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If you have sold or transferred all your shares in **China Touyun Tech Group Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).



透云科技
Ty. Technology

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

(Stock Code: 1332)

**MAJOR TRANSACTION
IN RELATION TO
DISPOSAL OF SALE SHARES OF WIN WIND
AND
NOTICE OF SPECIAL GENERAL MEETING**

Financial Adviser



A notice convening the special general meeting of China Touyun Tech Group Limited to be held on Monday, 23 July 2018 at 10:00 a.m. at Lower Lobby, Plaza 3 Novotel Century Hong Kong, 238 Jaffe Road, Wan Chai, Hong Kong is set out on page 22 to 23 of this circular. A form of proxy for use at the special general meeting is enclosed and can also be downloaded from the Company's website at (www.chinatouyun.com.hk) and the HKExnews website at (www.hkexnews.hk). Whether or not you intend to attend and vote at the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar of China Touyun Tech Group Limited in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 48 hours before the time of the Meeting (i.e. at or before 10:00 a.m. on Saturday, 21 July 2018 (Hong Kong time)), or any adjourned meeting. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so desire.

29 June 2018

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DEFINITIONS

In this circular, the following expressions shall, unless the context otherwise requires, have the following meanings:

| | |
|--------------------------------|--|
| “Agreement” | the sale and purchase agreement dated 25 January 2018 and entered into between the Company and the Purchaser in respect of the Disposal |
| “Board” | The board of Directors |
| “Business Day” | a day (other than a Saturday, Sunday or a public holiday) on which banks are open for business in Hong Kong |
| “Company” | China Touyun Tech Group Limited (Stock Code: 1332), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange |
| “Completion” | Completion of the sale and purchase of the Sale Shares under the Agreement |
| “Completion Date” | Completion will take place on or before the fifth Business Day following the satisfaction of the conditions precedent |
| “Consideration” | the consideration of HK\$320,000,000 payable by the Purchaser to the Vendor for the Disposal pursuant to the terms and conditions of the Agreement |
| “Directors” | Director(s) of the Company |
| “Disposal” | the disposal of the Sale Shares pursuant to the terms of the Agreement |
| “Group” | the Company and its subsidiaries |
| “Independent Third Party(ies)” | the third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules) |
| “Latest Practicable Date” | 26 June 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

DEFINITIONS

| | |
|-------------------------------|--|
| “Long Stop Date” | Six calendar months from the date of the Agreement or such other date as may be agreed by the parties in writing |
| “Purchaser” | Enerchina Holdings Limited (stock code: 622), a company incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange |
| “Sale Shares” | 13,600,000 shares of Win Wind, representing approximately 11.78% of the entire issued share capital of Win Wind |
| “SGM” | the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder |
| “Share(s)” | ordinary shares of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holders of Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Victor Choice” | Victor Choice Global Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company, which owns 11.78% of the Sale Shares |
| “Win Wind” | Win Wind Capital Limited |
| “Win Wind Group” | Win Wind and its subsidiaries |
| “Win Wind Subscription” | the subscription of the shares of Win Wind by the Company pursuant to a subscription agreement made between the Company and Win Wind dated 30 March 2016 at a consideration of HK\$408,000,000 which was settled by the issuance of 2,040,000,000 new Shares upon completion |
| “Zero-Coupon Promissory Note” | the zero-coupon promissory note with aggregate principal amount of HK\$320,000,000 maturing on 30 June 2019 to be issued by the Purchaser in favour of the Company upon Completion |
| “%” | per cent |

LETTER FROM THE BOARD



透云科技
Ty. Technology

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

(Stock Code: 1332)

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

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Headquarter and principal place
of business in Hong Kong:*

12/F, Kwan Chart Tower,
No. 6 Tonnochy Road,
Wanchai,
Hong Kong

29 June 2018

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION —
DISPOSAL OF SALE SHARES OF WIN WIND
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 25 January 2018 in relation to the disposal of Sale Shares in Win Wind. The Board announced that on 25 January 2018 (after trading hours), the Company, and the Purchaser entered into the Agreement pursuant to which the Company has agreed to sell and the Purchaser has agreed to acquire the Sale Shares at a consideration of HK\$320,000,000 which will be settled by the issuance of the Zero-Coupon Promissory Note of the Purchaser.

