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## China Touyun Tech Group Limited

中國透雲科技集團有限公司

(Incorporated in Bermuda with limited liability)

Website: [www.chinatouyun.com.hk](http://www.chinatouyun.com.hk)

(Stock Code: 1332)

### ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the “Board”) of China Touyun Tech Group Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2016 together with comparative figures for the previous year as follows:

#### Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	2016 HK\$'000	2015 HK\$'000
Fair value losses on financial assets at fair value through profit or loss, net	4	(361,874)	(57,484)
Revenue	4	324,251	343,451
Cost of sales		(236,457)	(280,722)
Gross profit		87,794	62,729
Other income, gains and losses, net	5	(716,291)	358,686
Selling and distribution expenses		(17,568)	(13,468)
Administrative expenses		(74,789)	(93,778)
Finance costs	7	(10,060)	(422)
Share of result of a joint venture		(15,050)	-
<b>(Loss)/profit before tax</b>	6	<b>(1,107,838)</b>	256,263
Income tax	8	(26)	(1,060)
<b>(Loss)/profit for the year from continuing operations</b>		<b>(1,107,864)</b>	255,203

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	9	<u>(55,959)</u>	<u>-</u>
(Loss)/profit for the year		<u><u>(1,163,823)</u></u>	<u><u>255,203</u></u>
<b>(Loss)/profit attributable to owners of the Company</b>			
- from continuing operations		<u>(1,094,866)</u>	<u>255,259</u>
- from discontinued operations		<u>(55,959)</u>	<u>-</u>
(Loss)/profit for the year attributable to owners of the Company		<u><u>(1,150,825)</u></u>	<u><u>255,259</u></u>
<b>Loss attributable to non-controlling interests from continuing operations</b>			
		<u>(12,998)</u>	<u>(56)</u>
Loss for the year attributable to non-controlling interests		<u><u>(12,998)</u></u>	<u><u>(56)</u></u>
		<u><u>(1,163,823)</u></u>	<u><u>255,203</u></u>
<b>(Loss)/earnings per share attributable to owners of the Company</b>			
- from continuing and discontinued operations Basic and diluted	11	<u><u>HK(17.69) cents</u></u>	<u><u>HK6.98 cents</u></u>
- from continuing operations Basic and diluted		<u><u>HK(16.83) cents</u></u>	<u><u>HK6.98 cents</u></u>

	2016 HK\$'000	2015 HK\$'000
<b>(Loss)/profit for the year</b>	<b>(1,163,823)</b>	255,203
<b>Other comprehensive income</b>		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	<b>(8,800)</b>	33,154
Reclassification adjustments of fair value loss/(gains) on disposal of available-for-sale investments to profit or loss, net of tax	<b>5,390</b>	(31,266)
Exchange differences on translation of foreign operations	<b>(3,388)</b>	(398)
<b>Other comprehensive (loss)/income for the year, net of tax</b>	<b>(6,798)</b>	1,490
<b>Total comprehensive (loss)/income for the year</b>	<b>(1,170,621)</b>	256,693
Total comprehensive (loss)/income attributable to:		
Owners of the Company	<b>(1,157,623)</b>	256,749
Non-controlling interests	<b>(12,998)</b>	(56)
	<b>(1,170,621)</b>	256,693

## Consolidated Statement of Financial Position

	Notes	2016 HK\$'000	2015 HK\$'000
<i>Non-current assets</i>			
Property, plant and equipment		27,975	6,195
Intangible assets		2,517	-
Goodwill	12	266,514	-
Interests in a joint venture		136,026	-
Available-for-sale investments	13	430,191	195,065
Prepayments		2,196	2,196
<b>Total non-current assets</b>		<b>865,419</b>	<b>203,456</b>
<i>Current assets</i>			
Inventories		20,925	27,989
Trade and bills receivables	14	64,794	37,932
Loan and interest receivables		-	30,223
Prepayments, deposits and other receivables		12,253	9,371
Financial assets at fair value through profit or loss	15	97,500	667,376
Cash and cash equivalents		206,054	36,179
		401,526	809,070
Assets of a disposal group classified as held for sale		-	2,278
<b>Total current assets</b>		<b>401,526</b>	<b>811,348</b>
<i>Current liabilities</i>			
Trade and bills payables	16	25,566	16,343
Other payables and accruals		35,773	18,014
Tax payable		-	138
Interest-bearing other borrowings		12,022	201,053
<b>Total current liabilities</b>		<b>73,361</b>	<b>235,548</b>
<b>Net current assets</b>		<b>328,165</b>	<b>575,800</b>
<b>Total assets less current liabilities</b>		<b>1,193,584</b>	<b>779,256</b>
<i>Non-current liabilities</i>			
Deferred tax liabilities		172	146
<b>Net assets</b>		<b>1,193,412</b>	<b>779,110</b>

	Note	2016 HK\$'000	2015 HK\$'000
<b>Equity</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	17	97,973	45,286
Reserves		<u>1,086,946</u>	<u>733,824</u>
		<b>1,184,919</b>	779,110
<b>Non-controlling interests</b>		<u>8,493</u>	<u>-</u>
<b>Total equity</b>		<u><b>1,193,412</b></u>	<u><b>779,110</b></u>

Notes:

## **1. Corporate and group information**

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The principal place of business of the Company is located at 8th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

The principal activities of the Group are the manufacture and sale of packaging products, provision of QR codes on product packaging and related business intelligence IT solutions; investment and trading in securities and money lending.

## **2. Principal accounting policies**

### ***(a) Statement of compliance***

These consolidated financial statements have been prepared in accordance with all Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared under the historical cost convention, except for listed equity investments classified as available-for-sale investments and financial assets at fair value through profit or loss, which have been measured at fair value. A disposal group held for sale is stated at the lower of its carrying amount and fair value less costs to sell.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the Company’s functional currency. All values are rounded to the nearest thousand except when otherwise indicated.

