InvesTech Holdings Limited
威訊控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1087)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

2016 FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
CONTINUING OPERATIONS		
Revenue	**352,167**	841,527
Gross profit	**59,477**	123,588
(Loss)/profit before tax from continuing operations	**(49,534)**	51,510
(Loss)/profit for the year from continuing operations	**(68,873)**	37,730
DISCONTINUED OPERATION		
Loss for the year from a discontinued operation	**—**	(12,537)
(Loss)/profit for the year	**(68,873)**	25,193
(Loss)/profit attributable to:		
– Owners of the parent	**(69,602)**	24,851
– Non-controlling interests	**729**	342
	(68,873)	25,193
(Loss)/earnings per share		
– Basic and diluted (RMB cents)	**(8.73)**	3.48

- The Group recorded a total revenue from its continuing operations of approximately RMB352.2 million for the year ended 31 December 2016, representing a significant decrease of approximately RMB489.3 million, or approximately 58.1% as compared to the revenue of approximately RMB841.5 million for the year ended 31 December 2015.
- The Group's net loss from its continuing operations amounted to approximately RMB68.9 million for the year ended 31 December 2016, as compared to the net profit of approximately RMB37.7 million for the year ended 31 December 2015.
- Basic loss per share was approximately RMB8.73 cents for the year ended 31 December 2016, as compared to basic earnings per share of approximately RMB3.48 cents for the year ended 31 December 2015.

The board (the "Board") of directors (the "Directors") of InvesTech Holdings Limited (the "Company") announces the consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016, together with comparative figures for the year ended 31 December 2015. The consolidated financial results of the Group for the year ended 31 December 2016 have been reviewed by the Company's audit committee (the "Audit Committee").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December

	Notes	2016 RMB'000	2015 RMB'000
CONTINUING OPERATIONS			
Revenue	4	**352,167**	841,527
Cost of sales		**(292,690)**	(717,939)
Gross profit		**59,477**	123,588
Other income and gains	4	**56,862**	18,173
Selling and distribution expenses		**(28,814)**	(9,639)
Administrative expenses		**(62,495)**	(39,018)
Other expenses		**(72,008)**	(33,569)
Finance costs	5	**(2,556)**	(8,025)
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**(49,534)**	51,510
Income tax expense	7	**(19,339)**	(13,780)
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**(68,873)**	37,730
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	8	**—**	(12,537)
(LOSS)/PROFIT FOR THE YEAR		**(68,873)**	25,193
Attributable to:			
Owners of the parent		**(69,602)**	24,851
Non-controlling interests		**729**	342
		(68,873)	25,193
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic and diluted			
– For (loss)/profit for the year		**(RMB8.73 cents)**	RMB3.48 cents
– For (loss)/profit for the year from continuing operations		**(RMB8.73 cents)**	RMB4.99 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

	2016	2015
	RMB'000	*RMB'000*
(LOSS)/PROFIT FOR THE YEAR	**(68,873)**	25,193
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**3,275**	(436)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(65,598)**	24,757
Attributable to:		
Owners of the parent	**(66,386)**	24,636
Non-controlling interests	**788**	121
	(65,598)	24,757

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2016** **RMB'000**	2015 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,218**	1,497
Goodwill		**207,580**	268,726
Other intangible assets		**179,885**	209,656
Available-for-sale investment		**—**	15,000
Deferred tax assets		**2,254**	5,362
Total non-current assets		**390,937**	500,241
CURRENT ASSETS			
Inventories		**6,031**	13,975
Trade and bills receivables	*11*	**182,154**	585,120
Prepayments, deposits and other receivables	*12*	**350,079**	224,665
Available-for-sale investment		**15,000**	—
Pledged deposits		**4,918**	8,130
Cash and cash equivalents		**533,491**	192,120
		1,091,673	1,024,010
Assets classified as held for sale		**95,014**	196,140
Total current assets		**1,186,687**	1,220,150
CURRENT LIABILITIES			
Trade and bills payables	*13*	**102,455**	390,229
Other payables and accruals	*14*	**166,908**	152,777
Interest-bearing bank and other borrowings		**48,413**	41,276
Tax payable		**41,522**	47,634
Total current liabilities		**359,298**	631,916
NET CURRENT ASSETS		**827,389**	588,234
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,218,326**	1,088,475

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	2016 *RMB'000*	2015 *RMB'000*
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**26,990**	33,962
Coupon notes	**130,338**	—
Government grants	**6,588**	6,588
Total non-current liabilities	**163,916**	40,550
Net assets	**1,054,410**	1,047,925
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**109,951**	104,732
Reserves	**878,032**	874,345
	987,983	979,077
Non-controlling interests	**66,427**	68,848
Total equity	**1,054,410**	1,047,925

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December

	2016	2015
	RMB'000	*RMB'000*
Net cash flows (used in)/from operating activities	**(30,308)**	40,833
Net cash flows from investing activities	**172,239**	154,747
Net cash flows from/(used in) financing activities	**213,382**	(170,653)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**355,313**	24,927
Cash and cash equivalents at beginning of year	**192,120**	169,950
Effect of foreign exchange rate changes, net	**(13,942)**	(2,757)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**533,491**	192,120

