified "securities investment" as a separate segment.

During the year ended 31 December 2017, 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.

5 Segment Information (Continued)

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 and office equipment 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.

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 HK$'000	Finance lease and factoring HK$'000	Securities investment HK$'000	Segment total HK$'000	Unallocated activities HK$'000	Total HK$'000
Segment revenue	195,989	6,999	50,040	253,028	–	253,028
Segment profit	22,126	6,999	49,055	78,180	–	78,180
Other income	2,634	1,112	–	3,746	–	3,746
Other (losses)/gains, net	(7,167)	103	24	(7,040)	798	(6,242)
Distribution costs	33,987	1,057	–	35,044	–	35,044
Administrative costs	23,886	6,185	8,258	38,329	14,132	52,461
Finance costs/(income), net	3,325	(2,091)	(7)	1,227	7,426	8,653
Share of operating results of associates	–	–	–	–	(6)	(6)
Gains from changes in fair value of convertible bonds	–	–	–	–	(78,405)	(78,405)
Profit/(Loss) before income tax	(43,605)	3,063	40,828	286	57,639	57,925

5 Segment Information (Continued)

	As at 31 December 2017					
	Production and sales of industrial products HK$'000	Finance lease and factoring HK$'000	Securities investment HK$'000	Segment total HK$'000	Unallocated activities HK$'000	Total HK$'000
Segment total assets	316,626	170,151	256,917	743,694	28,038	771,732
Additions to non-current assets	4,566	233	–	4,799	1,686	6,485

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

	For the nine months ended 31 December 2016				
	Production and sales of industrial products HK$'000	Finance lease and factoring HK$'000	Segment total HK$'000	Unallocated activities HK$'000	Total HK$'000
Segment revenue	267,451	909	268,360	—	268,360
Segment (losses)/profit	(38,418)	669	(37,749)	—	(37,749)
Other income	2,201	—	2,201	726	2,927
Other losses/(gains), net	7,910	—	7,910	(7,270)	640
Distribution costs	58,706	266	58,972	—	58,972
Administrative costs	136,441	1,380	137,821	6,540	144,361
Finance costs/(income), net	6,861	(5,997)	864	1	865
Loss from changes in fair value of convertible bonds	—	—	—	341,812	341,812
(Loss)/Profit before income tax	(246,135)	5,020	(241,115)	(340,357)	(581,472)

5 Segment Information (Continued)

	As at 31 December 2016				
	Production and sales of industrial products HK$'000	Finance lease and factoring HK$'000	Segment total HK$'000	Unallocated activities HK$'000	Total HK$'000
Segment total assets	491,650	176,870	668,520	284,120	952,640
Additions to non-current assets	1,778	12	1,790	187	1,977

For the year ended 31 December 2017 and for the nine months ended 31 December 2016, the revenue of the Group is mainly arising from Mainland China and Hong Kong.

Revenue of approximately HK$8,000,000 (nine months ended 31 December 2016: HK$20,854,000) was derived from a single external customer. Such revenue was derived from the production and sales of industrial products segment.

As at 31 December 2017 and 31 December 2016, except for the financial instruments, the Group's non-current assets were located in Mainland China and Hong Kong.

6 Other Income

	Year ended 31 December 2017 HK$'000	Nine months ended 31 December 2016 HK$'000
Income from sales of scraps	**2,634**	2,053
Gains on sales of available-for-sale financial assets	**1,112**	—
Gains on sales of financial assets at fair value through profit or loss	**—**	656
Other	**—**	218
	3,746	2,927

7 Other Losses, Net

	Year ended 31 December 2017 HK$'000	Nine months ended 31 December 2016 HK$'000
Inventories write-downs	**(8,257)**	(4,465)
Loss on disposal of property, plant and equipment	**(239)**	(4,093)
Exchange gains/(losses)	**143**	(4,488)
Compensation income	**944**	188
Government grants	**1,770**	7,304
Gains on changes in fair value of financial assets at fair value through profit or loss	**—**	7,109
Compensation charges	**(35)**	(1,761)
Other	**(568)**	(434)
	(6,242)	(640)

8 Expenses by Nature

	Year ended 31 December 2017 HK$'000	Nine months ended 31 December 2016 HK$'000
Raw materials and consumables	146,303	226,428
Employee benefits expense	72,776	119,560
Operating lease expenses	13,862	3,746
Research and development expense	8,569	5,926
Depreciation	8,499	7,610
Professional service fees	5,191	4,272
Travelling expense	4,021	6,594
Other taxes	3,076	2,965
Promotion and exhibition fee	3,011	2,436
Transportation expense	2,965	4,741
Auditors' remuneration - audit services	2,346	2,291
Utilities	2,580	3,731
Office expenses	2,394	2,684
Installation and maintenance fee	1,901	3,537
Vehicles expenses	1,168	3,210
Entertainment expense	1,005	3,161
Provision for impairment of trade receivables	(25,055)	65,205
Provision for impairment of inventories	2,035	31,596
Amortisation of land use rights	322	229
Provision for impairment of property, plant and equipment	–	2,737
Provision for impairment of other receivables	–	1,140
Others	5,384	5,643
	262,353	509,442

9 Employee Benefit Expense

	Year ended 31 December 2017 HK$'000	Nine months ended 31 December 2016 HK$'000
Wages and salaries	**66,942**	78,040
Defined contribution plan (a)	**4,581**	2,580
Termination benefits (b)	**1,253**	38,940
	72,776	119,560

(a) Employees in the Group's subsidiaries located in Mainland China participate in the defined contribution retirement schemes administrated and operated by local municipal government. These subsidiaries shall make contributions to the schemes according to the relevant regulations as issued by the local municipal government, and provide funds for employees' post-employment benefits.

