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**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](http://www.chinatouyun.com.hk)

(Stock Code: 1332)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of directors (the “Board”) of China Touyun Tech Group Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2017 together with comparative figures for the corresponding period in 2016 as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) (Restated) HK\$'000
FAIR VALUE LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	4	(72,873)	(232,892)
REVENUE	4	171,534	131,371
Cost of sales		(120,446)	(101,911)
Gross profit		51,088	29,460
Other income, gains and losses, net	5	(1,702)	(15,938)
Selling and distribution expenses		(16,928)	(5,766)
Administrative and operating expenses		(61,354)	(22,539)
Finance costs		(155)	(4,322)
Share of results of a joint venture		3,009	(18,722)
LOSS BEFORE TAX	6	(98,915)	(270,719)
Income tax expense	7	(837)	(37)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(99,752)	(270,756)

		<b>Six months ended 30 June</b>	
		<b>2017</b>	2016
		<b>(Unaudited)</b>	(Unaudited)
			(Restated)
<i>NOTES</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>DISCONTINUED OPERATIONS</b>			
Loss for the period from discontinued operations	8	—	(12,042)
<b>LOSS FOR THE PERIOD</b>		<b><u>(99,752)</u></b>	<b><u>(282,798)</u></b>
<b>LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
— from continuing operations		<b>(92,486)</b>	(270,756)
— from discontinued operations		—	(12,042)
Loss for the period attributable to owners of the Company		<b><u>(92,486)</u></b>	<b><u>(282,798)</u></b>
<b>LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS FROM CONTINUING OPERATIONS</b>			
Loss for the period attributable to non-controlling interests		<b><u>(7,266)</u></b>	—
		<b><u>(99,752)</u></b>	<b><u>(282,798)</u></b>
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
— from continuing and discontinued operations	10		
Basic and diluted		<b><u>HK0.94 cents</u></b>	<b><u>HK5.66 cents</u></b>
— from continuing operations			
Basic and diluted		<b><u>HK0.94 cents</u></b>	<b><u>HK5.42 cents</u></b>

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
LOSS FOR THE PERIOD	<u>(99,752)</u>	<u>(282,798)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
— Changes in fair value	–	(8,800)
— Reclassification adjustments of fair value loss on disposal of available-for-sales investments to profit or loss, net of tax	–	5,390
Exchange differences on translation of foreign operations	<u>2,522</u>	<u>(177)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>2,522</u>	<u>(3,587)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u><u>(97,230)</u></u>	<u><u>(286,385)</u></u>
Total comprehensive loss attributable to:		
Owners of the Company	<u>(89,964)</u>	(286,385)
Non-controlling interests	<u>(7,266)</u>	–
	<u><u>(97,230)</u></u>	<u><u>(286,385)</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		40,253	27,975
Intangible assets		2,460	2,517
Goodwill	11	306,389	266,514
Investment in a joint venture		139,035	136,026
Available-for-sale investments		430,191	430,191
Prepayments		380	2,196
		<b>918,708</b>	<b>865,419</b>
<b>CURRENT ASSETS</b>			
Inventories		41,656	20,925
Trade and bills receivables	12	88,435	64,794
Prepayments, deposits and other receivables		15,497	12,253
Financial assets at fair value through profit or loss	13	21,625	97,500
Cash and cash equivalents		125,082	206,054
		<b>292,295</b>	<b>401,526</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	14(a)	39,562	25,566
Other payables and accruals	14(b)	69,322	35,773
Tax payable		727	–
Interest-bearing other borrowings		–	12,022
		<b>109,611</b>	<b>73,361</b>
<b>NET CURRENT ASSETS</b>		<b>182,684</b>	<b>328,165</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,101,392</b>	<b>1,193,584</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		190	172
<b>Net assets</b>		<b>1,101,202</b>	<b>1,193,412</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		97,973	97,973
Reserves		1,002,002	1,086,946
		<b>1,099,975</b>	<b>1,184,919</b>
<b>Non-controlling interests</b>		<b>1,227</b>	<b>8,493</b>
		<b>1,101,202</b>	<b>1,193,412</b>

Notes:

## 1. CORPORATE INFORMATION

The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company with limited liability on 24 October 2011. The principal place of business of the Company is located at 12th Floor, Kwan Chart Tower, 6 Tonnochy Road, Wan Chai, Hong Kong.