### **Basis of consolidation**

These consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control above. A change in the ownership interest of a subsidiary, without loss of control, is accounted for an equity transaction.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any investment retained and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The Group's share of components previously recognised in other comprehensive income is reclassified to income statement or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

**(b) Changes in accounting policies and disclosures**

In the preparation of the consolidated financial statements for the year ended 31 December 2016, the Group has applied, for the first time, the following new and revised standards issued by the HKICPA.

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Joint Arrangements: Accounting for Acquisitions of Interests
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Cycle – 2012-2014	

Except for those impacts described below, the adoption of the above new and revised standards has had no significant effect on these consolidated financial statements.

The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material (even if the HKFRS contains a list of specific requirements or describes them as minimum requirements). The amendments also give guidance on the bases of aggregating and disaggregating information for disclosure purposes. The amendments emphasise that an entity should consider whether to provide additional disclosures when compliance with the specific requirements in HKFRSs is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. Furthermore, the amendments require that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the group, and should be separated into the share of items that, in accordance with other HKFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 “Business Combinations”. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards should be applied. The amendments also require that a joint operator to disclose the relevant information required by HKFRS 3 and other standards for business combinations. The amendments require prospective application for annual periods beginning on or after 1 January 2016. The Group did not have any such transactions in the current year and hence the application of these amendments has had no impact on the Group’s consolidated financial statements.

HKFRS 14 Regulatory Deferral Accounts, describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with HKFRS14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate regulated goods or services.

HKFRS 14 permits eligible first-time adopters of HKFRS to continue their previous GAAP rate-regulated accounting policies, with limited changes. HKFRS 14 requires separate presentation of regulatory deferral account balances in the balance sheet and of movements in those balances in the statement of comprehensive income. Disclosures are required to identify the nature of, and risk associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances. Since the Group is an existing HKFRS preparer and is not involved in any rate regulated activities, this standard does not apply.

The cycle of annual improvements contains amendments to four standards, details are as follow:-

The amendments introduce specific guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply.

The amendments to HKFRS 7 provides additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendment to HKFRS 7 clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

The amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead. The Group did not have any defined benefit scheme.

These amendments do not have any impact on the Group’s consolidated financial statements.

### 3. Segment Information

The Group has two reportable segments from continuing operations. The segments are managed separately as each business offers different products or provides different services and requires different business strategies.

The trading of apparel products segment was disposed of on 21 November 2016 and was presented as discontinued operations during the year ended 31 December 2016 and hence the segment information in this note does not include information relating to discontinued operations.

The following summary describes the operations in each of the Group's reportable segments:

Continuing operations:

- |                             |   |  |
|-----------------------------|---|--|
| Packaging products segment  | - | Manufacture and sale of watch boxes, jewellery boxes, eyewear cases, bags and pouches and display units, provision of QR code on product packaging and solutions and online advertising display services |
| Treasury investment segment | - | Investments and trading in securities and money lending  |

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit before tax except that finance costs, share of result of a joint venture and head office and corporate income and expenses are excluded from such measurement.

There was no inter-segment sale or transfer during the year (2015: Nil). Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision makers for assessment of segment performance.

	<b>Continuing operations</b>					
	<b>Packaging products</b>		<b>Treasury investment</b>			
	<b>2016</b>	2015	<b>2016</b>	2015	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Group's revenue	<b>317,746</b>	341,349	<b>6,505</b>	2,102	<b>324,251</b>	343,451
Fair value losses on financial assets at fair value through profit or loss, net	-	-	<b>(361,874)</b>	(57,484)	<b>(361,874)</b>	(57,484)
Segment revenue	<b>317,746</b>	341,349	<b>(355,369)</b>	(55,382)	<b>(37,623)</b>	285,967
Segment results	<b>(251,922)</b>	12,837	<b>(360,884)</b>	(59,538)	<b>(612,806)</b>	(46,701)
Corporate and unallocated income, gains and losses					<b>(452,757)</b>	335,093
Corporate and unallocated expenses					<b>(17,165)</b>	(31,707)
Share of result of a joint venture					<b>(15,050)</b>	-
Finance costs					<b>(10,060)</b>	(422)
(Loss)/profit before tax					<b>(1,107,838)</b>	256,263
<b>Other segment information:</b>						
Capital expenditure	<b>6,306</b>	214	-	-	<b>6,306</b>	214
Bank interest income						
- operating segment	<b>208</b>	105	-	-	<b>208</b>	105
- unallocated					-	1
					<b>208</b>	106
Depreciation						
- operating segment	<b>2,526</b>	2,683	-	-	<b>2,526</b>	2,683
- unallocated					-	122
					<b>2,526</b>	2,805
Write-down of inventories to net realisable value	-	558	-	-	-	558
Loss on disposal of items of property, plant and equipment and the associated prepaid land lease payments, net	-	(18,227)	-	-	-	(18,227)
(Reversal of)/impairment loss of trade receivables, net	<b>(85)</b>	3,699	-	-	<b>(85)</b>	3,699
Other receivables written off	<b>1,798</b>	-	-	-	<b>1,798</b>	-
Impairment loss of goodwill	<b>263,558</b>	-	-	-	<b>263,558</b>	-

Revenue from external customers based on the locations of these customers is analysed as follows:

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Packaging products:		
- Hong Kong and the PRC	<b>171,925</b>	155,533
- Europe	<b>80,725</b>	103,158
- North and South America	<b>43,841</b>	57,671
- Others	<b>21,255</b>	24,987
	<b>317,746</b>	341,349
Treasury investment:		
- Hong Kong	<b>(355,369)</b>	(55,382)
Segment revenue	<b>(37,623)</b>	285,967

The geographical locations of the Group's non-current assets, except for goodwill are analysed as follows:

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Hong Kong	<b>568,348</b>	196,096
Mainland China	<b>30,557</b>	7,360
	<b>598,905</b>	203,456

The non-current asset information above is based on the locations of the assets.