(b) Termination benefits

For the year ended 31 December 2017, provision made for employee termination benefits amounted to HK$1,253,000 (nine months ended 31 December 2016: HK$38,940,000), as a result of the business restructuring carried out in the subsidiaries in Mainland China and business transformation.

9 Employee Benefit Expense (Continued)

(c) Five highest paid individuals

The five highest paid individuals in the Group did not include directors for the year ended 31 December 2017 (nine months ended December 31, 2016: one) whose emoluments are reflected in the analysis shown in note 35. The emoluments payable to the five highest paid individuals for the year ended 31 December 2017 (nine months ended 31 December 2016: four) are as follows:

	Year ended 31 December 2017 HK$'000	Nine months ended 31 December 2016 HK$'000
Basic salaries, allowances and benefits in kind	6,591	3,235
Contribution to pension scheme	237	50
	6,828	3,285

The emoluments fell within the following bands:

	Number of individuals	
	Year ended 31 December 2017	Nine months ended 31 December 2016
Emolument bands (in HK$)		
HK$500,001 - HK$1,000,000	1	4
HK$1,000,001 - HK$2,000,000	3	—
HK$2,000,001 - HK$3,000,000	1	—

10 Finance Costs, Net

	Year ended 31 December 2017 HK$'000	Nine months ended 31 December 2016 HK$'000
Finance income:		
– Interest income from bank deposits	(779)	(333)
– Exchange gains	(1,660)	(5,142)
	(2,439)	(5,475)
Finance costs:		
– Interest expenses on bank and other borrowings	3,248	4,582
– Amortization of interest expenses on bonds payable	7,423	–
– Discount interest on bills	421	1,758
	11,092	6,340
Finance costs, net	8,653	865

11 Income Tax Expense

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

	Year ended 31 December 2017 HK$'000	Nine months ended 31 December 2016 HK$'000
Current income tax:		
Current tax on profits for the year/period	167	1,072
Adjustment in respect of prior years (a)	–	20,867
Total current income tax	167	21,939
Deferred income tax (note 29)	6,189	(260)
Income tax expense	6,356	21,679

(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. For the nine months ended 31 December 2016, the Group has provided tax provision of HK$20,867,000.

11 Income Tax Expense (Continued)

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

	Year ended 31 December 2017 HK$'000	Nine months ended 31 December 2016 HK$'000
Profit/(Loss) before income tax	**57,925**	(581,472)
Tax at the statutory tax rates	**6,958**	(115,007)
Tax effects of:		
– Income not subject to tax	**(12,937)**	–
– Expenses not deductible for tax purposes	**1,484**	58,427
– Utilisation of previously unrecognised tax losses	**(349)**	–
– Tax loss for which no deferred income tax asset was recognised	**11,200**	57,392
– Adjustments in respect of prior years	**–**	20,867
Income tax expense	**6,356**	21,679

12 Earnings/(Losses) per Share

(a) Basic

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

	Year ended 31 December 2017 HK$'000	Nine months ended 31 December 2016 HK$'000
Earnings/(Losses) attributable to equity holders of the Company	**51,569**	(603,151)
Weighted average number of ordinary shares in issue *(in thousands)*	**1,455,000**	1,363,270
Basic earnings/(losses) per share *(in HK$ cents)*	**3.54**	(44.24)

12 Earnings/(Losses) per Share (Continued)

(b) Diluted

Diluted earnings 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 28. 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 after income tax effect.

	Year ended 31 December 2017 HK$'000	Nine months ended 31 December 2016 HK$'000
Earnings/(Losses) attributable to equity holders of the Company	**51,569**	(603,151)
Fair value changes and interest savings on – convertible bonds	**(70,982)**	–
	(19,413)	(603,151)
Weighted average number of ordinary shares in issue *(in thousands)*	**1,455,000**	1,363,270
Adjustments for calculation of diluted earnings per share: Convertible bonds *(in thousands)* (i)	**370,000**	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share *(in thousands)*	**1,825,000**	1,363,270
Diluted losses per share *(HK$ cents)*	**(1.06)**	(44.24)

(i) In 2016, 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 loss per share for the nine months ended 31 December 2016.

13 Subsidiaries and investment in an associate

(a) Subsidiaries

The following is a list of the principal subsidiaries as of 31 December 2017:

Name of companies	Place of incorporation	Kind of legal entity	Principal activities	Place of operation	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)
i-System Investment Company Limited	British Virgin Islands ("BVI")	Limited Liability	Investment holding	Hong Kong	US$2,000	100%	100%
Sun East Electronic Equipment Company Limited	Hong Kong	Limited Liability	Sales of industrial products	Hong Kong	US$5,000,000	–	100%
Fureach Precision Limited	Hong Kong	Limited Liability	Sales of industrial products	Hong Kong	HK$10,000	–	100%
Frontier Precision System Co., Ltd (天力精密系統有限公司)	Hong Kong	Limited Liability	Investment holding	Hong Kong	HK$10,000	–	100%
Sun East Tech Development Limited (日東科技發展有限公司)	Hong Kong	Limited Liability	Sales of industrial products	Hong Kong	HK$10,000	–	100%
日東電子發展(深圳)有限公司	Mainland China	Limited Liability	Production and sales of industrial products	Mainland China	HK$81,000,000	–	100%
天力精密系統(深圳)有限公司	Mainland China	Limited Liability	Production and sales of industrial products	Mainland China	HK$15,300,000	–	100%
紫光日東科技(深圳)有限公司	Mainland China	Limited Liability	Production and sales of industrial products	Mainland China	HK$25,000,000	–	100%
富運精密設備(深圳)有限公司	Mainland China	Limited Liability	Production and sales of industrial products	Mainland China	HK$10,000,000	–	100%
Unisplendour Si-Cloud Financial Leasing Co., Ltd (紫光芯雲融資租賃有限公司) (formerly known as: 紫光融資租賃(深圳)有限公司)	Mainland China	Limited Liability	Financial lease and factoring	Mainland China	US$30,000,000	–	100%
Unisplendour Technology International Limited (紫光科技國際有限公司)	British Virgin Islands ("BVI")	Limited Liability	Investment holding	Hong Kong	US$50,000	100%	100%
Unisplendour Technology Investment Limited	British Virgin Islands ("BVI")	Limited Liability	Investment holding	Hong Kong	US$50,000	–	100%

