



CHINA TOUYUN TECH GROUP LIMITED 中國透雲科技集團有限公司

(formerly known as China Opto Holdings Limited)
(Incorporated in Bermuda with limited liability)

Stock Code: 1332



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CORPORATE INFORMATION

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

AUDIT COMMITTEE

Mr. Ha Kee Choy Eugene (*Chairman*)

Mr. Cheung Wing Ping

Mr. To Shing Chuen

NOMINATION COMMITTEE

Mr. Wang Liang (*Chairman*)

Mr. Du Dong

Mr. Chen Hui

Mr. Cheung Wing Ping

Mr. Ha Kee Choy Eugene

Mr. To Shing Chuen

REMUNERATION COMMITTEE

Mr. To Shing Chuen (*Chairman*)

Mr. Wang Liang

Mr. Du Dong

Mr. Cheung Wing Ping

Mr. Ha Kee Choy Eugene

AUTHORISED REPRESENTATIVES

Mr. Du Dong

Mr. Lo Yuen Wa Peter

COMPANY SECRETARY

Ms. Cheng Pui Yee

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

12/F, Kwan Chart Tower

6 Tonnochy Road

Wanchai

Hong Kong

INDEPENDENT AUDITORS

Moore Stephens CPA Limited

Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai

Banking Corporation Limited

BNP Paribas, Hong Kong Branch

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and
transfer office

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

69 Pitts Bay Road

Pembroke HM08

Bermuda

Hong Kong branch share registrar and
transfer office

Tricor Secretaries Limited

Level 22

Hopewell Centre

183 Queen's Road East

Hong Kong

WEBSITE

www.chinatouyun.com.hk

STOCK CODE

1332

On behalf of the Board of Directors (the “Directors” or the “Board”) of China Touyun Tech Group Limited (the “Company”), I am pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2017.

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.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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.

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.

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).

APPRECIATION

On behalf of the Board, I would like to express our utmost gratitude to our customers, bankers, suppliers, strategic partners and most valued shareholders for their continued support. We also wish to thank the Group's management and staff for their professionalism, loyalty and contribution to the Group.

By order of the Board

Wang Liang

Chairman

Hong Kong, 25 August 2017

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 30 June 2017, details of the interests and short positions of each of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in shares of the Company

Name of director	Capacity in which interests are held	Number of shares held	Approximate percentage
Mr. Wang Liang (Note)	Beneficial owner	2,240,000,000	22.86

Note: Ms. 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 2,840,000,000 shares, representing approximately 28.99% of the issued shares of the Company.

Save as disclosed above, as at 30 June 2017, the Company had not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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 and are set out in note 16 to these unaudited interim condensed consolidated financial statements.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 30 June 2017, the Company had not been notified of any interests or short positions of any person, other than directors or the chief executive of the Company, in the shares or underlying shares of the Company required to be recorded in the register kept by the Company under Section 336 of the SFO.

UPDATE ON USE OF PROCEED IN RELATION TO FUND RAISING ACTIVITIES

In addition to the information provided in the Annual Report for the year ended 31 December 2016, the Company would like to further provide the update in respect of the use of the net proceeds in relation to the past fund raising activities as at 30 June 2017:

Reference is made to the announcements of the China Touyun Tech Group Limited (the “Company”) dated 2 December 2015, 10 August 2016, 9 November 2016, 18 November 2016, 24 January 2017 and 21 February 2017 in relation to the subscription of shares and placing of shares (collectively refer as to “Announcements”). Unless otherwise stated, capitalised terms used herein shall bear the same meanings as defined in the Announcements.

<u>Intended use of proceeds</u>	<u>Actual use of proceeds</u>
(1) An amount of net proceeds HK\$92 million was raised in subscription of new shares in February 2016 and was for the partial repayment of other borrowings.	An amount of HK\$92 million was fully utilised in the repayment of other borrowings.
(2) An amount of net proceeds HK\$114.2 million was raised in the placing of new shares in August 2016 and was used to satisfy the cash consideration for acquisition of 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co., Ltd.*) of HK\$54 million and its shareholder loan of HK\$56.4 million, are the related legal and professional fees of HK\$3.8 million.	The whole amount of HK\$114.2 million was fully utilised in the stated purposes.
(3) The Company raised HK\$406.1 million net proceeds from the placing of shares in November 2016 and the net proceeds were intended to use as follow:	
(a) An amount of HK\$263.4 million was used for the redemption of the Promissory Note	An amount of HK\$263.4 million was utilised for the full redemption of the Promissory Note in the principal amount of HK\$258 million and payment of accrued interest.