During the period, the principal activities of the Group are (i) provision of QR codes on product packaging and solutions and online advertising display services; (ii) the manufacture and sale of packaging products; and (iii) investments and trading in securities and money lending.

## 2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2016.

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong, except for the adoption of the new and revised HKFRSs for the first time for the current period financial information, as further explained below:

Amendments to HKFRS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>

The adoption of the revised HKFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of the new and revised HKFRSs but is not yet in a position to state whether the new and revised HKFRSs would have a potential impact on its results of operations and financial position.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These unaudited interim condensed consolidated financial statements are presented in Hong Kong dollar (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

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

In August 2016, the Group completed the acquisition of 100% equity interest in Apex Capital Business Limited (“Apex”) and its subsidiaries (“Apex Group”). Apex Group is a group of companies engaged in provision of QR code on product packaging and solutions and online advertising display services, and accordingly which forms a new reportable segment to the Group.

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. Details of discontinued operation are set out in note 8.

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 or loss before tax except that head office and corporate income and expenses are excluded from such measurement.

There were no inter-segment sale during the period (six months ended 30 June 2016: Nil). Corporate and unallocated income, gains and losses 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.

## Continuing operations

	For the six months ended 30 June							
	QR code business		Packaging products		Treasury investment		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Group's revenue	31,697	–	139,837	129,666	–	1,705	171,534	131,371
Fair value losses on financial assets at fair value through profit or loss, net	–	–	–	–	(72,873)	(232,892)	(72,873)	(232,892)
Segment revenue	<u>31,697</u>	<u>–</u>	<u>139,837</u>	<u>129,666</u>	<u>(72,873)</u>	<u>(231,187)</u>	<u>98,661</u>	<u>(101,521)</u>
Segment results	<u>(21,703)</u>	<u>–</u>	<u>8,878</u>	<u>14,758</u>	<u>(72,895)</u>	<u>(236,711)</u>	<u>(85,720)</u>	<u>(221,953)</u>
Corporate and unallocated income, gains and losses							(1,702)	1,077
Corporate and unallocated expenses							(14,347)	(26,799)
Share of results of a joint venture							3,009	(18,722)
Finance costs							(155)	(4,322)
Loss before tax							<u>(98,915)</u>	<u>(270,719)</u>

## 4. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, value of services rendered, net fair value gains and losses on financial assets at fair value through profit or loss and interest income on investment portfolio.

An analysis of the Group's revenue is as follows:

### Continuing operations

	<b>Six months ended 30 June</b>	
	<b>2017</b> <b>(Unaudited)</b> <i>HK\$'000</i>	<b>2016</b> <b>(Unaudited)</b> <b>(Restated)</b> <i>HK\$'000</i>
Provision of QR code service	<b>31,697</b>	–
Sale of packaging products	<b>139,837</b>	129,666
Interest income from convertible notes	–	1,512
Interest income from loans receivables	–	193
	<u><b>171,534</b></u>	<u>131,371</u>
Fair value losses on financial assets at fair value through profit or loss, net*	<u><b>(72,873)</b></u>	<u>(232,892)</u>

\* The gross proceeds from the disposal of listed equity investments at fair value through profit or loss for the period ended 30 June 2017 were approximately HK\$39,378,000 (six months ended 30 June 2016: HK\$307,112,000).