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year ended 31 December 2017 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

13 Subsidiaries and investment in an associate (Continued)

(b) Investment in an associate

The amounts recognised at the blanace sheet are as follows:

	31 December 2017 HK$'000
As at 1 January	–
Capital contribution to an associate	2,640
Share of results of an associate	(6)
As at 31 December	2,634

Set out below is the associate of the Group as at 31 December 2017 which in the opinion of the Directors, is immaterial to the Group. The entity listed below has share capital consisting solely of ordinary shares, which is held directly by the Group. The country of incorporation or registration is also its principal place of business.

Nature of investment in an associate as at 31 December 2017:

Name	Incorporation country/ business place	Ownership interest	Relation nature	Measuring method
Unisplendour Capital Limited	British Virgin Islands	33%	Note 1	Equity method

Note 1: Unisplendour Capital Limited has not started business this year. Unisplendour Capital Limited is a private company, and its shares do not have market quotes. The Group did not have any contingent liability in equity of associates.

14 Property, Plant and Equipment

Nine months ended 31 December 2016	Properties HK$'000	Machinery and equipment HK$'000	Funiture, fixtures and property decoration HK$'000	Computer software HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 31 March 2016						
Cost	–	67,101	32,061	2,472	11,727	113,361
Accumulated depreciation	–	(50,966)	(27,654)	(777)	(7,495)	(86,892)
Fair valuation	125,423	–	–	–	–	125,423
Net book amount	125,423	16,135	4,407	1,695	4,232	151,892
Opening net book amount	125,423	16,135	4,407	1,695	4,232	151,892
Additions	–	22	440	–	1,515	1,977
Disposals	–	(4,556)	(390)	–	(792)	(5,738)
Surplus on revaluation	2,651	–	–	–	–	2,651
Depreciation charge	(4,296)	(1,208)	(1,177)	(248)	(681)	(7,610)
Impairment	–	(1,630)	(685)	–	(422)	(2,737)
Exchange adjustments	(6,248)	(796)	(128)	(94)	(148)	(7,414)
Closing net book amount	117,530	7,967	2,467	1,353	3,704	133,021
Cost or valuation at 31 March 2016 is analysed as follows:						
Cost	–	38,831	27,584	2,317	8,118	76,850
Accumulated depreciation and impairment	–	(30,864)	(25,117)	(964)	(4,414)	(61,359)
Fair valuation	117,530	–	–	–	–	117,530
	117,530	7,967	2,467	1,353	3,704	133,021
Year ended 31 December 2017						
Opening net book amount	**117,530**	**7,967**	**2,467**	**1,353**	**3,704**	**133,021**
Addition	**–**	**1,574**	**3,550**	**1,027**	**334**	**6,485**
Disposals	**–**	**(3,270)**	**(605)**	**(1,112)**	**(252)**	**(5,239)**
Reclassification	**(355)**	**781**	**(630)**	**–**	**204**	**–**
Surplus on revaluation	**10,327**	**–**	**–**	**–**	**–**	**10,327**
Depreciation charge	**(5,245)**	**(792)**	**(1,328)**	**(323)**	**(811)**	**(8,499)**
Exchange adjustments	**6,308**	**635**	**112**	**82**	**134**	**7,271**
Closing net book amount	**128,565**	**6,895**	**3,566**	**1,027**	**3,313**	**143,366**
Cost or valuation at 31 December 2017 is analysed as follows:						
Cost	**–**	**28,432**	**26,690**	**1,029**	**5,367**	**61,518**
Accumulated depreciation and impairment	**–**	**(21,537)**	**(23,124)**	**(2)**	**(2,054)**	**(46,717)**
Fair valuation	**128,565**	**–**	**–**	**–**	**–**	**128,565**
	128,565	**6,895**	**3,566**	**1,027**	**3,313**	**143,366**

14 Property, Plant and Equipment (Continued)

Depreciation charges are recognised in the following items within the profit or loss:

	Year ended 31 December 2017 HK$'000	Nine months ended 31 December 2016 HK$'000
Cost of sales	**1,689**	2,808
Distribution costs	**128**	191
Administrative costs	**6,682**	4,611
	8,499	7,610

As at 31 December 2017, the Group's properties were not pledged to any banks (As at 31 December 2016, the Group's properties with net book amounts of HK$103,379,000 were pledged to banks to secure the banking facilities granted to the Group (note 27)).

Valuation processes of the Group

The Group's properties were valued on each balance sheet date by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all properties, their current use equates to the highest and best use.

The Group's Finance Department is responsible for reviewing the valuations performed by the independent valuer for financial reporting purposes. The Finance Department reports directly to the CFO and the AC. As at 31 December 2017 and 31 December 2016, the fair value of property was assessed by independent valuer.