#### **Information about major customers**

Revenue derived from customers in the packaging products segment which individually accounted for more than 10% of the Group's total revenue is as follows:

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Customer A	<b>94,452</b>	94,127

#### 4. Revenue

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, value of service rendered, net fair value gains and losses on financial assets at fair value through profit or loss and interest income and dividend income on the investment portfolio. The amounts of each significant category of revenue recognised in revenue during the year are as follows:

	2016 HK\$'000	2015 HK\$'000
Manufacturing and sales of packaging products	294,673	341,349
Provision of QR code packaging products and solutions	12,818	-
Online advertising display services income	10,255	-
Interest income from convertible notes	1,668	210
Interest income from loans receivables	4,837	1,646
Dividend income from financial assets at fair value through profit or loss	-	246
	<u>324,251</u>	<u>343,451</u>
Fair value losses on financial assets at fair value through profit or loss, net*	<u>(361,874)</u>	<u>(57,484)</u>

\* The gross proceeds from the disposal of listed equity investments at fair value through profit or loss for the year were approximately HK\$356,927,000 (2015: HK\$677,990,000).

#### 5. Other income, gains and losses, net

An analysis of the Group's other income, gains and losses, net is as follows:

	2016 HK\$'000	2015 HK\$'000
Bank interest income	208	106
Sales of scrap materials	320	341
Gain on disposal of subsidiaries	7,295	352,620
(Loss)/gain on disposal of available-for-sale investments, net	(5,451)	30,585
Gain on disposal of an associate	-	5,744
Gain on deemed partial disposal of a joint venture	1,076	-
Rental income	-	240
Foreign exchange differences, net	(727)	(71)
Impairment loss of goodwill	(263,558)	-
Reversal of/(impairment loss of) trade receivables, net	85	(3,699)
Impairment loss of available-for-sale investments	(453,834)	-
Other receivables written off	(1,798)	-
Loss on disposal of items of property, plant and equipment and the associated prepaid land lease payments, net	-	(18,227)
Loss on extinguishment of financial liabilities at fair value through profit or loss	-	(9,164)
Others	93	211
	<u>(716,291)</u>	<u>358,686</u>

## 6. (Loss)/profit before tax

The Group's (loss)/profit before tax is arrived at after charging:

	2016 HK\$'000	2015 HK\$'000
<b>Continuing operations:</b>		
Auditors' remuneration	1,000	1,270
Cost of inventories sold	236,457	280,164
Depreciation	2,526	2,805
Amortisation of prepaid land lease payments	-	268
Amortisation of intangible assets	132	-
Minimum lease payments under operating leases	9,795	3,034
Research and development cost	3,148	-
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	95,258	75,071
Pension scheme contributions	9,957	9,377
	<u>105,215</u>	<u>84,448</u>
Equity-settled share option expense	-	51,700
Direct operating expenses (including repairs and maintenance) arising on rental-earning properties	-	44
Write-down of inventories to net realisable value*	-	558
	<u><u>105,215</u></u>	<u><u>84,448</u></u>
<b>Discontinued operations:</b>		
Auditors' remuneration	39	-
Cost of inventories sold	387	-
Depreciation	699	-
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	3,610	-
Pension scheme contributions	66	-
	<u>3,676</u>	<u>-</u>
Write-down of property, plant and equipment	3,010	-
Write-down of inventories to net realisable value	20,830	-
	<u><u>20,830</u></u>	<u><u>-</u></u>

\* This item is included in "Cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income.

## 7. Finance costs

An analysis of finance costs is as follows:

	2016 HK\$'000	2015 HK\$'000
Interest expense on other borrowings	4,653	422
Interest expense on promissory note	5,407	-
	<u>10,060</u>	<u>422</u>

## 8. Income tax

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
<b>Continuing operations:</b>		
Current tax – Hong Kong Profits Tax		
Provision for the year	-	1,002
Under-provision in prior years	-	62
Current tax – PRC Corporate Income Tax		
Provision for the year	-	-
	<u>-</u>	<u>1,064</u>
Deferred tax	<u>26</u>	<u>(4)</u>
	<u><u>26</u></u>	<u><u>1,060</u></u>

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) and PRC Corporate Income Tax is calculated at 15% and 25% (2015: 25%), on the estimated assessable profits derived from Hong Kong and the PRC respectively. No provision for Hong Kong profits tax had been made during the current year as the Group did not generate any assessable profits arising in Hong Kong. The Group's subsidiaries established in the PRC either did not generate any assessable profit arising in the PRC or have tax losses brought forward from prior years to offset against their assessable profits generated during the years ended 31 December 2016 and 2015.

## 9. Discontinued operations

Bay Wisdom Limited (“Bay Wisdom”), a wholly owned subsidiary of the Group acquired four subsidiaries (collectively referred to as “Bay Wisdom Group”) which are principally engaged in the trading of apparel products on 7 March 2016. The Group disposed of its entire equity interest in Bay Wisdom Group on 21 November 2016.