LETTER FROM THE BOARD

As at the date of this circular, the Company holds, through its indirect wholly-owned subsidiary, Victor Choice, 11.78% interest in Win Wind. Upon Completion, the Company will cease to hold any beneficial interest in Win Wind.

THE AGREEMENT

The principal terms of the Agreement are set out as below:

Date

25 January 2018

Parties

Vendor: The Company which owned as to 100% of the voting rights of Victor Choice which in turns owns the Sale Shares

Purchaser: Enerchina Holdings Limited

Save and except that Mr. Cheung Wing Ping (“Mr. Cheung”) is a common independent non executive Director of the Company and the Purchaser, and as at the date of this circular, the Company has been informed that the Purchaser is interested in 1,792,350 Shares, representing approximately 0.02% of the total issued shares of the Company. To the best knowledge, information and belief of the Directors having made all reasonable enquiry and so far as the Directors are aware, the Purchaser is an Independent Third Party. As at the Latest Practicable Date, the Company holds 25,000,000 shares of the Purchaser, representing approximately 0.86% of the entire issued share capital of the Purchaser.

Assets to be disposed

Pursuant to the Agreement, amongst others, the Company has conditionally agreed to sell 13,600,000 Sale Shares, representing 11.78% of the total issued shares of Win Wind.

CONDITIONS

The sale and purchase of the Sale Shares shall be subject to and conditional upon the fulfilment and satisfaction (or waiver, if applicable) of each of the following conditions precedent:

- (a) the approval by the Shareholder(s) in respect of the Agreement and the transactions contemplated hereunder in accordance with the requirements of the Listing Rules;
- (b) if applicable, the obtaining of all consents from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Agreement and the transactions contemplated hereunder; and

LETTER FROM THE BOARD

- (c) the Company's warranties given under the Agreement shall remain to be true and correct in all material respects and there has not been any material breach of the Company's warranties.

If the Conditions have not been fulfilled on or before the Long Stop Date for whatever reason, the Agreement shall cease and determine, and in such event, neither party shall have any rights, obligations and liability towards each other hereunder save for any antecedent breaches of the terms hereof.

COMPLETION

Completion of the Disposal under the Agreement will take place on the Completion Date, which is within six calendar months from the date of the Agreement or such other date as may be agreed by the parties in writing. Upon Completion, the Company will cease to hold any beneficial interest in Win Wind.

CONSIDERATION

The consideration for the Disposal is HK\$320,000,000 which shall be settled by the issuance of the Zero-Coupon Promissory Note by the Purchaser, which was agreed between the parties based on arm's length negotiation after taking into account with reference to the latest unaudited net asset value per share of Win Wind. It is the commercial decision of the Board to accept the offer after a balance review of factors including but not limited to:

- (1) The recent financials and performance of Win Wind leading to a decision to dispose Win Wind at the highest value the Company can negotiate for a disposal;
- (2) As that the investment is a shareholding in a private company with declining prospects, the Company is not able to solicit third party interest and that the Purchaser is the only legitimate potential buyer. The Company has made informal approaches to friendly parties and business associates. None has expressed any potential interest; and
- (3) The consideration is considered acceptable after taking into account of the negative effect of a zero coupon promissory note, the limited marketability of the investment, the current value of Win Wind and the Company's view on Win Wind's immediate prospects.

LETTER FROM THE BOARD

The Directors consider that the terms of the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The principal terms of the Zero-Coupon Promissory Note are set out as below:

Zero-Coupon Promissory Note

| | |
|-------------------|---|
| Issuer: | the Purchaser |
| Principal amount: | HK\$320,000,000 |
| Noteholder: | the Company |
| Interest: | Zero interest |
| Maturity date: | 30 June 2019, or such other date as the Purchaser and the noteholder may mutually agree in writing. |
| Repayment: | The Zero-Coupon Promissory Note shall be due and repayable to the noteholder (or to such other person as the noteholder may direct by written notice to the Purchaser) on the maturity date. |
| Early redemption: | The Purchaser may prepay all or part of the principal amount of a Zero-Coupon Promissory Note at any time without any penalty provided that the Purchaser shall have given to the noteholder(s) not less than one (1) Business Day's prior written notice specifying the amount and date of prepayment. |
| Transferability: | The Zero-Coupon Promissory Note shall only be transferrable to a third party with prior written consent of the Purchaser. Any request for transfer of the Zero-Coupon Promissory Note shall be made in writing together with all information as the Purchaser may reasonably request and sent to the Purchaser in not less than 7 Business Days prior to the proposed date of transfer. |
| Status: | The Zero-Coupon Promissory Note constitutes the direct, unconditional and unsubordinated obligations of the Purchaser and will at all times rank pari passu among themselves and will at all times rank at least pari passu with all other present and future unsecured creditors of the Purchaser. |