At each balance sheet date, finance department will:

- Verify all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report; and
- Discuss with independent valuer.

14 Property, Plant and Equipment (Continued)

All level 2 and level 3 valuation results on the balance sheet date are discussed with the CFO, AC and the finance department on the annual valuation meeting. The finance department will submit the report with the explanation of the change in fair value after the meeting.

Fair value of properties is a level 3 fair value measurement. Significant unobservable inputs and valuation techniques are as follows:

Description	Fair value at 31 December 2017 HK$'000	Valuation technique	Unobservable input	Range (weighted average)
Properties of 日東電子發展(深圳)有限公司	99,452	Depreciated replacement cost approach	Construction cost	Approximately Reminbi 2,200/m²
Properties of 紫光日東科技(深圳)有限公司	2,513	Direct comparision approach	Comparable land price per floor area	Approximately Reminbi 7,500 - 8,500/m²
Properties of Sun East Electronic Equipment Company Limited	26,600	Direct comparision approach	Comparable land price per floor area	Approximately HK$4,700-6,000/m²

14 Property, Plant and Equipment (Continued)

Description	Fair value at 31 December 2016 HK$'000	Valuation technique	Unobservable input	Range (weighted average)
Properties of 日東電子發展(深圳)有限公司	91,379	Depreciated replacement cost approach	Construction cost	Approximately Reminbi 2,000/m^2
Properties of 紫光日東科技(深圳)有限公司	2,351	Direct comparision approach	Comparable land price per floor area	Approximately Reminbi 5,700-8,600/m^2
Properties of Sun East Electronic Equipment Company Limited	23,800	Direct comparision approach	Comparable land price per floor area	Approximately HK$4,400-5,100/m^2

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31 December 2017 HK$'000	Nine months ended 31 December 2016 HK$'000
Opening balance	**117,530**	125,423
Fair value change recognised in the other comprehensive income (note 25)	**8,105**	2,244
Deferred tax liability arising from the change in fair value (note 29)	**2,222**	407
Closing balance	**128,565**	117,530

As at 31 December 2017, if the properties were measured at historical cost, the book value was HK$124,421,000, the accumulated depreciation was HK$66,841,000 and the net book value was HK$57,580,000 (As at 31 December 2016: the book value was HK$116,855,000, the accumulated depreciation was HK$60,289,000 and the net book value was HK$56,567,000).

14 Property, Plant and Equipment (Continued)

For the year ended 31 December 2017, no provision of the impairment losses on assets was provided (for the nine months ended 31 December 2016, the impairment losses on machinery and equipment, furniture, fixtures and property decoration and motor vehicles were HK$2,737,000.) In 2016, these impairment losses are derived from the production and sales of industrial products segment. As the Group is conducting business transformation and the Group will reduce the production of certain types of industrial products, therefore, the Group considers selling or disposing of these assets. The recoverable amount of the assets is measured at its fair value less disposal costs and the respective fair value is assessed by the independent valuer on the balance sheet date.

The Group assesses the fair value of the aforesaid assets using the direct method of comparative and depreciation of the cost method, which is level 3 fair value measurement. The significant unobservable input values used in the valuation process mainly include the selling prices and asset replacement costs for similar assets.

15 Land Use Rights

	Year ended 31 December 2017 HK$'000	Nine months ended 31 December 2016 HK$'000
Carrying amount at the beginning of the year/period	**9,660**	10,551
Amortisation of land use rights	**(322)**	(229)
Exchange adjustments	**667**	(662)
Carrying amount at the end of the year/period	**10,005**	9,660

As at 31 December 2017, no land use rights are pledged to banks to secure the banking facilities granted to the Group (31 December 2016: HK$8,134,000 (note 27)).

16 Finance Lease Receivables

	31 December 2017 HK$'000	31 December 2016 HK$'000
Finance lease receivables - Current	732	3,927
Finance lease receivables - Non-current	–	542
	732	4,469

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2017 HK$'000	31 December 2016 HK$'000	31 December 2017 HK$'000	31 December 2016 HK$'000
Receivables under finance leases:				
Within one year	759	4,217	732	3,927
More than one year but not more than five years	–	710	–	542
	–	4,927	732	4,469
Less: Unearned finance income	(27)	(458)	N/A	N/A
Present value of minimum lease payments receivable	732	4,469	732	4,469
Less: Amount due for settlement within twelve months (shown under current assets)			732	3,927
Amount due for settlement after twelve months			–	542

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. For the year ended 31 December 2017, the average effective interest rate contracted is approximately 18.59% per annum (for the nine months ended 31 December 2016: 19.31%).

16 Finance Lease Receivables (Continued)

As at 31 December 2017 and 31 December 2016, the Group's financial lease receivables are denominated in Renminbi.

As at 31 December 2017 and 31 December 2016,the finance lease receivables are neither past due nor impaired.

17 Inventories

	31 December 2017 HK$'000	31 December 2016 HK$'000
Raw materials - at cost	**15,475**	11,192
Raw materials - at fair value less cost to sell	**—**	—
Work in progress- at cost	**9,391**	310
Work in progress - at fair value less cost to sell	**—**	—
Finished goods- at cost	**14,291**	58,014
Finished goods- at fair value less cost to sell	**—**	—
	39,157	69,516

Movements in provision for impairment are as follows:

	31 December 2017 HK$'000	31 December 2016 HK$'000
At the beginning of the year/period	**(31,804)**	(15,077)
Currency translation differences	**(2,086)**	1,862
Provision for impairment of inventories	**(2,035)**	(31,596)
Written-off (a)	**24,249**	13,007
At the end of the year/period	**(11,676)**	(31,804)

For the year ended 31 December 2017, inventory cost recognised in distribution costs was HK$166,982,000 (nine months ended 31 December 2016: HK$287,739,000).