### 5. OTHER INCOME, GAINS AND LOSSES, NET

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

	<b>Six months ended 30 June</b>	
	<b>2017</b> <b>(Unaudited)</b> <i>HK\$'000</i>	<b>2016</b> <b>(Unaudited)</b> <b>(Restated)</b> <i>HK\$'000</i>
Bank interest income	<b>90</b>	68
Sale of scrap materials	–	74
Loss on disposal of available-for-sale investments, net	–	(5,451)
Gain on deemed partial disposal of a joint venture	–	1,076
Gain on disposal of a subsidiary	–	7,295
Foreign exchange differences, net	<b>(2,028)</b>	(203)
Reversal of impairment loss on trade receivables, net	–	59
Impairment loss on available-for-sale investments	–	(18,915)
Loss on disposal of property, plant and equipment	<b>(113)</b>	–
Gross rental income	<b>294</b>	–
Others	<b>55</b>	59
	<u><b>(1,702)</b></u>	<u>(15,938)</u>



## 6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
<b>Continuing operations:</b>		
Depreciation	2,844	729
Amortisation of intangible assets	199	–
Employee benefits expenses (including directors' remuneration):		
Salaries, wages and other benefits	54,467	32,049
Pension scheme contributions	3,819	4,008
Equity-settled share based payments	5,020	–
	<u>63,306</u>	<u>36,057</u>
<b>Discontinued operations:</b>		
Depreciation	–	351
Employee benefits expenses (including directors' remuneration):		
Salaries, wages and other benefits	–	1,421
Pension scheme contributions	–	69
	<u>–</u>	<u>1,490</u>

## 7. INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 June 2016: 16.5%) on the estimated assessable profits outstanding in Hong Kong during the period. The People's Republic of China Enterprise Income Tax is calculated at 25% (six months ended 30 June 2016: 25%) on the estimated assessable profits arising in the People's Republic of China (the "PRC") during the period. Certain PRC subsidiaries of the Company have been recognised as a state-encouraged high-new technology enterprise and thus entitled to a preferential tax rate of 15% (six months ended 30 June 2016: Nil). The Group's PRC subsidiaries, have tax losses brought forward from prior years to offset against their assessable profits generated during the period.

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
Hong Kong Profits Tax		
Charge/(credit) for the period	818	(21)
Deferred tax	19	58
	<u>837</u>	<u>37</u>

## 8. DISCONTINUED OPERATIONS

On 21 November 2016, the Group disposed of its 100% equity interest in Bay Wisdom Limited (“Bay Wisdom”), a wholly owned subsidiary of the Group which owned four subsidiaries (collectively referred to as “Bay Wisdom Group”) which are principally engaged in the trading of apparel products.

Accordingly, the apparel products business was classified as discontinued operations and the related results for the period ended 30 June 2016 were as follows:

	Six months ended 30 June 2016 (Unaudited) <i>HK\$'000</i>
Revenue	139
Cost of sales	<u>(27)</u>
Gross profit	112
Other income, gains and losses, net	2
Selling and distribution expenses	(2,709)
Administrative expenses	<u>(9,447)</u>
Loss for the period from discontinued operations	<u><u>(12,042)</u></u>

The net cash flows of the discontinued operations for the period ended 30 June 2016 are as follow:

	Six months ended 30 June 2016 (Unaudited) <i>HK\$'000</i>
Net cash inflow from operating activities	<u>326</u>
Net cash inflow from discontinued operations	<u><u>326</u></u>

## 9. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

## 10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

### (i) From continuing and discontinued operations

The calculations of basic and diluted loss per share attributable to owners of the Company for the six months ended 30 June 2017 and 2016 are based on the following data:

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Loss for the period attributable to owners of the Company	<u>92,486</u>	<u>282,798</u>
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>9,797,311</u>	<u>4,996,263</u>

### (ii) From continuing operations

The calculations of basic and diluted loss per share attributable to owners of the Company for the six months ended 30 June 2017 and 2016 are based on the following data:

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) (Restated) HK\$'000
Loss for the period attributable to owners of the Company	<u>92,486</u>	<u>270,756</u>
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>9,797,311</u>	<u>4,996,263</u>

No adjustment has been made to the basic loss per share amount presented for the both six months ended 30 June 2017 and 2016 in respect of a dilution as the impact of the share options has an anti-dilutive effect on the basic loss per share amounts presented.