LETTER FROM THE BOARD

INFORMATION OF THE WIN WIND GROUP

Win Wind is a major subsidiary of the Purchaser and the Win Wind Group principally engages in investment holdings; trading and investment in securities; and provision of (i) securities brokerage services, (ii) placing and underwriting services, (iii) corporate finance advisory services, (iv) money lending services, (v) investment advisory and asset management services, and (vi) margin financing services. Some subsidiaries of Win Wind are licensed to carry on Types 1, 4, 6 and 9 regulated activities under the SFO and money lending activities under the Money Lenders Ordinance (Chapter 163, Laws of Hong Kong). Set out below is the unaudited consolidated financial information of the Win Wind Group for the two financial years ended 31 December 2016 and 31 December 2017 prepared in accordance with Hong Kong Financial Reporting Standards:

| | For the year ended 31 December 2016 | For the year ended 31 December 2017 |
|---------------------------|--|--|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Profits/(Loss) before tax | (1,279,218) | (264,829) |
| Profits/(Loss) after tax | (1,147,392) | (290,035) |

As at 31 December 2017, the unaudited consolidated net asset value of the Win Wind Group was approximately HK\$2,572,692,000. The unaudited total assets and total liabilities as at 31 December 2017 are approximately HK\$3,513,029,000 and HK\$940,337,000. The unaudited total assets of Win Wind were mainly comprised of the investment in listed shares, which amounted to HK\$2,644,428,000 and the investment in unlisted companies which amounted to HK\$600 million, while the total unaudited liabilities of Win Wind were mainly comprised of loans payable which were recorded as HK\$655,000,000.

REASONS FOR THE DISPOSAL

The Sale Shares were subscribed on 19 July 2016 at a total consideration of HK\$408,000,000 which was settled by the issuance of 2,040,000,000 new Shares. At the time of the Win Wind Subscription, the Directors had stated, inter alia, as their reasons for entering into the Win Wind Subscription in view of Win Wind had a proven track record and was extremely profitable. The Company was optimistic about Win Wind business model and financial performance going forward. Since both the Company and Win Wind are engaged in the financial services industry, the Company also considered that further investment through the Win Wind Subscription might achieve a synergy effect between both parties. In addition, the Directors considered the terms of the Win Wind Subscription to be commercially attractive as the Sale Shares were issued to the Company at an approximately 8.59% discount to the unaudited consolidated net asset value per share of Win Wind. Since then, however, Win Wind has experienced a substantial reversal of fortune with losses before tax of HK\$1,279,218,000 and HK\$264,829,000 being recorded for the year ended 31 December 2016 and the year ended 31 December 2017 respectively. It turned out the investment in Win Wind was not as profitable and promising as estimated at the time of the Win Wind Subscription. The Company

LETTER FROM THE BOARD

noted that a substantial part of the losses was derived from Win Wind's proprietary investment and trading and that such business remains and likely to continue in the future as a significant and integral part of Win Wind's business (Note). With no indication to forecast a brighter outlook, the Company has used the Win Wind's recent performance to gauge its immediate prospects and decided that it will be advantageous to exit the investment at the best possible terms the Company can negotiate. Furthermore, the Company also considers the focus and the development of its core businesses, are QR code business and Touyun Retailers Management System going forward. The Company thus decided that the Disposal is a good opportunity for the Company to exit from this unsatisfactory investment.