17 Inventories (Continued)

For the year ended 31 December 2017, the provision for impairment of inventories for the Group amounted to HK$2,035,000, which was recognised in at the cost of sales. The main reasons for the provision for impairment are: (1) the Group's business transformation will reduce the production of certain types of industrial products; (2) the market price of certain inventories has declined.

(a) Inventories written off represent the disposal of inventories of which provision for impairment had been made previously. The respective gains on disposal have been recognised in other gains.

18 Financial Instruments by Category

	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
As at 31 December 2017			
Assets as per balance sheet			
Finance lease receivables	732	–	732
Trade receivables and other receivables, excluding prepayments	66,544	–	66,544
Financial assets at fair value through profit or loss	–	256,563	256,563
Security deposits and restricted deposits	6,656	–	6,656
Cash and cash equivalents	234,003	–	234,003
Total	307,935	256,563	564,498

18 Financial Instruments by Category (Continued)

	Liabilities at fair value through profit or loss HK$'000	Other financial liabilities at amortised cost HK$'000	Total HK$'000
Liabilities as per balance sheet			
Convertible bonds	–	107,969	107,969
Trade receivables and other receivables, excluding non-financial liabilities	–	61,208	61,208
Total	–	169,177	169,177

	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
At 31 December 2016			
Assets as per balance sheet			
Finance lease receivables	4,469	–	4,469
Trade and other receivables, excluding prepayments	339,742	–	339,742
Financial assets at fair value through profit or loss	–	76,042	76,042
Security deposits and restricted deposits	2,883	–	2,883
Cash and cash equivalents	294,052	–	294,052
Total	641,146	76,042	717,188

18 Financial Instruments by Category (Continued)

	Liabilities at fair value through profit or loss HK$'000	Other financial assets, at amortisation cost HK$'000	Total HK$'000
Liabilities as per balance sheet			
Borrowings	—	122,881	122,881
Convertible bonds	756,892	—	756,892
Trade payables and other payables, (excluding non-financial liabilities)	—	92,846	92,846
Total	756,892	215,727	972,619

19 Financial Assets at Fair Value through Profit or Loss

	31 December 2017 HK$'000	31 December 2016 HK$'000
Listed securities-held-for-trading		
– Equity securities – Hong Kong	**256,563**	76,042

Financial assets at fair value through profit or loss are denominated in Hong Kong dollar.

The fair value of all equity securities is based on their closing price in active market.

20 Trade Receivables and Other Receivables

	31 December 2017 HK$'000	31 December 2016 HK$'000
Trade and bills receivables	98,514	293,294
Less: Provision for impairment of trade receivables	(37,394)	(99,092)
Trade and bills receivables, net	61,120	194,202
Factoring receivables (a)	–	134,052
Prepayments	7,482	19,655
Other receivables	5,424	11,488
Current portion	74,026	359,397

Parts of the Group's sales are on letter of credit or documents against payment. The remaining amounts are with credit terms of thirty to ninety days. As at 31 December 2017 and 31 December 2016, the aging analysis of the trade and bills receivables based on invoice date is as follows:

	31 December 2017 HK$'000	31 December 2016 HK$'000
Up to 3 months	31,125	103,980
3 to 6 months	10,341	12,301
Over 6 months	57,048	177,013
	98,514	293,294

20 Trade Receivables and Other Receivables (Continued)

As at 31 December 2017, trade receivables of HK$19,428,000 (31 December 2016: HK$18,254,000) were past due but not impaired. These related to a number of independent clients for whom there are no significant financial difficulties, and based on past experience, the overdue amounts can be recovered. The aging analysis of such trade receivables is as follows:

	31 December 2017 HK$'000	31 December 2016 HK$'000
Less than 3 months	**8,899**	–
3 to 6 months	**3,040**	–
More than 6 months	**7,489**	18,254
	19,428	18,254

As at 31 December 2017, trade receivables of HK$45,028,000 (31 December 2016: HK$127,313,000) were impaired. As at 31 December 2017, the provision was HK$37,394,000 (31 December 2016: HK$99,092,000). Impairment of trade receivables was mainly arising from the clients with deteriorating credit quality, unexpectedly difficulties in business operations or long outstanding balances. The Group assessed that a portion of the trade receivables is expected to be recovered based on the review of credit history, analysis and assessment of the latest market and business conditions. The aging of such receivables were as follows:

	31 December 2017 HK$'000	31 December 2016 HK$'000
Less than 3 months	**–**	–
3 to 6 months	**–**	1,669
More than 6 months	**45,028**	125,644
	45,028	127,313

20 Trade Receivables and Other Receivables (Continued)

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

	Year ended 31 December 2017 HK$'000	Nine months ended 31 December 2016 HK$'000
At the beginning of the year/period	**99,092**	45,986
Written-off	**(40,863)**	(7,324)
(Reversal)/provision of impairment	**(25,055)**	65,205
Exchange adjustments	**4,220**	(4,775)
At the end of the year/period	**37,394**	99,092

The creation and release of provision for impaired receivables were included in 'administrative costs' in the profit or loss (note 8). 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.

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

(a) Factoring receivables

On 28 December 2016, the Company's subsidiary Unisplendour Si-Cloud Financial Leasing Co., Ltd., (紫光芯雲融資租賃有限公司) entered into a factoring agreement with a company in Mainland China, based on which Unisplendour Si-Cloud Financial Leasing Co., Ltd., (紫光芯雲融資租賃有限公司) provides factoring service of trade receivables (with recourse) with total amount no more than RMB120,000,000 (equivalent to approximately HK$134,052,000) with terms of six months.