The apparel products business was classified as discontinued operations and the related results for the period from 7 March 2016, date of acquisition, to 21 November 2016, date of disposal, were as follows:

	<b>2016</b>
	<b>HK\$'000</b>
Revenue	<b>880</b>
Cost of sales	<u><b>(21,217)</b></u>
Gross loss	<b>(20,337)</b>
Other income, gains and losses	<b>(3,007)</b>
Selling and distribution expenses	<b>(4,719)</b>
Administrative expenses	<u><b>(26,610)</b></u>
Loss before tax	<b>(54,673)</b>
Income tax expense	<u>-</u>
Loss after tax	<b>(54,673)</b>
Loss on disposal of subsidiaries	<u><b>(1,286)</b></u>
Loss for the year from discontinued operations	<u><u><b>(55,959)</b></u></u>

The net cash flows of discontinued operations for the period from 7 March 2016 to 21 November 2016 were as follows:

	<b>2016</b> <b>HK\$'000</b>
Net cash used in operating activities	<b>(33,786)</b>
Net cash generated from financing activities	<b>33,439</b>
	<hr/>
Net cash outflows from discontinued operations	<b>(347)</b>
	<hr/> <hr/>

## 10. Dividend

The directors do not recommend the payment of any dividend in respect of the year (2015: Nil).

## 11. (Loss)/earnings per share attributable to ordinary equity holders of the Company

### (i) From continuing and discontinued operations

The calculations of basic and diluted (loss)/earnings per share attributable to ordinary equity shareholders of the Company for the years ended 31 December 2016 and 2015 are based on the following data:

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
(Loss)/profit for the year attributable to equity shareholders of the Company	<b>(1,150,825)</b>	255,259
	<hr/>	<hr/>
	<b>'000</b>	'000
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	<b>6,503,700</b>	3,655,792
	<hr/>	<hr/>

### (ii) From continuing operations

The calculations of basic and diluted (loss)/earnings per share attributable to ordinary equity shareholders of the Company for the years ended 31 December 2016 and 2015 are based on the following data:

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
(Loss)/profit for the year attributable to equity shareholders of the Company	<b>(1,094,866)</b>	255,259
	<hr/>	<hr/>
	<b>'000</b>	'000
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	<b>6,503,700</b>	3,655,792
	<hr/>	<hr/>

The weighted average number of ordinary shares for the purposes of calculating basis (loss)/earnings per share for the year ended 31 December 2016 has been adjusted to reflect the placing of shares during the year.

Diluted (loss)/earnings per share for the years ended 31 December 2016 and 2015 were the same as the basic (loss)/earnings per share as there were no potential ordinary shares outstanding for both years.

## 12. Goodwill

	<b>HK\$'000</b>
At 1 January 2015 and 1 January 2016, net of accumulated impairment losses	-
Acquisition of subsidiaries	<b>533,947</b>
Disposal of a subsidiary	<b>(3,875)</b>
Impairment loss for continuing operations	<b>(263,558)</b>
	<hr/>
At 31 December 2016, net of accumulated impairment losses	<b>266,514</b>
	<hr/> <hr/>
<b>At 31 December 2016</b>	
Cost	<b>530,072</b>
Accumulated impairment losses	<b>(263,558)</b>
	<hr/>
Net carrying amount	<b>266,514</b>
	<hr/> <hr/>

The goodwill has been allocated to two cash-generating units (“CGUs”) : (1) a group of subsidiaries engaged in the trading of apparel products (the “WWM Group”) that were acquired and disposed of in 2016 and (2) a group of subsidiaries engaged in the provision of QR codes on product packaging and solutions acquired in 2016 (the “Apex Group”).

For the Apex Group that is considered as a CGU, the recoverable amount of the CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The CGU’s cash flow beyond the five-year period is extrapolated using a 3% growth rate. The growth rate used does not exceed the long-term average growth rates for the businesses in which the CGU operate. The pre-tax discount rate used of 22.16% for QR code business reflects specific risks relating to the relevant unit. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit’s past performance and management’s expectations for the market development.

The recoverable amount of the CGU was calculated based on value in use that is lower than the carrying value of the CGU by approximately HK\$263,558,000 and accordingly impairment loss of HK\$263,558,000 was recognised in profit or loss for the year ended 31 December 2016. In the opinion of the Company’s directors, a decrease in the revenue growth rate by 3% per annum and gross margin by 3% per annum would cause the carrying amount of the CGU to exceed its recoverable amount by approximately HK\$86,388,000 and HK\$39,496,000 respectively.

### 13. Available-for-sale investments

	Notes	2016 HK\$'000	2015 HK\$'000
Listed equity investments, at fair value	(a)	-	25,040
Unlisted equity investments, at cost	(b)		
Company A	(c)	67,397	90,000
Company B	(d)	46,163	80,025
Company C	(e)	316,631	-
		<u>430,191</u>	<u>195,065</u>

Notes:

- (a) As at 31 December 2015, the Group's listed available-for-sale investments with an aggregate carrying value of HK\$25,040,000 were pledged to secure margin facilities granted by a licensed securities company in Hong Kong to the Group. All listed available-for-sale investments were disposed of during the year ended 31 December 2016.
- (b) The unlisted equity investments relate to investments in three (2015: two) private entities, which are held for long-term strategic purpose. Company A, Company B and Company C are engaged in the provision of advisory and financial services, property holding, investments in securities and money lending.