The Directors, including the independent non-executive Directors (save and except for Mr. Cheung who has abstained on the approval of the Disposal), consider that the terms and conditions of the Agreement were entered into under normal commercial terms following arm's length negotiations between the Company and the Purchaser and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Note:

Below are financial extracts based on the unaudited management accounts of Win Wind for the year ended 31 December 2017:

| | <i>(In HK\$'000)</i> |
|--|----------------------|
| Revenue and other income | 106,919 |
| Loss on disposal of available-for-sale investments | (1,713) |
| Operating expenses | (73,124) |
| Finance costs | (45,128) |
| Loss from recurring operations | |
| before securities trading | (13,046) |
| Realized loss in securities trading* | (266,581) |
| Unrealized gain in securities trading** | 168,419 |
| Loss from trading of securities | (98,162) |
| Loss from early redemption*** | (153,622) |
| Income tax expense | (25,206) |
| Loss for the year | (290,035) |

* One stock, HengTen Networks Group Limited (formerly Mascotte Holdings Limited) ("HengTen") (Stock Code: 136) resulted in a realized loss of HK\$277,608,891 in the year ended 31 December 2017. All of HengTen shares were acquired as part of the portfolio of Smart Jump Corporation in a transaction as announced on 15 August 2016 by Enerchina Holdings Limited (Stock Code: 622) and completed on 8 December 2016. As at 31 December 2016, those shares were marked to market at HK\$0.39. These shares were subsequently disposed during January to April 2017 via multiple transactions at prices ranging from HK\$0.2127 to HK\$0.15. The amount of the trading securities portfolio as at 31 December 2017 was approximately HK\$1,192,506,000. There were 42 securities (including HengTen investment) in the securities trading portfolio. The realized gains and losses for the period of these individual securities (other than HengTen investment) ranged from losses of approximately HK\$16 million to gains of approximately HK\$10.9 million. The sum of such gains and losses totaled as a net realized gain of approximately HK\$ 11 million.

LETTER FROM THE BOARD

** Listed out below are details on the shares/securities for trading with market value of HK\$50 million or above as at 31 December 2017, with their relevant unrealized gains and losses recorded for the year ended 31 December 2017 (based on the unaudited management accounts of Win Wind for the year ended 31 December 2017):

| Name of Company Shares/Securities: | Market value (As at 31 December 2017) | Unrealized gain/(loss) |
|-------------------------------------|---|---------------------------|
| Get Nice (#0064) | HK\$83,157,600 | HK\$10,713,970 |
| Asia Standard (#0129) | HK\$77,602,408 | HK\$13,069,879 |
| EPI (#0689) | HK\$59,940,000 | HK\$25,752,000 |
| C C Land (#1224) | HK\$75,408,105 | (HK\$19,324,235) |
| Evergrande Land (#3333) | HK\$509,355,000 | HK\$148,116,100 |
| Larry Jewelry (#8351) | HK\$63,004,200 | HK\$49,117,560 |
| Glorious Property (#845) — US\$Bond | <u>HK\$53,098,500</u> | <u>(HK\$346,210)</u> |
| Total | <u>HK\$921,565,813</u> | <u>HK\$227,099,064</u> |

*** The loss from early redemption of promissory notes of HK\$153,621,536 arose from difference between the repayment of the notes at face value of HK\$1,200,000,000 and the carrying value of the notes at HK\$1,046,378,464. The notes were originally issued as consideration for the acquisition of Smart Jump Corporation and its subsidiaries and carry a coupon rate of 5% p.a.

FINANCIAL IMPACT OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

On 30 March 2016, the Company entered into the Win Wind Subscription at a consideration of HK\$408,000,000 which was settled by the issuance of 2,040,000,000 new Shares. The market value of new Shares issued at completion date of the Win Wind Subscription was HK\$714,000,000, which represented the initial investment cost recognized by the Company. During the year ended 31 December 2016, a loss after tax of HK\$1,147,392,000 was recorded by the Win Wind Group. Accordingly, an impairment loss for the investment in Win Wind of HK\$397,369,000 was recognized by the Company during the year ended 31 December 2016. As at 31 December 2017, the carrying amount of the investment in Win Wind held by the Company was HK\$279,297,000.

The estimated net present value of the Zero-Coupon Promissory Note as at the Latest Practicable Date is approximately HK\$290,000,000. Accordingly, an estimated gain on the Disposal recognized by the Company will be approximately HK\$10,703,000.

The Board intends to use the net proceeds arising from the Disposal and after repayment from the Zero Coupon Promissory Note, as general working capital and also to allow additional resources for the development of its core business, being QR code business and Touyun Retailers Management System. Also, the proceeds can be used to capture possible investment opportunities that may arise from time to time.