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 16 November 2007 as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Pursuant to a special resolution passed at the annual general meeting of the Company held on 27 May 2016 and approved by the Registrars of Companies of the Cayman Islands on 2 June 2016, the name of the Company was changed from "HL Technology Group Limited 泓淋科技集團有限公司" to "InvesTech Holdings Limited 威訊控股有限公司". The address of the registered office and principal place of business in Hong Kong of the Company are Floor 4, Willow House, Cricket Square P.O. Box 2804, Grand Cayman, KY1-1112, Cayman Islands and 33rd Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

The Company acts as an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are mainly engaged in the provision of network system integration including the provision of network infrastructure solutions, network professional services and mobile internet software of Mobile OA Software Business, and the trading of telecommunications equipment.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. Assets classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

The adoption of the above new and revised standards has had no significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[2]
Amendments to IAS 40	*Transfers of Investment Property*[2]
Annual Improvements 2014-2016 Cycle	Amendments to a number of IFRSs[5]

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 No mandatory effective date is determined but available for adoption

5 Amendents to IFRS 12 *Disclosure of Interests in Other Entities* is effective for annual periods beginning on or after 1 January 2017; Amendents to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and Amendents to IAS 28 *Investments in Associates and Joint Ventures* are effective for annual periods beginning on or after 1 January 2018.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application.

3. OPERATING SEGMENT INFORMATION

After the disposal of the entire equity interest in 威海市裕博線纜科技有限公司 (Weihaishi Yubo Wire & Cable Technology Co., Ltd.*, "Weihai Yubo") which was managed in the "others" segment by management in the year ended 31 December 2015, the Group has only one reportable operating segment, which is communication system segment during the year ended 31 December 2016, and consequently, the Group has not presented segment reporting data for the current year.

For management purposes, the Group was organised into business units based on their products and services during the year ended 31 December 2015 as follows:

(a) The communication system segment, which designed, developed and provided network communication devices and systems, network system integration of Enterprise Private Network and mobile internet office software solutions.

(b) The "others" segment, which leased plants and properties owned by the Group.

Management monitored the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment during the year ended 31 December 2015. Segment performance was evaluated based on reportable segmental profit, which was a measurement of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations was measured consistently with the Group's profit before tax from continuing operations except that interest income, unallocated income and gains, finance costs, as well as other unallocated head office and corporate expenses are excluded from such measurement.

Segment assets exclude available-for-sale investment, deferred tax assets, cash and cash equivalents and other unallocated head office and corporate assets as these assets were managed on a group basis.

Segment liabilities exclude deferred tax liabilities, interest-bearing bank and other borrowings, tax payable and other unallocated head office and corporate liabilities as these liabilities were managed on a group basis.

* *The English name is for identification purposes only.*

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2015

	Communication system *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to external customers	840,443	1,084	841,527
Sales to a discontinued operation	—	1,626	1,626
	840,443	2,710	843,153
Reconciliation:			
Elimination of sales to a discontinued operation			(1,626)
Revenue from continuing operations			841,527
Segment results	81,703	(14,814)	66,889
Reconciliation:			
Elimination of sales to a discontinued operation			(1,626)
Interest income			941
Unallocated income and gains			5,315
Finance costs			(8,025)
Corporate and other unallocated expenses			(11,984)
Profit before tax from continuing operations			51,510
Segment assets	1,507,596	—	1,507,596
Reconciliation:			
Corporate and other unallocated assets			212,795
Total assets			1,720,391
Segment liabilities	513,214	—	513,214
Reconciliation:			
Corporate and other unallocated liabilities			159,252
Total liabilities			672,466
Other segment information:			
Impairment losses recognised in the statement of profit or loss	19,150	14,419	33,569
Depreciation and amortisation	32,457	2,190	34,647
Capital expenditure*	242,794	—	242,794

* Capital expenditure consists of additions to property, plant and equipment, other intangible assets including assets from the acquisition of a subsidiary.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2016	2015
	RMB'000	*RMB'000*
Mainland China	**315,298**	633,108
Hong Kong	**7,769**	205,744
United States of America	**29,051**	2,675
Other countries	**49**	—
	352,167	841,527

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	2016	2015
	RMB'000	*RMB'000*
Mainland China	**388,577**	479,697
Hong Kong	**106**	182
	388,683	479,879

The non-current assets information of continuing operations above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

None of the sales to external customers (2015: Two) individually amounted to over 10% of the total revenue of the Group for the current year.

	2016	2015
	RMB'000	*RMB'000*
Customer A	**N/A***	260,711
Customer B	**N/A***	205,630
	N/A	466,341

* Less than 10% of revenue.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods and software products sold, after allowances for returns and trade discounts, the value of services rendered and gross rental income received during the year.

An analysis of revenue, other income and gains from continuing operations is as follows:

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Sales of goods and software products	**261,847**	635,087
Rendering of services	**90,320**	205,356
Gross rental income	**—**	1,084
	352,167	841,527
Other income and gains		
Bank interest income	**895**	941
Government grants released	**402**	7,612
Net gains on disposals of subsidiaries	**—**	4,471
Foreign exchange differences, net	**463**	734
Gain on collection of impaired trade receivables acquired in a business combination*	**4,953**	—
Gain on disposal of items of property, plant and equipment	**—**	4,264
Gain on disposal of assets classified as held for sale	**50,131**	—
Others	**18**	151
	56,862	18,173

* The gain was generated by the cash collection of trade receivables which were fully impaired when they were acquired by the Group through business combination in the year ended 31 December 2015.

5. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2016	2015
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**2,162**	6,934
Interest on coupon notes	**287**	—
Others	**107**	1,091
	2,556	8,025

6. (LOSS)/PROFIT BEFORE TAX

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

	2016	2015
	RMB'000	*RMB'000*
Cost of inventories sold*	**289,896**	715,908
Depreciation	**759**	5,299
Recognition of prepaid land lease payments	**—**	1,415
Amortisation of other intangible assets**	**29,771**	27,933
Impairment of prepaid land lease payments***	**—**	9,317
Impairment of assets classified as held for sale***	**8,212**	—
Impairment of property, plant and equipment***	**—**	5,102
Impairment of other intangible assets***	**—**	18,083
Impairment of goodwill***	**61,146**	—
Impairment of trade receivables***	**2,898**	678
(Reversal of impairment)/impairment of other receivables and prepayments, net***	**(248)**	389
Minimum lease payments under operating leases	**7,270**	2,492
Auditor's remuneration	**2,100**	2,300
Research and development costs	**10,532**	2,722
Government grants released	**(402)**	(7,612)
Foreign exchange differences, net	**(463)**	(734)
Employee benefit expenses (including directors' and a chief executive's remuneration)		
– Wages and salaries	**38,586**	16,245
– Equity-settled share option expense	**3,021**	—
– Pension scheme contributions	**4,027**	976
– True up of termination benefit	**—**	(1,493)
	45,634	15,728
Write-down of inventories to net realisable value*	**645**	106
Gain on disposal of items of property, plant and equipment	**—**	(4,264)
Bank interest income	**(895)**	(941)
Net gains on disposals of subsidiaries	**—**	(4,471)
Gain on disposal of assets classified as held for sale	**(50,131)**	—

* Inclusive of write-down of inventories to net realisable value.

** The amortisation of other intangible assets for the year is included in "Cost of sales" and "Administrative expenses" in the consolidated statement of profit or loss.

*** These items of expense/(income) are included in "Other expenses" in the consolidated statement of profit or loss.

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	2016	2015
	RMB'000	*RMB'000*
Current – Hong Kong		
Charge for the year	**7**	3,079
Overprovision in prior years	**—**	(114)
Current – Mainland China		
Charge for the year	**10,696**	11,280
Deferred income tax	**(3,864)**	(6,403)
Withholding tax	**12,500**	5,938
Total tax expense for the year	**19,339**	13,780

The Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies within the Group are domiciled and operate.

8. DISCONTINUED OPERATION

On 28 April 2015, the Company entered into a sale and purchase agreement with a company owned by Mr. Chi, a director and substantial shareholder of the Company by then, for the disposal of the entire equity interest in Honglin International Limited (together with its subsidiaries referred to as "Honglin International") at a cash consideration of HK$232,805,000 (equivalent to RMB187,059,000). Honglin International is engaged in manufacture and sale of traditional signal transmission and connectivity products. The board of directors of the Company decided to cease its signal transmission and connectivity business for the purpose of restructuring and Honglin International was classified as a discontinued operation. With Honglin International classified as a discontinued operation, the signal transmission and connectivity business is no longer included in the note for operating segment information. The transaction was completed on 30 June 2015.

8. DISCONTINUED OPERATION (CONTINUED)

The consolidated results of Honglin International for the period ended 30 June 2015 are presented below:

	Period from 1 January to 30 June 2015 *RMB'000*
Revenue	305,983
Other income and gains	6,911
Expenses and costs	(327,057)
Finance costs	(16,160)
Loss from the discontinued operation	(30,323)
Gain on disposal of the discontinued operation	17,786
Loss before tax from the discontinued operation	(12,537)
Income tax expense	—
Loss for the year from the discontinued operation	(12,537)
Attributable to:	
Owners of the parent	(10,770)
Non-controlling interests	(1,767)
	(12,537)

The net cash flows incurred by Honglin International are as follows:

	2015 *RMB'000*
Operating activities	46,938
Investing activities	125,938
Financing activities	(19,925)
Net cash inflow	152,951
Loss per share:	
Basic, from the discontinued operation	(RMB1.51 cents)

8. DISCONTINUED OPERATION (CONTINUED)

The calculation of basic loss per share from the discontinued operation is based on:

	2015
	RMB'000
Loss attributable to ordinary equity holders of the parent from the discontinued operation	(10,770)
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	713,333,333

9. DIVIDEND

No dividend has been paid or proposed by the Company during the year ended 31 December 2016 and subsequent to the end of the reporting period (2015: Nil).

10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 797,416,438 (2015: 713,333,333) in issue during the year.

The calculation of basic (loss)/earnings per share are based on:

	2016	2015
	RMB'000	*RMB'000*
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation:		
From continuing operations	**(69,602)**	35,621
From a discontinued operation	**—**	(10,770)
	(69,602)	24,851
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**797,416,438**	713,333,333
(Loss)/earnings per share:		
Basic		
– For continuing operations	**(RMB8.73 cents)**	RMB4.99 cents
– For a discontinued operation	**—**	(RMB1.51 cents)
	(RMB8.73 cents)	RMB3.48 cents

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2016 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2015.