## 11. GOODWILL

	<i>HK\$'000</i>
At 1 January 2016, net of accumulated impairment losses	–
Acquisition of subsidiaries	533,947
Disposal of subsidiaries	(3,875)
Impairment loss	<u>(263,558)</u>
At 31 December 2016, net of accumulated impairment losses	266,514
Acquisition of 信碼互通 (北京) 科技有限公司 (Sigmatrix Technology Co., Ltd*) (“Sigmatrix”)	<u>39,875</u>
At 30 June 2017, net of accumulated impairment losses	<u><u>306,389</u></u>

The carrying amount of goodwill as at 31 December 2016 was allocated to the cash generating units (“CGU”) of a group of subsidiaries engaged in the provision of QR code on products packaging and solutions and online advertising display services acquired in 2016. During the period, a goodwill of HK\$39.9 million determined on a provisional basis was arised from acquisition of Sigmatrix by the Group in March 2017, which is also engaged in QR code business.

On 27 March 2017, the Group acquired entire interest of Sigmatrix at a cash consideration of RMB55,000,000 (equivalent to approximately HK\$62,210,500). Sigmatrix is principally engaged in the technological development, marketing, research and development of the QR codes packaging business in the PRC.

### Consideration transferred

	<i>HK\$'000</i>
Cash	27,998
Consideration payables	<u>34,212</u>
Total consideration	<u><u>62,210</u></u>

### Assets and liabilities recognised at the date of acquisition (determined on a provisional basis)

	<i>HK\$'000</i>
Non-current assets	12,430
Current assets	18,536
Current liabilities	<u>(8,631)</u>
	<u><u>22,335</u></u>

### Goodwill arising on acquisition (determined on a provisional basis)

	<i>HK\$'000</i>
Consideration transferred	62,210
Less: recognised amount of identifiable net assets acquired (100%)	<u>(22,335)</u>
Provisional goodwill arising on acquisition of Sigmatrix	<u><u>39,875</u></u>

Goodwill arose from the acquisition of Sigmatrix because the cost of the business combination effectively included amounts in relation to the benefit of expected synergies effect to QR code business, strengthening packaging business by upgrading the information technology capabilities of its packaging business, future revenue growth and future market development of Sigmatrix.

\* For identification purposes only

## 12. TRADE AND BILLS RECEIVABLES

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Trade and bills receivables	<b>88,435</b>	64,872
Less: Impairment	–	(78)
	<b><u>88,435</u></b>	<b><u>64,794</u></b>

The Group's trading terms with its customers 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>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Within 1 month	<b>34,513</b>	34,952
1 to 2 months	<b>21,481</b>	13,001
2 to 3 months	<b>6,555</b>	3,536
Over 3 months	<b>25,886</b>	13,305
	<b><u>88,435</u></b>	<b><u>64,794</u></b>

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Listed equity investments, at market value	<b>21,625</b>	97,500

The above financial assets at 30 June 2017 and 31 December 2016 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

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

## 14. TRADE AND BILLS PAYABLES/OTHER PAYABLES AND ACCRUALS

### (a) 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:

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Within 1 month	17,914	14,375
1 to 2 months	13,876	6,748
2 to 3 months	1,224	1,706
Over 3 months	6,548	2,737
	<u>39,562</u>	<u>25,566</u>

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

### (b) Other payables and accruals

	<b>30 June 2017 (Unaudited) HK\$'000</b>	31 December 2016 (Audited) HK\$'000
Consideration payable ( <i>note</i> )	34,212	–
Other payables and accruals	35,110	35,773
	<u>69,322</u>	<u>35,773</u>

*Note:* The amount represents consideration payable for acquisition of Sigmatrix.