INFORMATION OF THE COMPANY

The principal activity of the Company is investment holding. The Group is principally engaged in (i) provision of QR codes on product packaging and solution and online advertising display services; (ii) design, development, manufacture and sale of packaging products; and (iii) investment and trading in securities business and money lending.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal exceed(s) 25% but all are less than 75%, the transactions contemplated under the Agreement constitute a major transaction for the Company under Chapter 14 of the Listing Rules, which is subject to reporting, announcement and shareholders' approval requirement.

As at the Latest Practicable Date, the Company has been informed that the Purchaser is interested in 1,792,350 shares of the Company, representing approximately 0.02% of the total issued shares of the Company. The Purchaser will abstain from voting on the approval of the Disposal at the SGM. Save and except for the above, to the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no other Shareholders or any of their respective associates have any material interest in the Disposal. As such, no other Shareholders would be required to abstain from voting in the resolution approving the Disposal at the SGM.

SGM

The SGM is convened to be held at Lower Lobby, Plaza 3 Novotel Century Hong Kong, 238 Jaffe Road, Wan Chai, Hong Kong on Monday, 23 July 2018 at 10:00 a.m., the notice of which is set out on page 22 to 23 of this circular, for the Shareholders to consider and, if thought fit, pass the relevant resolution to approve, among other matters, the Agreement.

In compliance with the Listing Rules, the resolution will be voted by way of poll at the SGM. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof.

Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so desire.

RECOMMENDATIONS

The Directors believe that the terms of the Agreement and the Disposal contemplated thereunder are fair and reasonable and in the interest of the Shareholders and the Company as a whole and therefore recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendix to this circular.

By order of the Board
China Touyun Tech Group Limited
Lo Yuen Wa Peter
Executive Director

1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

Financial information on the Group for each of the three financial years ended 31 December 2015, 2016 and 2017 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.chinatouyun.com.hk>):

- Annual report of the Company for the year ended 31 December 2015 posted on 27 April 2016 (pages 28 to 87); and
- Annual report of the Company for the year ended 31 December 2016 posted on 18 April 2017 (pages 42 to 119)
- Annual report of the Company for the year ended 31 December 2017 posted on 24 April 2018 (pages 45 to 130)

The management discussion and analysis of the Company for the years ended 31 December 2015, 2016 and 2017 are disclosed in the published annual report of the Company for the relevant years.

2. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 31 May 2018, being the latest practicable date for the purpose of this indebtedness statement, the Group had convertible bonds with principal amount of US\$40 million.

Pledge of Assets

As at 31 May 2018, the US\$40 million 7% convertible bonds issued on 10 November 2017 were secured by the equity interest of Apex Capital Business Limited and its subsidiaries, which are the wholly-owned subsidiaries of the Company.

Financial Lease

As at 31 May 2018, the Group has outstanding obligations under finance lease of approximately HK\$8 million.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business on 31 May 2018, the Group did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding.

3. WORKING CAPITAL STATEMENT

The Directors, after due and careful consideration, are of the opinion that, taking into account the internal resources, the existing available credit facilities of the Group and the effect of the Disposal and the date of the maturity of Zero-Coupon Promissory Note, the Group has sufficient working capital for its present requirements for at least twelve months from the date of publication of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, according to the Directors, there is no material adverse change in the financial position or trading position of the Company since 31 December 2017, being the date to which the latest published audited financial statements of the Company were made up.

5. BUSINESS REVIEW AND PROSPECTS

Overall

Year ended 31 December 2016

During the year ended 31 December 2016, the Company's business suffered from volatile financial conditions and soft consumer demand caused by the subdued global growth and persistent economic stagnation. Against this background, the Group recorded the loss attributable to the Shareholders of HK\$1.2 billion as compared to the profit attributable to the Shareholders of HK\$255.3 million for the financial year 2015. The deteriorated performance was largely drawn to the loss of HK\$360.9 million on treasury investments hammered hard by unpredictable and turbulent events and impairment losses on unlisted investments of HK\$453.8 million. Conversely, the significant profit earned in 2015 was mainly derived from one-off net gains on the disposal of interests in subsidiaries of HK\$352.6 million.