As at 31 December 2017, the aforementioned factoring agreement expired.

20 Trade Receivables and Other Receivables (Continued)

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

	31 December 2017 HK$'000	31 December 2016 HK$'000
Renminbi	103,654	416,919
Hong Kong dollar	5,981	10,113
US dollar	1,780	31,279
Other	5	178
	111,420	458,489

21 Cash and cash equivalents

	31 December 2017 HK$'000	31 December 2016 HK$'000
Cash at bank and on hand	233,650	162,259
Other cash balances (a)	353	131,793
Cash and cash equivalents	234,003	294,052

(a) Other cash balances are balances deposited in securities company not invested.

21 Cash and cash equivalents

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	31 December 2017 HK$'000	31 December 2016 HK$'000
Renminbi	**185,665**	25,774
Hong Kong dollar	**14,196**	163,184
US dollar	**34,103**	104,197
Other currencies	**39**	897
	234,003	294,052

22 Security and Restricted Deposits

	31 December 2017 HK$'000	31 December 2016 HK$'000
Security deposits (a)	**6,656**	2,883

(a) Security deposits are performance guarantee bonds and deposits for notes payable deposited by the Group in banks. These deposits earn interest at 0.35% (31 December 2016: 0.35%) per annum.

As at 31 December 2017 and 31 December 2016, security deposits and restricted deposits were listed in Renminbi.

23 Share Capital and Share Premium

	Number of shares (In thousands)	Share Capital HK$'000	Share Premium HK$'000
As at 31 March 2016	525,000	52,500	87,728
Proceeds from shares issued	930,000	93,000	7,512
As at 31 December 2016 and 31 December 2017	**1,455,000**	**145,500**	**95,240**

24 (Accumulated Losses)/Retained Earnings

	31 December 2017 HK$'000	31 December 2016 HK$'000
Balance at the beginning of the year/period	**(515,179)**	88,349
Year/Period profit/(loss)	**51,569**	(603,151)
Amounts allocated to statutory reserve	**(227)**	(377)
Balance at the end of the year/period	**(463,837)**	(515,179)

25 Other Reserves

	Contributed surplus HK$'000	Convertible bonds HK$'000	Statutory reserve HK$'000	Asset revaluation reserve HK$'000	Foreign currency translation HK$'000	Total HK$'000
Balance at 1 April 2016	4,800	–	11,225	67,200	7,378	90,603
Revaluation of properties	–	–	–	2,244	–	2,244
Exchange difference on translation of foreign currency	–	–	–	–	(14,548)	(14,548)
Amounts allocated to statutory reserve	–	–	377	–	–	377
Balance at 31 December 2016	4,800	–	11,602	69,444	(7,170)	78,676

	Contributed surplus HK$'000	Convertible bonds HK$'000	Statutory reserve HK$'000	Asset revaluation reserve HK$'000	Foreign currency translation HK$'000	Total HK$'000
Balance at 1 January 2017	4,800	–	11,602	69,444	(7,170)	78,676
Revaluation of properties	–	–	–	8,105	–	8,105
Exchange difference on translation of foreign currency	–	–	–	–	20,729	20,729
Amounts allocated to statutory reserve	–	–	227	–	–	227
Changes in the measurement method of convertible bonds	–	577,941	–	–	–	577,941
Balance at 31 December 2017	4,800	577,941	11,829	77,549	13,559	685,678

26 Trade payables and Other Payables

	31 December 2017 HK$'000	31 December 2016 HK$'000
Trade payables	**48,294**	58,974
Bills payables	**1,319**	2,457
Employee salaries payables	**25,590**	5,070
Other taxes payables	**18,458**	38,968
Advances from customers	**17,109**	44,443
Other payables	**3,515**	10,277
Accrued expenses	**8,080**	42,747
	122,365	202,936

As at 31 December 2017 and 31 December 2016, the aging analysis of trade and bills payables based on the invoice date was as follows:

	31 December 2017 HK$'000	31 December 2016 HK$'000
Within 90 days	**35,440**	40,679
91 to 120 days	**1,734**	1,947
Over 120 days	**12,439**	18,805
	49,613	61,431

26 Trade payables and Other Payables (Continued)

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

	31 December 2017 HK$'000	31 December 2016 HK$'000
Renminbi	48,715	60,621
US dollar	–	8,423
Hong Kong dollar	4,413	2,664
	53,128	71,708

27 Borrowings

	31 December 2017 HK$'000	31 December 2016 HK$'000
Current		
Secured bank loans due for repayment within one year (a)	–	122,881

(a) As of 31 December 2017, there was no bank loans balance. (31 December 2016: the secured bank loans are secured by the Group's properties (note 14), land use rights (note 15) and corporate guarantees provided by the Company and its subsidiaries).

As at 31 December 2017, the average annual borrowing interest rate was 4.49% (31 December 2016: 4.74%).

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 currencies:

	31 December 2017 HK$'000	31 December 2016 HK$'000
Renminbi	–	122,881

28 Convertible Bonds

As described in note 1, 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 bond 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 cost method. In 2017, the gains from change in fair value of convertible bonds for the year were HK$78,405,000, and the interest expense was HK$7,423,000 (note 10).