* For identification purposes only

OTHER INFORMATION

Intended use of proceeds	Actual use of proceeds
(b) An amount of HK\$142.7 million is for the expansion and development of its QR codes packaging business as to:	
(i) an amount of RMB55 million (equivalent to approximately HK\$63 million) towards an acquisition (the "Acquisition") of 信碼互通(北京)科技有限公司 (Sigmatrix Technology Co., Ltd.) in the People's Republic of China (the "PRC") by 上海透雲物聯網科技有限公司 (Shanghai TY Technology Co., Ltd.), an indirect wholly-owned subsidiary of the Company, under the relevant acquisition agreement dated 24 January 2017 which was completed in March 2017;	(i) The Acquisition was completed in March 2017. An amount of HK\$63 million were used towards the Acquisition, of which HK\$28 million were paid as of 30 June 2017 and there were no change in the purpose for the remaining balance of HK\$35 million.
(ii) approximately HK\$14.4 million for the acquisition of plant and equipment (the "Plant and Equipment Acquisition");	(ii) An amount of HK\$12.9 million was used towards the Plant and Equipment Acquisition and HK\$1.5 million has not yet been utilised.
(iii) approximately HK\$58.7 million for research and development, recruitment of technical staff and other personnel and other working capital needs for QR codes packaging business (the "Research & Development"); and	(iii) An amount of HK\$49.6 million were utilised in the Research & Development and the remaining balance HK\$9.1 million has not been used.
(iv) approximately HK\$6.6 million for the purchase of transportation and office supplies to support the "Finding the origins of the edible goods program" in different provinces in the PRC (the "Purchase of Transportation and Supplies").	(iv) An amount of HK\$2.3 million were utilised in the Purchase of Transportation and Supplies and HK\$4.3 million has not yet been utilised.

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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	Percentage of shareholding	Fair value/carrying amount		Percentage to the Group's net assets	Investment cost
	as at 30 June 2017	as at 30 June 2017	as at 30 June 2017	as at 31 December 2016	as at 30 June 2017	
		%	HK\$'000	HK\$'000	%	HK\$'000
Available-for-sale investments						
<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
			430,191	430,191	39.06	884,025

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

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

OTHER INFORMATION

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 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.

REVIEW OF INTERIM 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 unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017.

CHANGE OF DIRECTORS' AND CHIEF EXECUTIVE'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the directors and chief executives of the Company after 27 March 2017, the date of the Company's 2016 annual report to the date of this interim report are set out below:

- (a) On 18 April 2017, Ms. Yu Miu Cheung tendered her resignation as the company secretary of the Company.
- (b) From 18 April 2017, Ms. Cheng Pui Yee has been appointed as the company secretary of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	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)
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations	8	–	(12,042)
LOSS FOR THE PERIOD		(99,752)	(282,798)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) (Restated) HK\$'000
LOSS FOR THE PERIOD	(99,752)	(282,798)
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	2,522	(177)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	2,522	(3,587)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(97,230)	(286,385)
Total comprehensive loss attributable to:		
Owners of the Company	(89,964)	(286,385)
Non-controlling interests	(7,266)	–
	(97,230)	(286,385)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the parent											
	Issued capital	Share premium account	Capital reserve	Contributed surplus	Other equity instrument	Share option reserve	Available for-sale investment revaluation reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total equity
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
At 1 January 2016	45,286	243,779	45,291	(34,425)	14,915	-	3,410	(356)	461,210	779,110	-	779,110
Loss for the period	-	-	-	-	-	-	-	-	(282,798)	(282,798)	-	(282,798)
Other comprehensive income/(loss) for the period:												
Available-for-sale investments:												
Change in fair value of available-for-sale investments, net of tax	-	-	-	-	-	-	(8,800)	-	-	(8,800)	-	(8,800)
Reclassification adjustment for losses on disposal included in profit or loss	-	-	-	-	-	-	5,390	-	-	5,390	-	5,390
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(177)	-	(177)	-	(177)
Total comprehensive loss for the period	-	-	-	-	-	-	(3,410)	(177)	(282,798)	(286,385)	-	(286,385)
Issue of shares	5,751	101,174	-	-	(14,915)	-	-	-	-	92,010	-	92,010
At 30 June 2016	51,037	344,953	45,291	(34,425)	-	-	-	(533)	178,412	584,735	-	584,735