These available-for-sale investments are measured at cost less impairment at the end of reporting period because the range of the reasonable fair value estimates are so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

- (c) During the year ended 31 December 2016, Company A and its subsidiaries incurred significant losses due to the drop in values of their investments. The management of the Company reviewed Company A and its subsidiaries' latest financial position and net asset value per share, and concluded that there was objective evidence of impairment as at 31 December 2016. The Group recognised an impairment loss of approximately HK\$22,603,000 in the consolidated statement of profit or loss for the year ended 31 December 2016 with reference to the latest financial information. As at 31 December 2016, the Group had shareholding of 3.95% (2015: 3.98%) and the carrying amount of the investment is approximately HK\$67,397,000 (2015: HK\$90,000,000).
- (d) As at 31 December 2016, the Group owned approximately 2.54% (2015: 2.71%) of the issued share capital of Company B. The management of the Company assessed the recent market transactions to determine whether there was any impairment indicator and concluded that the fair value of the investments is significantly lower than the cost of investment and concluded to recognise an impairment of HK\$33,862,000 for the year ended 31 December 2016.
- (e) During the year ended 31 December 2016, the Group has subscribed for 13,600,000 shares of Company C representing 11.78% of enlarged share capital of Company C satisfied by issuance of 2,040,000,000 shares of the Company. The cost of investment of HK\$714,000,000 was satisfied by the issuance of 2,040,000,000 shares of the Company and was determined based on the market price of the Company's shares of HK\$0.35 per share on completion date at 19 July 2016. The fair value of the 11.78% equity interest in Company C on initial recognition was determined based on the market value of the shares issued by the Company at the acquisition date as the directors of the Company are in the opinion that the fair value in share price of the Company is more reliably measured. The management of the Company performed the impairment assessment taking into account of the carrying amount of net assets of Company C and its subsidiaries as at 31 December 2016. Due to significant loss incurred by Company C and its subsidiaries, impairment loss of approximately HK\$397,369,000 has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2016.

#### 14. Trade and bills receivables

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Trade and bills receivables	<b>64,872</b>	38,352
Impairment	<b>(78)</b>	(420)
	<b><u>64,794</u></b>	<b><u>37,932</u></b>

The Group's trading terms with its customers in relation to packaging products segment are mainly on credit, except for new customers where payment in advance is normally required. The credit period generally ranges from 30 to 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Within 1 month	<b>34,952</b>	22,425
1 to 2 months	<b>13,001</b>	9,523
2 to 3 months	<b>3,536</b>	4,944
Over 3 months	<b>13,305</b>	1,040
	<b><u>64,794</u></b>	<b><u>37,932</u></b>

The movements in provision for impairment of trade receivables are as follows:

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
At 1 January	<b>420</b>	340
Impairment losses recognised	<b>143</b>	3,767
Amount written off as uncollectible	<b>(257)</b>	(3,619)
Impairment losses reversed	<b>(228)</b>	(68)
	<b><u>78</u></b>	<b><u>420</u></b>

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of HK\$78,000 (2015: HK\$420,000) with a carrying amount before provision of HK\$78,000 (2015: HK\$420,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default for principal payments.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Neither past due nor impaired	<b>26,428</b>	30,756
Less than 1 month past due	<b>5,466</b>	5,125
Over 1 month past due	<b>32,900</b>	2,051
	<b><u>64,794</u></b>	<b><u>37,932</u></b>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

#### 15. Financial assets at fair value through profit or loss

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Listed equity investments, at market value (note i)	<b>97,500</b>	517,376
Unlisted convertible note, at fair value (note ii)	<b>-</b>	150,000
	<b><u>97,500</u></b>	<b><u>667,376</u></b>

Notes:

- (i) The above financial assets at 31 December 2016 were classified as held for trading and were measured at fair value through profit or loss.
- (ii) Designated by the management on fair value through profit or loss on initial recognition.

As at 31 December 2016, the Group's listed equity investments with an aggregate carrying value of HK\$97,500,000 (2015: HK\$ 517,376,000) were pledged to secure margin facilities granted by a licensed securities company in Hong Kong to the Group.

On 23 December 2015, the Group has subscribed for convertible note of an unlisted private company with principal amount of HK\$150,000,000 with a maturity date on 22 December 2018. The convertible note holder shall have the rights to convert the convertible note into 5,000,000 ordinary shares of the issuer at a conversion price of HK\$30.

On 19 July 2016, the convertible note was early redeemed by the issuer at face value.

## 16. Trade and bills payables

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2016 HK\$'000	2015 HK\$'000
Within 1 month	14,375	12,797
1 to 2 months	6,748	2,507
2 to 3 months	1,706	810
Over 3 months	<u>2,737</u>	<u>229</u>
	<u><u>25,566</u></u>	<u><u>16,343</u></u>

The trade and bills payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

## 17. Share capital

	2016 HK\$'000	2015 HK\$'000
Authorised:		
50,000,000,000 ordinary shares of HK\$0.01 each (2015: 10,000,000,000 ordinary shares of HK\$0.01 each)	<u><u>500,000</u></u>	<u><u>100,000</u></u>
Issued and fully paid:		
9,797,311,301 ordinary shares of HK\$0.01 each (2015: 4,528,628,779 ordinary shares of HK\$0.01 each)	<u><u>97,973</u></u>	<u><u>45,286</u></u>

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2015		143,765,993	14,377	18,733	33,110
Share Subdivision	(a)	1,293,893,937	-	-	-
First Bonus Issue	(b)	1,437,659,930	14,376	-	14,376
Second Bonus Issue	(c)	718,829,965	7,188	-	7,188
Exercise of share options	(d)	359,414,982	3,594	141,554	145,148
Placing of new shares	(e)	575,063,972	5,751	86,259	92,010
		<b>4,528,628,779</b>	<b>45,286</b>	<b>246,546</b>	<b>291,832</b>
Share issue expenses		-	-	(2,767)	(2,767)
At 31 December 2015 and 1 January 2016		<b>4,528,628,779</b>	<b>45,286</b>	<b>243,779</b>	<b>289,065</b>
Issue of shares	(f)	575,063,972	5,751	101,174	106,925
Issue of shares	(g)	2,040,000,000	20,400	693,600	714,000
Placing of new shares	(h)	420,738,550	4,207	113,600	117,807
Issue of shares	(i)	600,000,000	6,000	231,000	237,000
Placing of new shares	(j)	1,632,880,000	16,329	391,891	408,220
		<b>9,797,311,301</b>	<b>97,973</b>	<b>1,775,044</b>	<b>1,873,017</b>
Share issue expenses		-	-	(5,616)	(5,616)
At 31 December 2016		<b>9,797,311,301</b>	<b>97,973</b>	<b>1,769,428</b>	<b>1,867,401</b>