11. TRADE AND BILLS RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**188,727**	586,115
Impairment	**(9,682)**	(6,957)
Trade receivables, net	**179,045**	579,158
Bills receivable	**3,109**	5,962
	182,154	585,120

An ageing analysis of the trade receivables of the Group as at the end of the reporting period, based on the transaction date and net of provision, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**97,023**	79,602
3 to 6 months	**26,030**	261,472
6 to 12 months	**37,300**	114,180
1 to 2 years	**9,531**	110,470
Over 2 years	**9,161**	13,434
	179,045	579,158

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

	2016	2015
	RMB'000	*RMB'000*
At beginning of year	**6,957**	6,945
Provided in the current year	**9,393**	6,534
Impairment losses reversed	**(6,495)**	(3,909)
Disposal of a subsidiary	**—**	(2,583)
An amount written off as uncollectible	**(174)**	—
Exchange realignment	**1**	(30)
	9,682	6,957

The maturity profile of the bills receivable of the Group as at the end of the reporting period is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**3,109**	—
3 to 6 months	**—**	5,962
	3,109	5,962

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The balance of prepayments, deposits and other receivables mainly included advances to suppliers and other third parties of RMB330,022,000 (2015: RMB196,489,000).

At 31 December 2016 and 2015, no amounts due from related parties were included in prepayments, deposits and other receivables.

The Group did not provide any allowance on the advances to other third parties as, in the opinion of the directors of the Company, there has not been any significant change in credit quality and the amounts are still considered recoverable.

Movements in the provision for impairment of other receivables and prepayments are as follows:

	2016	2015
	RMB'000	*RMB'000*
At beginning of year	**2,294**	3,073
Provided in the current year	**47**	2,499
Impairment losses reversed	**(295)**	(26)
An amount written off as uncollectible	**(310)**	—
Disposal of a subsidiary	**—**	(3,252)
	1,736	2,294

13. TRADE AND BILLS PAYABLES

An ageing analysis of the trade payables of the Group, based on the invoice date, as at the end of the reporting period is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**45,524**	55,343
3 to 12 months	**27,280**	209,853
1 to 2 years	**7,847**	105,225
Over 2 years	**21,804**	19,808
	102,455	390,229

At 31 December 2016 and 2015, no amounts due to related parties of the Group and no bills payable were included in the trade and bills payables.

14. OTHER PAYABLES AND ACCRUALS

	2016	2015
	RMB'000	*RMB'000*
Advances from customers	**11,867**	16,594
Accruals	**17,786**	11,215
Other taxes payable	**30,611**	40,464
Payable for acquisition of a subsidiary	**—**	76,271
Advances from disposals of assets classified as held for sale	**98,500**	—
Other payables	**8,144**	8,233
	166,908	152,777

PERFORMANCE REVIEW

As a result of the global market volatility and economic downturns in 2016, the business of most industries slowed down significantly. The International Monetary Fund ("IMF") stated that the global economic growth rate in 2016 was 3.1% which was below market expectation. In addition to the fact that investors were concerned with major world political risks, including Brexit and the inauguration of President Donald Trump in the United States, global financial market was further complicated. Moreover, foreign trade policies were unclear with the further depreciation of RMB and anticipated rise of interest rate by the U.S. Federal Reserve. Investors worried about the PRC's subpar economic growth and their pessimism impacted to the declined global trades and rebound inflation. According to Economic Policy Uncertainty Index, the current global uncertainty is at record highs since 2009 financial crisis. This eventually has put further downward pressure on the global capital markets.

The Group was set for a challenging year with a difficult business environment. During the year, the Group recorded a net loss of approximately RMB68.9 million. Total revenue from its continuous operations amounted to approximately RMB352.2 million, representing a decrease of approximately 58.1% as compared with that of RMB841.5 million from last year. The Group's gross profit from its continuing operations amounted to approximately RMB59.5 million, experiencing a decrease of approximately RMB64.1 million, or approximately 51.9% as compared with that of 2015. The gross profit margin increased to approximately 16.9% from approximately 14.7% of 2015.

The financial performance not as expected was mainly attributable to (1) the significant decrease in revenue as a result of the uncertainty of worldwide economy and the continuous intense competition in the telecommunications industry, as well as the downsizing of the operations of the traditional telecommunications products and services (the "Traditional Telecommunications Business") by the Group due to shifting of its business focus towards the development of network communication business and the mobile office automation software business (collectively, the "Network System Integration Business"); (2) the decrease in gross profit due to the amortization adjustment included in cost of sales of approximately RMB29.8 million arising from amortization of technology and unfinished backlog orders created upon completion of acquisition of Fortune Grace Management Limited ("Fortune Grace") (which through its wholly-owned subsidiary, is principally engaged in the Network System Integration Business) in November 2015; (3) the substantial increase in the selling and distribution expenses arising from the proactive development and promotion of the Network System Integration Business upon completion of acquisition of Fortune Grace in November 2015; and (4) Other expenses amounted to approximately RMB72.0 million which was primarily attributable to an impairment loss recognised in goodwill and an impairment loss recognised for the asset held for sales.

Despite the uncertain global market, telecommunications networks sector becomes the critical force for growth across technology industries with the effects of integrating mobile devices with social life and daily work. The GSM Association estimated that sharing of mobile broadband connection (3G and 4G) in global connectivity will increase from 39% in 2014 to 69% in 2020. The Group is also aware of the fact that mobile phones are becoming the main tool at work. A number of corporations, offices and government organisations deal with big data and provide information through professional mobile office's software and applications.