Year ended 31 December 2017

For the year ended 31 December 2017, the Group recorded revenue of approximately HK\$397.9 million (2016: approximately HK\$324.3 million), representing an increase of approximately 22.7% as compared to the last year. The increase in turnover was primarily due to the QR codes business that the Group acquired in August 2016. The loss attributable to Shareholders for the year ended 31 December 2017 was HK\$245.2 million as compared to the loss of HK\$1,150.8 million for the financial year 2016. The reduced loss was significantly due to the decrease in fair value loss on financial assets at fair value through profit or loss; impairment loss on available-for-sale investments and impairment loss on goodwill.

QR Codes Business

During the financial year in 2016, the Group diversified its business and acquired a business of QR codes on product packaging for the fast moving consumer goods sector in the PRC and business intelligence information technology solutions based on “one product, one QR code”. The Group expanded its business scope to QR codes business for developing long-term goals to upgrade the information technology capabilities of its packaging business. Meanwhile, amid retail sales showed signs of softness and grew below expectation, the sale of consumable goods was particularly hard hit.

The Group further expanded its QR code business by acquiring 100% equity interest in 信碼互通(北京)科技有限公司 (Sigmatrix Technology Co., Ltd.*) at a consideration of RMB55 million (equivalent to HK\$62.2 million) in March 2017.

Revenue from QR code business was HK\$78.8 million and its segment loss was HK\$157.7 million during the year ended 31 December 2017 (2016: from acquisition date to 31 December 2016: revenue of HK\$23.1 million and segment loss of HK\$268.5 million). The segment loss for the year ended 31 December 2017 was also decreased by 41.3% when compared with previous year, it was primarily attributable to the decrease in impairment loss on goodwill.

As stated in the Company’s announcement dated 2 May 2017, 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co. Ltd.*) (“SHTY”), a wholly-owned subsidiary of the Company has successfully recently developed an O2O (online-to-offline) system, namely “Touyun Retailers Management System”. This system is based on “One Product, One Code” application with QR codes as the medium, which directly links consumers, retailers and manufacturers and provides its users with a series of functions including automatic checkouts, taking purchase orders, store locations searches and arranging for delivery services, etc. Application of this system will therefore enable more time-efficient and cost effective communication and connection among consumers, retailers and manufacturers.

The Touyun Retailers Management System has started its pilot run by the end of May 2017 in approximately 4,000 retailers and ministores, and was officially launched in second half of year 2017. As stated in the Company’s announcement dated 22 January 2018, SHTY has entered into agreements with 9,000 retailers and ministores for the Touyun Retailers Management System installation, locating in 12 cities of China. SHTY will further expand the Touyun Retailers Management System to additional cities in the PRC in the near future, including promotion by SHTY itself, or through cooperation with other parties. In addition, the Company will closely monitor and review the market response and will adjust marketing strategies timely.

* For identification purpose only

Packaging Business

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 packaging products business reported a revenue of HK\$318.7 million for the year ended 31 December 2017 (2016: HK\$294.7 million), representing an increase of 8.1% as compared with last year. A segment profit of HK\$25.9 million was recorded during the year ended 31 December 2017 (2016: HK\$16.5 million), representing an increase of 56.9% as compared with previous year.

Treasury Investment Business

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.

During the year ended 31 December 2017, the Group recorded fair value loss of HK\$80.2 million on financial assets at fair value through profit and loss, representing a decrease of 77.8% as compared to the corresponding period of previous year amounted to HK\$361.9 million. Such decrease were mainly attributable to significant amount of investments was disposed of during 2016. An impairment loss of HK\$72.2 million on available-for-sale investments was recognized during the year ended 31 December 2017 (2016: HK\$453.8 million), representing a decrease of 84.1% when compared with last year, it is largely due to the asset value of the Group's available-for-sale investments maintained stable during the year of 2017.

Prospects

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 the QR code business and the Touyun Retailers Management System 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.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

| | |
|---|-------------|
| <i>Authorised:</i> | <i>HK\$</i> |
| 50,000,000,000 Shares | 500,000,000 |
| <i>Issued and fully paid or credited as fully paid:</i> | <i>HK\$</i> |
| 9,797,311,301 Shares | 97,973,113 |

Pursuant to the share option scheme adopted and effective on 18 May 2012, 119,700,000 share options were granted to eligible participants of the Group on 25 January 2017. The 119,700,000 share options will be vested on 2 July 2018. On 12 December 2017, 97,750,000 share options were granted to eligible participants of the Group, which will be vested on 10 June 2019. As at the Latest Practicable Date, 188,760,000 share options are outstanding. The number of new Shares which may be issued pursuant hereto are 188,760,000 Shares.