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

29 Deferred Income Tax

The analysis of deferred tax liabilities is as follows:

	31 December 2017 HK$'000	31 December 2016 HK$'000
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	**15,532**	13,310
– Deferred tax liabilities to be recovered within 12 months	**6,189**	–
Deferred tax liabilities:	**21,721**	13,310

29 Deferred Income Tax (Continued)

The gross movement on the deferred tax liabilities is as follows:

	31 December 2017 HK$'000	31 December 2016 HK$'000
At the beginning of the year/period	**13,310**	13,163
Gains on financial assets at fair value through profit or loss	**6,189**	–
Revaluation of properties	**2,222**	407
Accelerated tax depreciation	**–**	(260)
At the end of the year/period	**21,721**	13,310

The movement on the deferred tax liabilities for the year/period is as follows:

Deferred tax liabilities	Accelerated tax depreciation HK$'000	Properties revaluation HK$'000	Gains on financial assets at fair value through profit or loss HK$'000	Total HK$'000
As at 31 March 2016	260	12,903	–	13,163
Charged to the statement of comprehensive income	(260)	–	–	(260)
Charged to other comprehensive income	–	407	–	407
As at 31 December 2016	**–**	**13,310**	**–**	**13,310**
Charged to the statement of comprehensive income	**–**	**–**	**6,189**	**6,189**
Charged to other comprehensive income	**–**	**2,222**	**–**	**2,222**
As at 31 December 2017	**–**	**15,532**	**6,189**	**21,721**

29 Deferred Income Tax (Continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profit is probable. For the year ended 31 December 2017, the Group has not recognised deferred tax assets amounted to HK$114,808,000 (nine months ended 31 December 2016: HK$104,948,000) in respect of losses amounted to HK$663,142,000 (nine months ended 31 December 2016: HK$616,497,000) that can be carried forward against future taxable income.

For the year ended 31 December 2017, the tax loss as of HK$389,818,000 (nine months ended 31 December 2016: HK$368,632,000), which was not carried forward to offset future taxable income, had no due date. The remaining tax losses that are not carried forward to offset future taxable income will expire in the following years:

	31 December 2017 HK$'000	31 December 2016 HK$'000
Year		
2017	–	3,964
2018	10,430	10,430
2019	760	760
2020	3,409	3,409
2021	229,302	229,302
2022	29,423	–
	273,324	247,865

30 Deferred income

For the year ended 31 December 2017, the Group received "Non-contact solderspray and welding technique (非接觸焊料噴射與焊接技術)" project related government grant from the Financial Committee of Shenzhen City (深圳市財政委員會), equivalent to HK$4,772,000. The implementation period of the project will be ended on 30 June 2019.

31 Notes to the Consolidated Statement of Cash Flows

(a) Profit/(loss) before income tax and reconciliation of cash generated from/(used in) operating activities:

	Year ended 31 December 2017 HK$'000	Nine months ended 31 December 2016 HK$'000
Profit/(loss) before income tax	**57,925**	(581,472)
Adjustments for:		
– Amortisation of land use rights (note 15)	**322**	229
– Depreciation of property, plant and equipment (note 14)	**8,499**	7,610
– Losses on disposal of property, plant and equipment (note 7)	**239**	4,093
– Provision for impairment of trade receivables (note 8)	**(25,055)**	65,205
– Provision for impairment of other receivables (note 8)	**–**	1,140
– Provision for impairment of inventories (note 8)	**2,035**	31,596
– Provision for impairment of property, plant and equipment (note 14)	**–**	2,737
– Changes in fair value of financial assets at fair value through profit or loss (note 6)	**–**	(7,109)
–Gains on sales of available-for-sale financial assets (note 6)	**(1,112)**	–
– Finance costs, net (note 10)	**8,653**	865
– Changes in fair value of convertible bonds (note 28)	**(78,405)**	341,812
Changes in working capital:		
– Decrease in inventories	**38,655**	9,743
– Decrease/(increase) in trade receivables and other receivables	**121,182**	(46,241)
– Decrease in trade payables and other payables	**(59,833)**	(43,891)
– Decrease in finance lease receivables	**3,737**	414
– Change in derivative financial instruments	**–**	183
Cash generated from/(used in) operations	**76,842**	(213,086)

31 Notes to the Consolidated Statement of Cash Flows (Continued)

(b) The proceeds from sales of property, plant and equipment included in the consolidated statement of cash flows include:

	Year ended 31 December 2017 HK$'000	Nine months ended 31 December 2016 HK$'000
Net book value (note 14)	**5,239**	5,738
Losses on disposal of property, plant and equipment	**(239)**	(4,093)
Proceeds from disposal of property, plant and equipment	**5,000**	1,645

(c) Net debt reconciliation

	Liabilities from financing activities Borrowings due within one year HK$'000
As at 1 Janunary 2017	**122,881**
Cash flows	**(127,172)**
Exchange in adjustment	**4,291**
As at 31 December 2017	**–**

32 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:

	31 December 2017 HK$'000	31 December 2016 HK$'000
Within one year	**12,039**	10,506
More than one year but not more than five years	**14,078**	17,449
	26,117	27,955

As at 31 December 2017 and 31 December 2016, the Group had no non-cancellable contracted capital commitments.