Notes:

*For the year ended 31 December 2015*

- (a) Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting of the Company held on 31 December 2014, every one issued and unissued existing ordinary share of HK\$0.10 in the share capital of the Company was subdivided into ten subdivided shares of HK\$0.01 each (the "Share Subdivision"). The Share Subdivision was completed on 2 January 2015.
- (b) Pursuant to another ordinary resolution passed by the shareholders of the Company at the same special general meeting of the Company held on 31 December 2014, the shareholders of the Company also approved a bonus issue (the "First Bonus Issue") on the basis of one bonus share for every one share (after the Share Subdivision) held by qualifying shareholders whose names appear on the register of members of the Company on the record date, being the date for determining the entitlement to the First Bonus Issue. The First Bonus Issue was completed on 15 January 2015.

- (c) Pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting of the Company held on 18 May 2015, the shareholders of the Company approved another bonus issue (the “Second Bonus Issue”) on the basis of one bonus share for every four shares held by qualifying shareholders whose names appear on the register of members of the Company on the record date, being the date for determining the entitlement to the Second Bonus Issue. The Second Bonus Issue was completed on 3 June 2015.
- (d) The subscription rights attaching to 359,414,982 share options were exercised at the subscription price of HK\$0.26 per share, resulting in the issue of 359,414,982 shares for a total cash consideration, before expenses, of approximately HK\$93,448,000. An amount of HK\$51,700,000 was transferred from the share option reserve to share premium upon the exercise of the share options.
- (e) On 11 December 2015, the Company allotted and issued 575,063,972 ordinary shares to certain independent third parties at a subscription price of HK\$0.16 per share and raised a total of approximately HK\$92,010,000, before expenses, as additional working capital of the Company.

*For the year ended 31 December 2016*

- (f) On 25 June 2015, the Group issued 287,531,980 and 287,531,992 unlisted warrants, with a mandatory exercise right and at the subscription prices of HK\$0.56 and HK\$0.608, respectively, per warrant, at a placing price of HK\$0.01 per warrant (the “Share Warrants”), to 16 independent places pursuant to certain conditional placing agreements and supplemental agreement dated 21 April 2015, 29 April 2015, 13 May 2015, 15 May 2015 and 8 June 2015.

Pursuant to an agreement dated 2 December 2015 (the “Subscription and Cancellation Agreement”) entered into between the Group and the holders of the Share Warrants, the Group agreed to cancel all the outstanding Share Warrants (the “Cancellation”) and the holders of the Share Warrants agreed to subscribe for a total of 575,063,972 new shares of the Group at HK\$0.16 per share (the “Subscription”). The aggregate subscription price is approximately HK\$92,010,000. The Subscription was completed on 4 February 2016. The share capital of the Company was increased by approximately HK\$5,751,000 and the share premium of approximately HK\$86,259,000 was credited to the share premium account. The other equity instrument reserve of approximately HK\$14,915,000 was transferred to the share premium account upon Subscription.

- (g) On 19 July 2016, the Company allotted and issued 2,040,000,000 shares to Win Wind Capital Limited to subscribe for 11.78% of its enlarged shares. The share price of the Company was HK\$0.35 per share at the date of completion of acquisition. The share capital of the Company was increased by approximately HK\$20,400,000 and the share premium of approximately HK\$693,600,000 was credited to the share premium account.
- (h) On 19 August 2016, the Company allotted and issued 420,738,550 ordinary shares to certain independent third parties at a subscription price of HK\$0.28 per share and raised a total of approximately HK\$117,807,000, before expenses, which was used to satisfy the cash considerations for the acquisition of the Apex Group and the related shareholder’s loan, the remainder of which will be used towards working capital purpose of the Group. The share capital of the Company was increased by approximately HK\$4,207,000 and the share premium of approximately HK\$113,600,000 was credited to the share premium account.
- (i) On 19 August 2016, the Company allotted and issued 600,000,000 shares to TY Technology Group Limited as part of the consideration for acquisition of the Apex Group. The transaction was completed on 19 August 2016. The market price of the Company’s shares at the acquisition date was HK\$0.395 per share. The share capital of the Company was increased by approximately HK\$6,000,000 and the share premium of approximately HK\$231,000,000 was credited to the share premium account.

- (j) On 28 November 2016, the Company allotted and issued 1,632,880,000 shares to certain independent third parties at a subscription price of HK\$0.25 per share and raised a total of approximately HK\$408,220,000, before expenses which was used to redeem the promissory note and to expand and develop the Company's newly acquired QR codes packaging business. The share capital of the Company was increased by approximately HK\$16,329,000 and the share premium of approximately HK\$391,891,000 was credited to the share premium account.