## 15. SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include (i) any director, officer, employee, consultant, professional, customer, supplier (whether of goods or services), agent, partner or adviser of or contractor to any member of the Group or its Related Group or a company in which the Group holds an interest or a subsidiary of such company (collectively the “Eligible Group”); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include the Eligible Group; or (iii) a company beneficially owned by the Eligible Group. The Scheme became effective on 18 May 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

“Related Group” means (i) each of the substantial shareholders of the Company, and (ii) each associate and substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the Company or of a substantial shareholder referred to in (i) above, and (iii) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (ii) above, and (iv) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iii) above, and (v) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iv) above.

Pursuant to the Scheme, 119,700,000 options were granted to eligible participants of the Group on 25 January 2017. All share options will be vested on 2 July 2018. Movements of the options, which were granted under the Scheme, during the period were listed below:

Date of grant	Exercise price HK\$	Exercisable period	Number of options outstanding at 1 January 2017	Granted during the period	Lapsed/cancelled during the period	Number of options outstanding at 30 June 2017
25/01/2017	0.335	02/07/2018 to 01/07/2022	–	29,925,000	(1,900,000)	28,025,000
25/01/2017	0.335	02/07/2019 to 01/07/2022	–	29,925,000	(1,900,000)	28,025,000
25/01/2017	0.335	02/07/2020 to 01/07/2022	–	29,925,000	(1,900,000)	28,025,000
25/01/2017	0.335	02/07/2021 to 01/07/2022	–	29,925,000	(1,900,000)	28,025,000
			–	119,700,000	(7,600,000)	112,100,000
			–	119,700,000	(7,600,000)	112,100,000

The fair value of the share options granted on 25 January 2017 at the date of grant, determined using the Binomial Option Pricing Model (the “Model”), was HK\$17,892,000. The inputs into the Model and the estimated fair value of the share options are as follows:

Closing price of the shares	HK\$0.285
Exercise price	HK\$0.335
Dividend yield	Nil
Expected volatility	93.19%
Risk-free interest rate	1.289%
Fair value per share option	HK\$0.143 to HK\$0.153

Expected volatility was estimated based on the historical volatilities of the Company’s share price while dividend yield was estimated by the historical dividend payment record of the Company.

During the six months ended 30 June 2017, the Group recognised an expense of HK\$5,020,000 as equity-settled share based payments in the condensed consolidated income statement with reference to their respective vesting period.

## 16. CAPITAL COMMITMENTS

The Group has the following capital commitments at the end of the reporting period:

	<b>30 June 2017 (Unaudited) HK\$’000</b>	31 December 2016 (Audited) HK\$’000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for	<b>4,450</b>	1,697

## **17. PLEDGE OF ASSETS**

As at 30 June 2017, the Group did not have any charge on its assets. The Group's interest bearing other borrowings of HK\$12.0 million as at 31 December 2016 was secured by the Group's listed equity investment with carrying value of approximately HK\$97.5 million.

## **18. CONTINGENT LIABILITIES**

As at 30 June 2017, the Group did not have any contingent liabilities (31 December 2016: Nil).

## **19. COMPARATIVE AMOUNTS**

As disclosed in note 8, the Group has discontinued the apparel product business on 21 November 2016, which resulted in re-presentation of continuing operations and discontinued operations in the corresponding comparative figures shown for the condensed consolidated statement of profit or loss and other comprehensive income and related notes to the condensed consolidated financial statements.