The telecommunication China business also continues to progress steadily and healthily with a stable growth in the Mainland China. According to the Ministry of Industry and Information Technology, the total telecommunications business in 2016 amounted to RMB3,594.8 billion, representing an increase of 54.2% and 25.5 percentage points compared with last year. There were 770 million 4G mobile subscribers, which represented an increase of 340 million and accounted for almost 60% of the total mobile services for the year.

Cloud computing is no longer a new trend. Large scaled enterprises have abandoned computer's internal infrastructure; instead, they preferred hybrid cloud computing modes to protect and store applications information and services over the years. Cloud computing technology has become the main technology of IT departments, providing enterprise management routers, switches, firewalls and other network components through Software as a Service (SaaS). These trends will be expected to accelerate in 2017. The emergence of Function as a Service (FaaS), a serverless computing architecture, will make cloud hosting network equipment truly become the mainstream business.

Furthermore, the Internet of Things ("IoT") is developing tremendously. Not only consumers begin to purchase network equipment, enterprises also switch to IoT equipment and systems, which reflected in great improvement on efficiency and productivity as well as savings on overall operational costs. Gartner, an information technology research organisation, forecasts that IoT will save US$1 trillion on annual maintenance, services and consumable costs for consumers and enterprises in 2020. Companies investing more budgets on network equipment procurement will bring stronger revenue growth momentum to the Group.

Meanwhile, corporations are more concerned about cyber security. Small and medium sized enterprises and start-ups are weaker in network security and are not able to identify devices or users connected to internal network. While identity management tools are available for years, their service engines are expensive and difficult to manage. The Group strives to provide affordable and cost-effective solutions for the corporations, so that the business decision makers are willing to pay more for a better and more secured online environment.

In view of the ever-advancing network resources, the Group accelerates the development of high growth business investment, such as network communication services. With the enormous demand of Business to Business (B2B), the Group proactively develops its mobile internet software platforms, conscientiously implements the "Internet Plus" plan launched by the PRC Government, and proactively sets up a more flexible network system integration service to consolidate the Group's leading position in the network communication industry, and eventually increases profits.

OUTLOOK

The Group will remain cautiously optimistic about the economic prospects in 2017. Global GDP growth in 2017 is projected to be 3.4% while the growth forecast for China was revised to 6.5%, 0.3 percentage point above the October forecast in 2016, on expectations of continued policy support, according to the IMF. China's domestic demand is expected to be resilient due to increasing household consumption. Meanwhile, recent market data shows signs of stability which in turn reflected economic recovery. The Group will seize the opportunities to expand its business.

Since people from all walks of life are greatly influenced under the usage of new technologies such as mobile, cloud computing, IoT and big data, network communications market demand will continue to increase in the next few years. Therefore, the network communications business and internet-driven software business, with a huge growth potential, will become a trend and bring new opportunities and challenges to the Group. In light of this, the Group will vigorously expand the network professional services and mobile internet software of corporate automation.

In the large market of B2B business, the Group is committed to the provision of network system integration and network infrastructure solutions services etc. The Group recognizes that more enterprises desire to introduce internet software and technology of automation in order to reduce operational costs, enhance the efficiency of internal communication and cooperation, as well as elevate corporate competitiveness.

The Group is also proactively expanding the scale of business, promoting cooperation with more powerful business partners on various fields and encouraging the sort of resource sharing. In view of this, the Group proposed to inject an amount of RMB600 million to China Communication Technology Co., Ltd.* (華訊方舟科技有限公司) ("CCT"). Upon completion, the Group will be interested in approximately 4.41% of the enlarged share capital of CCT. CCT is principally engaged in research and development, design, production and sales of computer software and hardware, communication products, metal, semi-conductor and provision of network information service. Its major businesses include high-frequency satellite communication systems, military communication and provision of related supporting services. As network communication industry in the PRC will remain robust with continuous growth in the following years, the Group is proactively engaged in satellite communications business. The strategic plan with CCT accordingly is believed to bring potential profitability to the Group, create synergies, and expand business scope while continuously enhancing the value of the Group.

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MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The Group recorded a total revenue from its continuing operations of approximately RMB352.2 million for the year ended 31 December 2016, representing a significant decrease of approximately RMB489.3 million, or approximately 58.1% as compared with that of approximately RMB841.5 million for the year ended 31 December 2015. The significant decrease of revenue was primarily attributable to the fact that the sales of the Traditional Telecommunications Business was reduced, which was partially offset by the revenue generated from the Network System Integration Business.

The impact was resulting from (i) the uncertainty of worldwide economy and the continuous intense competition in the telecommunications industry; and (ii) the Group has been downsizing the operation of the Traditional Telecommunications Business due to the shifting of its focus towards the development of the Network System Integration Business.

Cost of Sales

The cost of sales from the Group's continuing operations decreased by approximately RMB425.2 million, or approximately 59.2%, from approximately RMB717.9 million for the year ended 31 December 2015, to approximately RMB292.7 million for the year ended 31 December 2016. The decrease was primarily attributable to the corresponding drop of revenue from the sales of the Traditional Telecommunications Business.

Gross Profit and Margin

The Group's gross profit from its continuing operations for the year ended 31 December 2016 amounted to approximately RMB59.5 million, representing a significant decrease of approximately RMB64.1 million, or approximately 51.9% as compared with that of approximately RMB123.6 million for the year ended 31 December 2015. The significant decrease was primarily attributable to the decrease of sales of the Traditional Telecommunications Business which was partially offset by the gross profit generated from the Network System Integration Business.