## **18. Events after reporting period**

- (a) Pursuant to announcement of the Company dated 24 January 2017, 上海透雲物聯網科技有限公司, an indirect wholly-owned subsidiary of the Company, agreed to acquire 信碼互通(北京)科技有限公司 (Sigmatrix Technology Co., Limited) (the "Sigmatrix") in the PRC, under the relevant acquisition agreement dated 24 January 2017 (the "Acquisition"). Further, pursuant to announcement of the Company dated 21 February 2017, following further negotiations with the seller of the Sigmatrix, the parties to the Acquisition have agreed to revise downwards the consideration of the Acquisition from RMB78 million to RMB55 million which is expected to be completed between March and April 2017.
- (b) On 25 January 2017, the Company granted a total of 119,700,000 share options carrying the rights to subscribe for 119,700,000 ordinary shares of the Company to certain employees pursuant to the Company's share option scheme adopted on 18 May 2012. The share options will be vested on 2 July 2018 and are exercisable by the grantees for a period of 4 years from 2 July 2018 to 1 July 2022, both days inclusive, at an exercise price of HK\$0.335 per share. The closing price of the Company's shares immediately before the grant date was HK\$0.285 per share.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 22 May 2017 to Friday, 26 May 2017, both days inclusive, for determining the eligibility of shareholders for attending and voting at the forthcoming annual general meeting ("AGM"). In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged with Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by 4:30 p.m. on Friday, 19 May 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The loss attributable to shareholders of the Company for the year ended 31 December 2016 was HK\$1.2 billion as compared to the profit of HK\$255.3 million for the financial year 2015. The loss was significantly due to the loss on treasury investments at HK\$360.9 million and impairment losses on unlisted investments at HK\$453.8 million suffered from pronounced stock market fluctuation and widespread slowdown in advanced economies and PRC.

The packaging business reported a revenue of HK\$317.7 million for the year ended 31 December 2016 (2015: HK\$341.3 million), a decrease of 6.9%. The sales revenue fell continually in the year, highlighting the persistent weakness in global demand of consumer products. The newly acquired business of QR codes on product packaging and solutions contributed a revenue of HK\$23.1 million since August 2016, reflected only four months of operations. A segment loss of HK\$251.9 million (2015: Profit of HK\$12.8 million) was recorded mainly arising from the combined effect of profit contribution of HK\$9.3 million from manufacturing of packaging boxes, one-off gain of HK\$7.3 million from disposal of interest in an industrial property holding company, net off with impairment loss of goodwill arising from QR code business of HK\$263.6 million.

The loss from treasury investment amounted to HK\$360.9 million for the year ended 31 December 2016 (2015: HK\$59.5 million), constituting the fair value loss and disposal loss of listed equity investments amounting to HK\$172.8 million and HK\$189.1 million respectively due to fall in victim of unexpected economic and political volatility and surprise.

In addition, an impairment loss of HK\$453.8 million was recognised on the Group's unlisted investments purely for the decrease in assets value at the end of the reporting period.

During the year, the Group started its businesses into apparel industry, aiming to expand its business scope into the design and sale of fashion wears for business diversification. A group of companies which had been selling apparel products on online shopping platform was acquired in early 2016. However, the operating performance after the acquisition was far below expectation and their return on capital had not been accomplished. A stiff decision was made to dispose of this group before the end of the year to stop bleeding cash. A loss of HK\$56.0 million was recorded attributable to minimal sales revenue of HK\$0.9 million during the period.

## SIGNIFICANT INVESTMENT HELD

As at 31 December 2016, the Group held listed and unlisted investments of approximately HK\$97.5 million and HK\$566.2 million respectively, details of which were set out as follows:

Nature of investments	Number of shares held as at 31 December 2016	Percentage of shareholding as at 31 December 2016 %	Impairment loss for year ended 31 December 2016 HK\$'000	Fair value/ carrying amount as at 31 December 2016		Percentage to the Group's net assets as at 31 December 2016 %	Investment cost HK\$'000	
				31 December 2016 HK\$'000	31 December 2015 HK\$'000			
<u>Available-for-sale investments</u>								
<i>Unlisted Investments</i>								
Freewill Holdings Limited ("Freewill")	14,550,000	2.54	33,862	46,163	80,025	3.87	80,025	
Co-Lead Holdings Limited ("Co-Lead")	225	3.95	22,603	67,397	90,000	5.65	90,000	
Win Wind Capital Limited ("Win Wind")	13,600,000	11.78	397,369	316,631	-	26.53	714,000	
			<u>453,834</u>	<u>430,191</u>	<u>170,025</u>	<u>36.05</u>	<u>884,025</u>	
Nature of investments	Number of shares held as at 31 December 2016	Percentage of shareholding as at 31 December 2016 %	Share of loss of a joint venture for year ended 31 December 2016 HK\$'000	Carrying amount as at 31 December 2016		Percentage to the Group's net assets as at 31 December 2016 %	Investment cost HK\$'000	
				31 December 2016 HK\$'000	31 December 2015 HK\$'000			
<u>Investment in a joint venture</u>								
<i>Unlisted Investments</i>								
FreeOpt Holdings Limited ("FreeOpt")	1,500,000	39.16%	(13,974)	136,026	-	11.40	150,000	
Nature of investments	Number of shares held as at 31 December 2016	Percentage of shareholding as at 31 December 2016 %	Unrealised loss on fair value change for year ended 31 December 2016 HK\$'000	Dividends received for year ended 31 December 2016 HK\$'000	Fair value/ carrying amount as at 31 December 2016		Percentage to the Group's net assets as at 31 December 2016 %	Investment cost HK\$'000
					31 December 2016 HK\$'000	31 December 2015 HK\$'000		
<u>Financial assets at fair value through profit or loss</u>								
<i>Listed Investments</i>								
HengTen Networks Group Ltd. (136) ("HengTen")	250,000,000	0.34	65,903	-	97,500	-	8.17	163,403

Freewill is principally engaged in the businesses of property investment, investment advisory and financial services, investment in securities trading, and money lending.

Co-Lead is principally engaged in securities trading and investment holding businesses. Its investment portfolio consists of listed and unlisted securities.

Win Wind is principally engaged in the financial services and money lending activities.