	Note	Attributable to owners of the parent											
		Issued capital	Share premium account	Capital reserve	Contributed surplus	Other equity instrument	Share option reserve	Available for-sale investment revaluation reserve	Translation reserve	Retained profits/(Accumulated losses)	Total	Non-controlling interests	Total equity
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
At 1 January 2017		97,973	1,769,428	45,291	(34,425)	-	-	-	(3,744)	(689,604)	1,184,919	8,493	1,183,412
Loss for the period		-	-	-	-	-	-	-	-	(92,486)	(92,486)	(7,266)	(99,752)
Other comprehensive income for the period:													
Exchange differences on translation of foreign operations		-	-	-	-	-	-	2,522	-	2,522	-	-	2,522
Total comprehensive income/(loss) for the period		-	-	-	-	-	-	2,522	(92,466)	(89,964)	(7,266)	-	(97,230)
Recognition of equity settled share-based payments	16	-	-	-	-	-	5,020	-	-	5,020	-	-	5,020
At 30 June 2017		97,973	1,769,428	45,291	(34,425)	-	5,020	-	(1,222)	(782,090)	1,099,975	1,227	1,101,202

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) (Restated) HK\$'000
Cash (used in)/generated from operations		(46,088)	304,333
Interest received		90	1,583
Interest paid		(155)	–
Profits tax paid		(92)	–
Net cash flows (used in)/from operating activities		(46,245)	305,916
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(3,433)	(1,781)
Proceeds from disposal of property, plant and equipment		796	–
Proceeds from disposal of available-for-sale investments		–	16,179
Acquisition of subsidiaries	17	(21,900)	(30,442)
Disposal of a subsidiary	18	–	9,573
Investment in a joint venture		–	(150,000)
Net cash flows used in investing activities		(24,537)	(156,471)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from placing of new shares		–	92,010
Repayment of interest-bearing other borrowings		(12,022)	(205,375)
Net cash flows used in financing activities		(12,022)	(113,365)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(82,804)	36,080
Cash and cash equivalents at beginning of period		206,054	36,179
Effect of foreign exchange rate changes, net		1,832	(65)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		125,082	72,194

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

1. CORPORATE INFORMATION

China Touyun Tech Group Limited (the “Company”) (formerly known as China Opto Holdings Limited) 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 Company and its subsidiaries (collectively referred to as 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 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.

2. BASIS OF PREPARATION *(Continued)*

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 new and 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

3. OPERATING SEGMENT INFORMATION

The Group has three 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.

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 operations are set out in note 8.

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

Continuing operations:

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

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 finance costs, share of results of a joint venture and head office and corporate income and expenses are excluded from such measurement.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

3. OPERATING SEGMENT INFORMATION *(Continued)*

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 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (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	31,697	-	139,837	129,666	(72,873)	(231,187)	98,661	(101,521)
Segment results	(21,703)	-	8,878	14,758	(72,895)	(236,711)	(85,720)	(221,953)
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							(98,915)	(270,719)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

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

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

* 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).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

5. OTHER INCOME, GAINS AND LOSSES, NET

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

	Note	Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) (Restated) HK\$'000
Bank interest income		90	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	18	–	7,295
Foreign exchange differences, net		(2,028)	(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		(113)	–
Gross rental income		294	–
Others		55	59
		(1,702)	(15,938)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) (Restated) HK\$'000
Continuing operations:		
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	–
	63,306	36,057
Discontinued operations:		
Depreciation	–	351
Employee benefits expenses (including directors' remuneration):		
Salaries, wages and other benefits	–	1,421
Pension scheme contributions	–	69
	–	1,490

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

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 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Continuing operations		
Hong Kong Profits Tax		
Charge/(credit) for the period	818	(21)
Deferred tax	19	58
	837	37

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.

* For identification purpose only

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

8. DISCONTINUED OPERATIONS *(Continued)*

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) HK\$'000
Revenue	139
Cost of sales	(27)
Gross profit	112
Other income, gains and losses, net	2
Selling and distribution expenses	(2,709)
Administrative expenses	(9,447)
Loss for the period from discontinued operations	(12,042)

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) HK\$'000
Net cash inflow from operating activities	326
Net cash inflow from discontinued operations	326

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).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

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	92,486	282,798
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	'000 9,797,311	'000 4,996,263

(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	92,486	270,756
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	'000 9,797,311	'000 4,996,263

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group incurred HK\$3,433,000 (six months ended 30 June 2016: HK\$1,781,000) on the acquisition of property, plant and equipment. Property, plant and equipment with aggregate carrying amount of HK\$909,000 were disposed of during the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

12. GOODWILL

	HK\$'000
At 1 January 2016, net of accumulated impairment losses	–
Acquisition of subsidiaries	533,947
Disposal of subsidiaries	(3,875)
Impairment loss	(263,558)
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”)	39,875
At 30 June 2017, net of accumulated impairment losses	306,389

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 arisen from acquisition of Sigmatrix by the Group in March 2017, which is also engaged in QR code business. Details of this are set out in note 17.