On 10 November 2017, the Company issued a US\$40 million 7% convertible bonds, by which if fully converted, 630,487,804 new Shares will be issued.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

SHARE OPTIONS

The Company adopted a share option scheme on 18 May 2012, details of which were disclosed in the Company's prospectus dated 28 June 2012.

DISCLOSURE OF INTERESTS

(i) Interests of Directors and chief executive of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions in the Shares

| Name of Director | Capacity | Number of Shares | Approximate percentage of shareholding |
|-------------------------|------------------|-----------------------------|---|
| Wang Liang | Beneficial Owner | 2,246,000,000 (Note) | 22.92% |

Note:

As at the Latest Practicable Date, 6,000,000 share options have been granted to Mr. Wang Liang under the share option scheme of the Company on 12 December 2017. The 6,000,000 share options will be vested on 10 June 2019. A total of 14,500,000 share options have been granted to other current Directors under the share option scheme of the Company on 12 December 2017, the 14,500,000 share options will be vested on 10 June 2019.

Save as disclosed, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(ii) Interests of substantial Shareholders

Save as disclosed below, as at the Latest Practicable Date, according to the register of interests kept by the Company under Section 336 of the SFO and so far as was known to the Directors, no person or company had an interest or short position in Shares or 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, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Interests in the Company

| Name of Shareholders | Capacity | Number of Shares | Approximate percentage of shareholding |
|---|---|----------------------------------|---|
| Wang Liang | Beneficial Owner | 2,246,000,000 <i>(Note 1)</i> | 22.92% |
| Qiao Yanfeng | Interest in Controlled Corporations | 600,000,000 <i>(Note 2)</i> | 6.12% |
| Qin Feng | Beneficial Owner | 789,880,000 | 8.06% |
| China Huarong International Holdings Limited | Beneficial Owner | 630,487,804 <i>(Note 3)</i> | 6.05% |

Note 1: As at Latest Practicable Date, 6,000,000 share options granted to Wang Liang under the share option scheme of the Company on 12 December 2017, and the 6,000,000 share options will be vested on 10 June 2019.

Note 2: Qiao Yanfeng (“Ms. Qiao”, a substantial shareholder of the Company and Mr. Wang Liang’s mother) is deemed to be interested in 600,000,000 Shares through TY Technology Group Limited which is in turn owned as to 90% by Wise Tech Enterprises Incorporated (wholly-owned by Ms. Qiao) and 10% by Truthful Bright International Holding Limited (wholly-owned by Ms. Qiao). Mr. Wang Liang together with Ms. Qiao were interested in the aggregate of 2,846,000,000 Shares, representing approximately 29.04% of the issued shares of the Company.

Note 3: The 630,487,804 shares represented the new Shares will be issued if the US\$40 million 7% convertible bonds issued on 10 November 2017 were fully converted.

DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, except for the continuing connected transaction that disclosed in the Company's announcement dated 22 December 2017, there were no contracts or arrangements in which a Director was materially interested and significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors has, directly or indirectly, any interest in any assets which have since 31 December 2017 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contracts with the Company or any other member of the Group (excluding contracts expiring or determinable by the Company or other members of the Group within a year without payment of any compensation (other than statutory compensation)).

LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, according to the Directors, there is no material adverse change in the financial position or trading position of the Company since 31 December 2017, being the date to which the latest published audited financial statements of the Company were made up.

COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or the controlling shareholders (as defined under the Listing Rules), nor their respective associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under the Listing Rules.