33 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 shown below:

	Year ended 31 December 2017 HK$'000	Nine months ended 31 December 2016 HK$'000
Salaries and other short-term employee benefits	**7,023**	6,779
Post-employment benefits	**237**	71
	7,260	6,850

34 Balance Sheet and Reserve Movement of the Company

	31 December 2017 HK$'000	31 December 2016 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1,298**	206
Investment in subsidiaries	**117,882**	115,678
	119,180	115,884
Current assets		
Amounts due from subsidiaries	**625,912**	583,262
Trade receivables and other receivables	**5,003**	7,122
Cash and bank deposits	**21,737**	68,957
	652,652	659,341
Current liabilities		
Amounts due to subsidiaries	**3,604**	2,535
Trade payables and other payables	**6,608**	5,498
	10,212	8,033
Non-current liabilities		
Convertible bonds	**107,969**	756,892
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital and share premium	**240,740**	240,740
Accumulated losses(a)	**(165,030)**	(230,440)
Other reserves (a)	**577,941**	—
TOTAL EQUITY	**653,651**	10,300

34 Balance Sheet and Reserve Movement of the Company

(Continued)

(a) Accumulated losses and Reserve movement of the Company

	Other reserves HK$'000	Retained earnings/ (Accumulated losses) HK$'000
As at 31 March 2016	—	114,912
Loss for the period	—	(345,352)
31 December 2016	—	(230,440)
1 January 2017	—	(230,440)
convertible bonds (note 28)	577,941	—
Profit for the year	—	65,410
As at 31 December 2017	577,941	(165,030)

35 Benefits and Interests of Directors

(a) Directors' and Chief Executive Officer's emoluments

Directors' and Chief Executive Officer's emoluments are set out below:

For the year ended 31 December 2017:

Name	Fees HK$'000	Basic salaries, allowances and benefits in kind HK$'000	Contribution to pension scheme HK$'000	Total HK$'000
Directors:				
Mr. WANG Huixuan (i)	–	–	–	–
Mr. ZHANG Yadong (ii)	–	–	–	–
Mr. ZHENG Bo (iii)	–	–	–	–
Mr. QI Lian	–	–	–	–
Mr. XIA Yuan	–	–	–	–
Mr. LI Zhongxiang	–	–	–	–
Independent directors:				
Mr. CUI Yuzhi	144	–	–	144
Mr. BAO Yi	144	–	–	144
Mr. PING Fan	144	–	–	144
	432	–	–	432

(i) On 17 February 2017, Mr. WANG Huixuan was re-designated as Executive Director of the Company, and on 28 June 2017, Mr. Wang Huixuan resigned the foresaid position.

(ii) On 28 June 2017, Mr. ZHANG Yadong was appointed as Executive Director of the Company.

(iii) On 3 August 2017, Mr. ZHENG Bo was appointed as Executive Director of the Company.

35 Benefits and Interests of Directors (Continued)

(a) Directors' and Chief Executive Officer's emoluments (Continued)

For the nine months ended 31 December 2016:

Name	Fees HK$'000	Basic salaries, allowances and benefits in kind HK$'000	Contribution to pension scheme HK$'000	Total HK$'000
Directors:				
Mr. QI Lian (i)	—	—	—	—
Mr. XIA Yuan (i)	—	—	—	—
Mr. LEUNG Cheong (ii)	—	502	5	507
Mr. BUT Tin Fu (iii)	—	1,211	12	1,223
Mr. ZHANG Yonghong (iv)	—	—	—	—
Mr. BUT Tin Hing (v)	—	539	5	544
Mr. LEUNG Kuen, Ivan (v)	—	502	5	507
Mr. LI Zhongxiang (viii)	—	—	—	—
Mr. WANG Huixuan (vi)	—	—	—	—
Independent directors:				
Mr. Cui Yuzhi (vii)	38	—	—	38
Mr. Bao Yi (vii)	38	—	—	38
Mr. Ping Fan (vii)	38	—	—	38
Mr. SEE Tak Wah (vi)	71	—	—	71
Prof. XU Yang Sheng (vi)	71	—	—	71
Mr. LI Wanshou (vi)	71	—	—	71
	327	2,754	27	3,108

(i) On 30 May 2016, Mr. XIA Yuan was appointed as Chief Executive Officer of the Company, on 2 June 2016, Mr. QI Lian and Mr. XIA Yuan were appointed as Executive Director of the Company.

(ii) On 30 May 2016, Mr. LEUNG Cheong resigned as the Chief Executive Officer of the Company, but continued to act as Executive Director. On 26 August 2016, Mr. LEUNG Cheong resigned as Executive Director of the Company.

35 Benefits and Interests of Directors (Continued)

(a) Directors' and Chief Executive Officer's emoluments (Continued)

(iii) On 2 June 2016, Mr. BUT Tin Fu resigned as the Chairman of the Company, but continued to act as Executive Director. On 29 November 2016, Mr. BUT Tin Fu resigned as Executive Director of the Company

(iv) On 26 August 2016, Mr. ZHANG Yonghong was appointed as Executive Director of the Company. On 27 September 2016, Mr. ZHANG Yonghong resigned as Executive Director of the Company.

(v) On 26 August 2016, Mr. BUT Tin Hing and Mr. LEUNG Kuen, Ivan resigned as Executive Directors of the Company.

(vi) On 27 September 2016, Mr. SEE Tak Wah, Prof. XU Yang Sheng and Mr. LI Wanshou resigned as Independent Non-executive Directors of the Company.

(vii) On 27 September 2016, Mr. CUI Yuzhi, Mr. BAO Yi and Mr. PING Fan were appointed as Independent Non-executive Directors of the Company.

(viii) On 31 October 2016, Mr. LI Zhongxiang and Mr. WANG Huixuan were appointed as Non-executive Directors of the Company.

(b) For the year ended 31 December 2017, the Group has no directors' retirement benefits, termination benefits, considerations and borrowings provided to third parties for rendering of director's service, as well as loans, quasi-loans and other credit transaction information provided to directors, body corporate controlled by these directors and related parties of directors to be disclosed.

(c) No significant transactions, arrangements and contracts or in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted for the year ended 31 December 2017.