The gross profit margin from the continuing operations increased to approximately 16.9% for the year ended 31 December 2016 from approximately 14.7% for the year ended 31 December 2015.

As a matter of fact, the gross profit generated from the Network System Integration Business positively improved the gross profit margin of the Group to approximately 25.4% compared to that of approximately 14.7% for the year ended 31 December 2015. However, the adjustment of cost of sales including amortisation of technology and unfinished backlog orders of Fortune Grace of approximately RMB29.8 million impacted the overall gross profit margin down to approximately 16.9%.

To further improve the gross profit margin, the Group will continue to optimize the product mix, implement stringent cost control measures and ramp up the scale of new products and new services in order to achieve greater economies of scale.

Other Income and Gains

The Group recorded other income and gains from its continuing operations of approximately RMB56.9 million for the year ended 31 December 2016, mainly including (i) approximately RMB50.1 million from the gain on disposal of assets classified as held for sales in the prior year; (ii) gains on collection of impaired trade receivables acquired on acquisition of approximately RMB5.0 million; and (iii) approximately RMB0.9 million from the interest income.

Selling and Distribution Expenses

The selling and distribution expenses from the Group's continuing operations increased by approximately RMB19.2 million for the year ended 31 December 2016, or approximately 200.0%, as compared with that for the year ended 31 December 2015. The significant increase was primarily due to increased costs of the relevant sales, marketing and distribution expenses resulting from more marketing activities after the acquisition of Fortune Grace.

Administrative Expenses

The administrative expenses from the Group's continuing operations increased by approximately RMB23.5 million for the year ended 31 December 2016, or approximately 60.2%, as compared with that for the year ended 31 December 2015. The increase was primarily due to the incremental administrative expenses incurred by the consolidation of the acquisition of Fortune Grace.

Other Expenses

Other expenses from the Group's continuing operations amounted to approximately RMB72.0 million, which was primarily attributable to (i) the impairment loss recognised in goodwill of approximately RMB61.1 million because the Group gradually shifted its focus towards the development of Network System Integration Business and downsized the operation of the Traditional Telecommunications Business due to diminishing gross margin and intense market competition; and (ii) the impairment loss recognised for the asset held for sales of approximately RMB8.2 million due to additional costs to sell.

Finance Costs

The finance costs from the Group's continuing operations decreased by approximately RMB5.5 million for the year ended 31 December 2016, or approximately 68.1%, as compared with that for the year ended 31 December 2015. The decrease was mainly attributable to the decline of average balances of loans and other borrowings for the year ended 31 December 2016 as compared with that for the year ended 31 December 2015.

Income Tax Expense

The Group incurred income tax expense from its continuing operations of approximately RMB19.3 million for the year ended 31 December 2016 primarily due to income tax on profit distribution from a subsidiary in the PRC and gain on disposal of assets classified as held for sales in the prior year, which was offset by deferred income tax credit from amortisation of intangible assets acquired through the acquisition of Fortune Grace. Overall, the Group's effective tax rate for the year ended 31 December 2016 was -39.0%, compared with 26.8% for the year ended 31 December 2015.

(Loss)/Profit for the Year

The Group's net loss from its continuing operations amounted to approximately RMB68.9 million for the year ended 31 December 2016 as compared with net profit from its continuing operations amounted to approximately RMB37.7 million for the year ended 31 December 2015. The net loss from its continuing operations was mainly attributable to (i) the significant decrease of gross profit of approximately RMB64.1 million which included the adjustment of the amortisation of technology and unfinished backlog orders of Fortune Grace amounted to approximately RMB29.8 million; (ii) the increase of selling and distribution expenses and administrative expenses amounted to approximately RMB19.2 million and RMB23.5 million respectively; and (iii) the increase of other expenses amounted to approximately RMB38.4 million.

In summary, for the year ended 31 December 2016, the Group recorded net loss of approximately RMB68.9 million.

Liquidity and Financial Resources

The Group continues to implement prudent financial management policies and maintains a relatively low gearing ratio during its operations. As at 31 December 2016, the Group's gearing ratio (measured by the total of short-term and long-term borrowings from continuing operations as a percentage of total assets from continuing operations) was approximately 11.3% (31 December 2015: approximately 2.4%). The increase in gearing ratio was mainly due to the issue of 8.5% coupon notes with an aggregate principal amount of HK$156.3 million (equivalent to approximately RMB139.8 million) in December 2016.

As at 31 December 2016, the total interest-bearing bank and other borrowings of the Group amounted to approximately RMB48.4 million (31 December 2015: approximately RMB41.3 million). These loans carried interests at floating or fixed rates. Out of the interest-bearing bank and other borrowings, approximately RMB38.8 million were unsecured loans and carried interests at floating rates, and approximately RMB9.6 million were unsecured loans and carried interests at fixed rates.

Save as aforesaid or as otherwise disclosed in this announcement, and apart from intragroup liabilities, the Company did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtednesses, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities as at the close of business on 31 December 2016.

The Directors have confirmed that there has been no material change in the indebtednesses and contingent liabilities of the Group since 31 December 2016 to the date of this announcement.

Foreign Currency Risk

As certain of the Group's trade and other receivables, cash and cash equivalents and trade and other payables are denominated in foreign currency, exposure to exchange rate fluctuation arises. The Group has relevant policy to monitor the risk associated with the fluctuation of foreign currency and control such risk, if necessary.