Net fair value losses on financial assets at fair value through profit or loss were included in the Group's revenue while they are presented separately in the condensed consolidated statement of profit or loss and other comprehensive income during the six months ended 30 June 2017. Certain items of other expenses have been reclassified to other income, gains and losses. Accordingly, the related comparative figures as set out in the condensed consolidated financial statements and the related notes thereto have been restated to conform to the current period's presentation.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group recorded a loss attributable to the shareholders of the Company of HK\$92.5 million for the six months ended 30 June 2017, representing a decrease of 67.3% as compared to the loss attributable to the shareholders of the Company of HK\$282.8 million for the six months ended 30 June 2016. The improved performance was mainly due to the reduced loss on fair value losses on financial assets at fair value through profit or loss.

During the six months ended 30 June 2017, the Group recorded a revenue of approximately HK\$171.5 million (six months ended 30 June 2016: HK\$131.4 million), representing an increase of approximately 30.5% as compared to the corresponding period of last year. Such increase of revenue is primarily attributable to the QR code business, a new business acquired by the Group in August 2016. The Group's overall gross profit margin was 29.8% (six months ended 30 June 2016: 22.4%). Such increase on gross profit margin is primarily attributable to the higher gross profit margin from QR code business, which is a new business acquired by the Group in August 2016.

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.\*) ("Sigmatrix") at a consideration of RMB55 million (equivalent to HK\$62.2 million) in March 2017.

### FINANCIAL REVIEW AND PROSPECT

#### QR code business

Revenue from QR code business was HK\$31.7 million and its segment loss was HK\$21.7 million during the six months ended 30 June 2017 (six months ended 30 June 2016: Nil). The Group diversified its business portfolio by acquiring QR code business in last year. It is a business of QR codes on product packaging for the fast moving consumer goods sector in the PRC and business of 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.

As stated in the Company's announcement dated 2 May 2017, 上海透雲物聯網科技有限公司 ("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.

\* For identification purposes only

This system has started its pilot run by the end of May 2017 in approximately 2,400 retailers and ministores including but not limited to consumer products, apparel products, tobacco and alcohol, electrical appliances and hardware, etc, and will be officially launched in second half of this year. In addition, the Company will closely monitor and review the market response and will adjust marketing strategies timely.

### **Packaging products business**

The packaging products business reported a revenue of HK\$139.8 million for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$129.7 million), representing an increase of 7.8% as compared with the corresponding period of last year. A segment profit of HK\$8.9 million was recorded during the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$14.8 million), representing a decrease of 39.9% as compared with the corresponding period of a last year. The decrease in segment profit was primarily due to one-off gain on disposal of a subsidiary of HK\$7.3 million during six months ended 30 June 2016.

### **Treasury investment business**

During the period, the Group recorded fair value loss of HK\$72.9 million on financial assets at fair value through profit and loss, representing a decrease of 68.7% as compared to the corresponding period of last year amounted to HK\$232.9 million. Such decrease were mainly attributable to significant amount of investments was disposed of during the second half of 2016.

### **INTERIM DIVIDEND**

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

### **LIQUIDITY AND FINANCE RESOURCES**

As at 30 June 2017, the Group had no borrowings (31 December 2016: HK\$12.0 million) and had cash balances amounting to HK\$125.1 million (31 December 2016: HK\$206.1 million). There were no gearing ratio (net borrowings to shareholders' equity) as at 30 June 2017 and 31 December 2016.

### **PLEDGE OF ASSETS**

As at 30 June 2017, the Group did not have any charge on its assets. The Group's interest bearing other borrowings of HK\$12.0 million as at 31 December 2016 was secured by the Group's listed equity investment with carrying value of approximately HK\$97.5 million.

### **CONTINGENT LIABILITIES**

As at 30 June 2017, the Group did not have any contingent liabilities (31 December 2016: Nil).

## FOREIGN EXCHANGE RISK

Most of the Group's revenues are transacted in US dollars and Hong Kong dollars while expenses are mainly in US dollars, 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. The Group still monitors fluctuations in exchange rates closely and manages the currency risk involved actively.