FreeOpt is principally engaged in the provision of finance and money lending businesses.

HengTen is principally engaged in investment and trading of securities, provision of finance, property investment, and manufacturing and sales of accessories for photographic products.

Facing with the threat to global economic growth as a result of rising political discontent and resentment towards globalization, the financial market outlooks are skeptically optimistic. Geopolitics is a focus issue that global uncertainty will hinder economic growth. The Group will closely monitor the investment portfolio from time to time to assess and manage actively the risks involved.

## **LIQUIDITY AND FINANCIAL STRUCTURE**

The Group's financial position was prudently monitored and precisely managed throughout the year. As at 31 December 2016, the Group had short term borrowings with an effective interest rate of 8% per annum amounting to HK\$12.0 million (2015: HK\$201.1 million), and had cash balances amounting to HK\$206.1 million (2015: HK\$36.2 million). The gearing ratio (net borrowings to shareholders' equity) was zero (2015: 21.2%).

## **CAPITAL STRUCTURE**

During the year, the Company issued 2,040,000,000 shares for the subscription of shares in Win Wind and 600,000,000 shares as part of consideration for the business acquisition of QR code business. In addition, the Company placed shares at subscription prices HK\$0.16, HK\$0.28 and HK\$0.25 per share for the issue of 575,063,972 shares, 420,738,550 shares and 1,632,880,000 shares respectively, to raise net total cash proceeds of approximately HK\$612.4 million. Up to the end of the fiscal year, the actual use of net proceeds was summarised as follows: (i) HK\$92.0 million was applied to partial repayment of loan from Win Wind Resources Limited; (ii) HK\$110.4 million and HK\$3.2 million were used to satisfy the cash considerations of the sale shares and the sale loan, and legal and professional fee respectively for acquisition of QR code business; (iii) HK\$263.4 million was utilised for full redemption of promissory note issued for acquisition of QR code business; (iv) HK\$4.4 million was used towards the acquisition of plant and equipment for QR code business; and (v) HK\$4.0 million was utilised for general working capital of the Group.

## **PLEDGE OF ASSETS**

As at 31 December 2016, the Group's margin loan of HK\$12.0 million (2015: HK\$2.6 million) was secured by the Group's listed equity investment with carrying value of approximately HK\$97.5 million (2015: HK\$542.4 million).

## **CONTINGENT LIABILITIES**

As at 31 December 2016, the Group did not have any contingent liabilities (2015: Nil).

## **FOREIGN EXCHANGE RISK**

The Group's revenues were mainly denominated in US dollars and Hong Kong dollars with little use of Renminbi while expenses were mainly conducted in Hong Kong dollars and Renminbi. In view of the prevailing financial market situation, the Group did not engage in any foreign exchange hedging products for the exposure of currency risk of Renminbi during the period. However, the Group will still closely monitor fluctuations in exchange rates and actively manage the currency risk involved.

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

During the year, the Company acquired indirectly the entire interests in 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co. Ltd\*) ("SHTY"), a foreign owned enterprise established in the PRC. The principal business of SHTY is the provision of QR codes on product packaging for the fast moving consumer goods sector in the PRC and business intelligence information technology solutions based on its "one product, one QR codes".

Before the year end the Group disposed of a chain of companies which were principally engaged in the business of apparel products acquired early this year. The disposal was mainly due to unsatisfactory performance and the losses incurred by these companies after acquisition.

## **EMPLOYEES**

As at 31 December 2016, the Group employed approximately 1,041 employees in Hong Kong and Mainland China. The Group's remuneration policy is commensurate with merit, qualification and competence of employees. In addition to salary and year-end bonus, the remuneration packages also comprised of share options scheme, provident fund contribution, medical and life insurance.

## **PROSPECTS**

After the tumult of 2016, a broad slowdown in globalization and rising protectionism, coupled with unruly politics from Brexit to the policies of new US President, could be the obstacles on world trade in the year ahead. It is worried that anti-trade trends could spill over to corporate profits. To bring positive challenge from high technology sector to the uncertainty, the Group will enhance product strategy as the backbone for the new growth and expansion at a higher pace. The Group has strategically changed its focus on the business of QR codes on product packaging and solutions with research and development intensity. The Group is optimistic that this technology will create a significant platform expansion to widen revenue stream and generate earnings growth. The Group will further explore opportunities to amalgamate the business so as to provide a wide range of integrated services to meet the increasing needs of the customers.

## **CORPORATE GOVERNANCE**

During the year, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors. In response to a specific enquiry by the Company, all directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year.

\* For identification purpose only

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

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

## **SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2016 as set out in this announcement have been agreed by the Company's auditors, Moore Stephens CPA Limited ("Moore Stephens") to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Moore Stephens in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Moore Stephens on this announcement.

## **REVIEW OF ANNUAL RESULTS**

The Audit Committee has discussed with the management and independent auditors the accounting policies and practices adopted by the Group, and has reviewed the Group's consolidated results for the year ended 31 December 2016.

## **PUBLICATION OF 2016 ANNUAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.chinatouyun.com.hk](http://www.chinatouyun.com.hk). The 2016 Annual Report will also be available on these two websites and despatched to the shareholders of the Company in due course.

By order of the Board  
**China Touyun Tech Group Limited**  
**Wang Liang**  
*Chairman*

Hong Kong, 24 March 2017

As at the date of this announcement, the Board comprised the following directors:-

*Executive Directors*

Mr. Wang Liang (*Chairman*)  
Mr. Du Dong  
Mr. Lo Yuen Wa Peter

*Non-executive Director*

Mr. Chen Hui

*Independent Non-executive Directors*

Mr. Cheung Wing Ping  
Mr. Ha Kee Choy Eugene  
Mr. To Shing Chuen