* For identification purposes only

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

13. TRADE AND BILLS RECEIVABLES

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

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:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Within 1 month	34,513	34,952
1 to 2 months	21,481	13,001
2 to 3 months	6,555	3,536
Over 3 months	25,886	13,305
	88,435	64,794

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Listed equity investments, at market value	21,625	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.

15. 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:

	30 June 2017 (Unaudited) HK\$'000	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
	39,562	25,566

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

15. TRADE AND BILLS PAYABLES/OTHER PAYABLES AND ACCRUALS *(Continued)*

(b) Other payables and accruals

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

Note: The amount represents consideration payable for acquisition of Sigmatrix, details of which were set out in note 17.

16. 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

16. SHARE OPTION SCHEME *(Continued)*

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of approval of the refreshment of the Scheme mandate limit on 20 October 2016. The maximum number of shares issuable under the Scheme to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 14 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, save that such period shall not be more than 10 years from the date of offer of the share options.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of an issued ordinary share of the Company on the date of offer of the share options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

There were no share options outstanding as at 31 December 2016.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

16. SHARE OPTION SCHEME *(Continued)*

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

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 statement of profit or loss with reference to their respective vesting period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

17. ACQUISITION OF A SUBSIDIARY

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

Consideration transferred

	HK\$'000
Cash	27,998
Consideration payables	34,212
Total consideration	62,210

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

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

Goodwill arising on acquisition (determined on a provisional basis)

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

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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17. ACQUISITION OF A SUBSIDIARY *(Continued)*

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition:

	HK\$'000
Consideration paid in cash	27,998
Less: cash and cash equivalent balances acquired	(6,098)
	21,900

Included in the loss for the period is HK\$6,518,000 attributable to Sigmatrix. Revenue for the period includes HK\$2,422,000 is attributable to Sigmatrix.

18. DISPOSAL OF A SUBSIDIARY

On 8 December 2015, the Group entered into a conditional agreement with an independent third party to dispose of the Group's entire equity interest in Permte Production Inc. ("Permte"), which is principally engaged in the holding of a property located in the PRC, together with the assignment of benefits and interest in the loan advanced by Qualipak Manufacturing Limited, the then immediate holding company of Permte, at a consideration of RMB9,000,000 (equivalent to HK\$10,669,000). The disposal of Permte was completed on 29 February 2016.

	(Unaudited) HK\$'000
Net asset disposed of:	
Property	2,278
Professional fees and expenses	1,096
Gain on disposal	7,295
	10,669
Satisfied by:	
Cash	10,669

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

18. DISPOSAL OF A SUBSIDIARY *(Continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Permata is as follows:

	(Unaudited) HK\$'000
Cash consideration	10,669
Professional fees and expenses	(1,096)
Net inflow of cash and cash equivalents in respect of the disposal of Permata	9,573

19. CAPITAL COMMITMENTS

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

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

20. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT OTHER THAN FAIR VALUE

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost were not materially different from their fair values as at 30 June 2017 and 31 December 2016.

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, the current portion of trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The Group's finance department headed by a director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices. The directors believe that the estimated fair values, which are recorded in the condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 30 June 2017

Assets measured at fair value:

	Fair value measurement using			Total (Unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	
Financial assets at fair value through profit or loss:				
Listed equity instruments	21,625	-	-	21,625

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

As at 31 December 2016

Assets measured at fair value:

	Fair value measurement using			Total (Audited) HK\$'000
	Quoted prices in active markets (Level 1) (Audited) HK\$'000	Significant observable inputs (Level 2) (Audited) HK\$'000	Significant unobservable inputs (Level 3) (Audited) HK\$'000	
Financial assets at fair value through profit or loss:				
Listed equity instruments	97,500	–	–	97,500

During the six months ended 30 June 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2016: None).

22. COMPARATIVE AMOUNTS

As disclosed in note 8, the Group had 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.