## EMPLOYEES

As at 30 June 2017, the Group had a total workforce of approximately 1,220 employees in Hong Kong and Mainland China. The Group remunerates its staff based on their merit, qualification, competence and prevailing market salaries trend. In addition to salary and year-end bonus, the remuneration packages also comprised of share option scheme, provident fund contributions, medical and life insurances.

## SIGNIFICANT INVESTMENT HELD

As at 30 June 2017, the Group held listed and unlisted investments of approximately HK\$21.6 million and HK\$569.2 million respectively, details of which were set out as follows:

Nature of investments	Number of shares held as at 30 June 2017	Percentage of shareholding as at 30 June 2017 %	Fair value/carrying amount		Percentage	Investment cost HK\$'000
			as at 30 June 2017 HK\$'000	31 December 2016 HK\$'000	to the Group's net assets as at 30 June 2017 %	
<b>Available-for-sale investments</b>						
<i>Unlisted Investments</i>						
Freewill Holdings Limited ("Freewill")	14,550,000	2.54	46,163	46,163	4.19	80,025
Co-Lead Holdings Limited ("Co-Lead")	225	3.12	67,397	67,397	6.12	90,000
Win Wind Capital Limited ("Win Wind")	13,600,000	11.78	316,631	316,631	28.75	714,000
			<u>430,191</u>	<u>430,191</u>	<u>39.06</u>	<u>884,025</u>

Nature of investments	Number of shares held as at 30 June 2017	Percentage of shareholding as at 30 June 2017	Share of profit of a joint venture for period ended 30 June 2017	Carrying amount		Percentage to the Group's net assets as at 31 December 2016	Investment cost
				as at 30 June 2017	as at 31 December 2016		
Investment in a joint venture Unlisted Investments FreeOpt Holdings Limited ("FreeOpt")	<u>1,500,000</u>	<u>39.16</u>	<u>3,009</u>	<u>139,035</u>	<u>136,026</u>	<u>12.63</u>	<u>150,000</u>

Nature of investments	Number of shares held as at 30 June 2017	Percentage of shareholding as at 30 June 2017	Unrealised loss on fair value change for period ended 30 June 2017	Dividends received for period ended 30 June 2017	Fair value/carrying amount		Percentage to the Group's net assets as at 30 June 2017	Investment cost
					as at 30 June 2017	as at 31 December 2016		
Financial assets at fair value through profit or loss Listed Investments Enerchina Holdings Ltd. (622) ("Enerchina")	<u>125,000,000</u>	<u>0.86</u>	<u>14,752</u>	<u>—</u>	<u>21,625</u>	<u>—</u>	<u>1.96</u>	<u>36,377</u>

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.

Enerchina is principally engaged in the financial services sector, including the provision of securities brokerage services, placing and underwriting services, the provision of corporate finance advisory services, trading and investment of securities, provision of margin financing, money lending services, investment advisory and asset management services as well as investment holdings.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2017 except (i) one independent non-executive director and one non-executive director did not attend the annual general meeting of the Company held on 26 May 2017 (“2017 AGM”) due to other business engagement; and (ii) the Chairman of the Board did not attend the 2017 AGM of the Company as he had another business engagement. The Company considers that the members of the Board who attended the 2017 AGM were able to sufficiently answering questions from shareholders at the 2017 AGM.

## **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. Specific enquiries have been made on all directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2017.

## **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 six months ended 30 June 2017.

## **AUDIT COMMITTEE**

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2017 have not been audited, but have been reviewed by the Audit Committee. The Audit Committee comprises three independent non-executive Directors. The primary duties of the Audit Committee are, amongst other matters, to communicate with the management of the Company; and review the accounting principles and practices, internal control, interim and annual results of the Group.

## **PUBLICATION OF FINANCIAL INFORMATION**

This results announcement is published on the respective website of The Hong Kong Exchanges and Clearing Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.chinatouyun.com.hk](http://www.chinatouyun.com.hk)). The 2017 Interim Report will also be available on above 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, 25 August 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