Working Capital

Inventories balance as at 31 December 2016 was approximately RMB6.0 million (31 December 2015: approximately RMB14.0 million). The decrease was mainly attributable to the downsizing in the operation of the Traditional Telecommunications Business.

The average turnover days for inventories (calculated by using the data from continuing operations) increased to 12 days as at 31 December 2016 (31 December 2015: 9 days). The longer turnover days for inventories was mainly due to the business acquired from Fortune Grace as some equipment provided to the customers needed to be imported from overseas in advance.

Trade and bills receivables balance as at 31 December 2016 was approximately RMB182.2 million (31 December 2015: approximately RMB585.1 million). The decrease in trade and bills receivables balance was mainly due to the sales decline of the Traditional Telecommunications Business.

The average turnover days for trade and bills receivables (calculated by using the data from continuing operations) decreased to 398 days as at 31 December 2016 (31 December 2015: 476 days) which was mainly due to the rising proportion of sales with relatively shorter credit period.

Trade and bills payables balance as at 31 December 2016 was approximately RMB102.5 million (31 December 2015: approximately RMB390.2 million). The decrease in trade and bills payables balance was mainly due to the decrease in the procurement of the Traditional Telecommunciations Business.

The average turnover days for trade and bills payables (calculated by using the data from continuing operations) increased to 307 days as at 31 December 2016 (31 December 2015: 284 days). The increase in turnover days was mainly due to the rising proportion of purchase with relatively longer payable credit period.

The Group's cash conversion cycle (calculated by using the data from continuing operations) for the year ended 31 December 2016 was 103 days as compared with 201 days for the year ended 31 December 2015.

Cash Flows

The net cash flows used in operating activities for the year ended 31 December 2016 of approximately RMB30.3 million, which was primarily due to an operating loss recorded for the year ended 31 December 2016 and the cash used in operating activities was more than the cash from operating activities.

The net cash flows from investing activities for the year ended 31 December 2016 of approximately RMB172.2 million was primarily attributable to total cash inflows from the advance and proceeds received for the disposal of assets classified as held for sale in prior year of approximately RMB245.7 million, which was partially offset by the payment of cash consideration of approximately RMB77.3 million for the acquisition of Fortune Grace.

The net cash flows from financing activities for the year ended 31 December 2016 of approximately RMB213.4 million was primarily attributable to cash received issuance of coupon notes of approximately RMB134.9 million and issuance of ordinary Shares of approximately RMB52.1 million and subscription of options of approximately RMB20.2 million.

Capital Expenditures

As at 31 December 2016, the Group had no material capital expenditures from its continuing operations.

Capital Commitments

As at 31 December 2015 and 31 December 2016, the Group had no significant capital commitments.

Contingent Liabilities

The Group underwent several reorganisations, including disposal of the entire interest of Honglin International and Weihai Yubo during the year ended 31 December 2015 and transfers of several subsidiaries within the Group. The Group has conducted filings of the reorganisations, if required, with the relevant tax authorities. However, those reorganisations may be subject to further investigations if initiated and requested by the relevant tax authorities. The Directors believe that the taxes arising from those reorganisations have been properly dealt with and provided for in the financial statements. Given the complexity of the relevant tax laws and regulations and the diversified practice of respective tax authorities in the PRC, there exists a possibility that tax authorities may levy and collect additional taxes for those reorganisations.

Employees

As at 31 December 2016, the total number of employees of the Group was 273 (31 December 2015: 404). The breakdown of employees of the Group as at 31 December 2016 and 2015 is as follows:

	As at 31 December 2016	As at 31 December 2015
Manufacturing and technical engineering	**66**	65
Sales and marketing	**64**	121
General and administration	**65**	135
Research and development	**78**	83
Total	**273**	404

The decrease in the numbers of employees as at 31 December 2016 as compared with that as at 31 December 2015 was mainly due to the Group streamlined departments and reduced the number of employees as the Group redressed its business strategy towards the development of the business of network system integration.

Compensation policy of the Group is determined by evaluating individual performance of the employees and has been reviewed regularly.

DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF MOTOR VEHICLES, EQUIPMENT AND PROPERTIES

On 4 December 2015, Shenyang New Postcom entered into a sale and purchase agreement (the "S&P Agreement A") to dispose of fourteen motor vehicles including sedan and minivan, and truck and forklift with an independent third party, Shengyang Liansheng at a cash consideration of RMB0.5 million ("Consideration A").

On the same day, Shenyang New Postcom entered into another two sale and purchase agreements (the "S&P Agreement B" and the "S&P Agreement C") with Shengyang Liansheng to dispose of various types of tools, electrical appliances, computer equipment and office network equipment at a cash consideration of RMB1.0 million ("Consideration B") and two parcels of land with a total site area of approximately 151,132 square meters located in the PRC at a cash consideration of RMB98.5 million ("Consideration C") respectively.

Shengyang Liansheng is a limited liability company established in the PRC.

As the applicable percentage ratios (as defined under Rule 14.04(9) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) in relation to the above mentioned sale and purchase agreements in aggregate exceeded 5% but were below 25%, the three disposals constituted discloseable transactions of the Company and were subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Up to 2 June 2016, the Group has received the full amount of Consideration A, Consideration B and Consideration C and the late charge for the delayed payment for equipment and properties from Shengyang Liansheng. On the same day, the S&P Agreement B was completed as all the conditions precedent pursuant to the S&P Agreement B has been fulfilled and the transfer of the equipment was completed.