CORPORATE INFORMATION

| | |
|--|---|
| Registered office | Clarendon House 2 Church Street Hamilton HM 11 Bermuda |
| Head office and principal place of business in Hong Kong | 12/F, Kwan Chart Tower 6 Tonnochy Road Wanchai Hong Kong |
| Authorised representatives | Mr. Du Dong Mr. Lo Yuen Wa Peter |
| Company secretary | Ms. Cheng Pui Yee (a fellow member of Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants) |
| Auditor and reporting accountants | Moore Stephens CPA Limited <i>Certified Public Accountants</i> |
| Share registrar and transfer office of the Company | <i>Principal share registrar and transfer office</i> MUFG Fund Services (Bermuda) Limited The Belvedere Building 69 Pitts Bay Road Pembroke HM08 Bermuda <i>Hong Kong branch share registrar and transfer office</i> Tricor Secretaries Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong |
| Principal banker | The Hong Kong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong |

MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) had been entered into by members of the Group within two years preceding the Latest Practicable Date and are or may be material:

1. Purchase agreement entered into by Shanghai TY Technology Co., Ltd. to purchase the beverage products from 上海立足生物科技有限公司 (Shanghai Lizu Biotechnology Company Co., Ltd.*) as announced on 22 December 2017;
2. On 3 October 2017, the Company, as issuer, and China Huarong International Holdings Limited entered into the agreement, pursuant to which the Company has conditionally agreed to issue, and the subscriber has conditionally agreed to subscribe for, the convertible bonds in the aggregate principal amount of US\$40 million;
3. On 9 November 2016, the Company and China Everbright Securities (HK) Limited (“Everbright”) entered into the placing agreement, pursuant to which Everbright has conditionally agreed to procure, on a best effort basis, the places to subscribe for the placing shares at the placing price of HK\$0.25 per placing share;
4. On 10 August 2016, the Company entered into the sales and purchase agreement with the TY Technology Group Limited (透雲科技集團有限公司) (“TY”), pursuant to which (1) the Company conditionally agreed to purchase, and the TY conditionally agreed to sell the sale shares at the consideration of HK\$513,000,000, which will be satisfied as to (i) 600,000,000 consideration shares to be issued under the general mandate at an issue price of HK\$0.335 per Share; (ii) HK\$258,000,000 by the issuance of a promissory note; and (iii) the remaining balance of the consideration will be settled by cash of HK\$54,000,000 to TY upon completion; and (2) the Company would acquire the sale loan of HK\$56,400,000 which is to be settled by the cash payment from the Company to Ms. Qiao Yanfeng.

MISCELLANEOUS

This circular and the accompanying form of proxy have been prepared in both English and Chinese. In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office:

1. the memorandum of association and the bye-laws of the Company;
2. the annual reports of the Company for the three financial years ended 31 December 2015, 2016 and 2017;
3. the material contracts disclosed in the paragraph under the heading “Material Contracts” in this appendix to this circular; and
4. this circular.



透云科技
Ty. Technology

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

(Stock Code: 1332)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of China Touyun Tech Group Limited (the “Company”) will be held at Lower Lobby, Plaza 3 Novotel Century Hong Kong, 238 Jaffe Road, Wan Chai, Hong Kong, on Monday, 23 July 2018 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modification, the following resolution as a special resolution of the Company:

SPECIAL RESOLUTION

“**THAT** the Company entered into the Agreement pursuant to which the Company has agreed to sell and Enerchina Holdings Limited has agreed to acquire the sale shares in Win Wind Capital Limited at a consideration of HK\$320,000,000 which shall be settled by the issuance the Zero-Coupon Promissory Note issued by Enerchina Holdings Limited, and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified.”

By order of the Board of
China Touyun Tech Group Limited
Lo Yuen Wa Peter
Executive Director

Hong Kong, 29 June 2018

Notes:

- (a) A member who is entitled to attend and vote at the Special General Meeting is entitled to appoint one or more proxies or a duly authorised corporate representative to attend and vote instead of him. A proxy need not be a member of the Company.
- (b) A form of proxy for use at the Special General Meeting is enclosed. To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of that power or authority, must be deposited at the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the Special General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending the Special General Meeting and voting in person. In such event, this form of proxy will be deemed to have been revoked.

- (c) The Register of Members of the Company will be closed from Wednesday, 18 July 2018 to Monday, 23 July 2018, both days inclusive, for determining the eligibility of shareholders for attending and voting at the Special General Meeting. In order to qualify for attending and voting at the Special General Meeting, all transfer documents accompanied by the relevant share certificates should be lodged for registration with Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by 4:30 p.m. on Tuesday, 17 July 2018.