On 14 June 2016, the S&P Agreement A was completed as all the conditions precedent pursuant to the S&P Agreement A has been fulfilled and the transfer of the motor vehicles was completed.

On 30 November 2016, the registration regarding the change of land use rights and ownership in respect of the properties was not yet completed. Shenyang New Postcom entered into the supplemental agreement, pursuant to which the parties have agreed to extend the original completion date of the S&P Agreement C, which is within six months upon receipt of the full amount of Consideration C, to the new completion date, which is within twelve months upon receipt of the full amount of Consideration C.

On 6 February 2017, the S&P Agreement C was completed as all the conditions precedent pursuant to the S&P Agreement C has been fulfilled and the registration was completed.

Details of the disposal of motor vehicles, equipment and properties have been set out in the announcements of the Company dated 4 December 2015, 2 June 2016, 14 June 2016, 30 November 2016 and 6 February 2017.

DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF INTANGIBLE ASSETS

On 31 December 2015, Shenyang New Postcom entered into a sale and purchase agreement with an independent third party 深圳吉時銘業科技有限公司 (Shenzhen Ji Shi Ming Ye Technology Company Limited*, "Shenzhen Ji Shi Ming Ye") to dispose of the Intangible Assets at a cash consideration of RMB150.0 million ("Consideration D").

Shenzhen Ji Shi Ming Ye is a limited liability company established in the PRC.

As the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to the disposal exceeded 5% but were below 25%, the disposal constituted a discloseable transaction of the Company and was subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

On 31 March 2016, Shenyang New Postcom entered into the supplemental agreement with Shenzhen Ji Shi Ming Ye, pursuant to which the parties have agreed to extend the payment date to 31 July 2016.

On 26 August 2016, the Group has received the full amount of Consideration D along with the late fine for the delayed payment from Shenzhen Ji Shi Ming Ye and the completion took place on the same day.

Details of the disposal of the Intangible Assets have been set out in the announcements of the Company dated 31 December 2015, 31 March 2016 and 26 August 2016.

PLACING OF COUPON NOTES

On 1 December 2016, the Company, Convoy Assets Management Limited ("Convoy") and Jun Yang Securities Company Limited (collectively, the "Placing Agents"), entered into a placing agreement (the "Placing Agreement"), pursuant to which the Placing Agents agreed on a best effort basis, to procure independent placees who/which are not connected persons of the Company to subscribe in cash for the unconditional, unsubordinated and unsecured notes of an aggregate principal amount of up to HK$300,000,000 (the "Notes") during the placing period as set out in the Placing Agreement (the "Prior Placing").

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First closing of the Placing Agreement took place on 22 December 2016 and the Notes with an aggregate principal amount of HK$156,300,000 have been placed in accordance with the terms of the Placing Agreement. On the same date, the Company entered into a side letter with Convoy to acknowledge the placing of the Notes in the principal amount of HK$2,000,000 to a connected person should not constitute a breach of the warrant and undertaking given to the Company by Convoy. All other terms of the Placing Agreement remained unchanged.

Details of the Prior Placing have been set out in the announcement of the Company dated 1 December 2016 and 22 December 2016.

MEMORANDUM OF UNDERSTANDING IN RELATION TO THE PROPOSED CAPITAL INJECTION

On 17 November 2016, the Company entered into a non-legally binding memorandum of understanding with China Communication Technology Co., Ltd.* (華訊方舟科技有限公司) ("CCT") and Mr. Wu Guangsheng ("Mr. Wu"), who is the largest shareholder of CCT holding approximately 39.98% equity interest, in relation to the proposed capital injection of not more than RMB600 million into CCT by the Group (the "MOU").

Details of the MOU have been set out in the announcement of the Company dated 17 November 2016.

EVENTS AFTER THE END OF THE REPORTING PERIOD

(i) UPDATE ON PLACING OF COUPON NOTES

Subsequent to the first closing of the Placing Agreement which took place on 22 December 2016, second closing of the Placing Agreement took place on 24 January 2017 and the Notes with an aggregate principal amount of HK$52,700,000 have been placed in accordance with the terms of the Placing Agreement. On 23 February 2017, the Company entered into a supplemental placing agreement to amend the placing period to up to (and including) 23 February 2017. The placing period under the Placing Agreement expired on the same day.

On 23 February 2017, the Company entered into a new placing agreement (the "New Placing Agreement") with Convoy, pursuant to which Convoy agreed to act as placing agent, on a best effort basis, to procure new placees to subscribe in cash for the unconditional, unsubordinated and unsecured notes of an aggregate principal amount of up to HK$90,000,000 during the new placing period as set out in the New Placing Agreement (the "New Placing").

Details of the Prior Placing and the New Placing have been set out in the announcement of the Company dated 23 February 2017.

(ii) MAJOR AND CONNECTED TRANSACTION IN RELATION TO PROPOSED CAPITAL INJECTION INTO CHINA COMMUNICATION TECHNOLOGY COMPANY LIMITED*

Subsequent to the entering into of the MOU on 17 November 2016, on 17 February 2017, the Company, CCT, Mr. Wu, Mr. Huang Yongjiang, Mr. Xiang Junhui, Mr. Feng Junzheng and Shenzhen Yindingdong Technology Company Limited* (深圳市銀鼎東科技有限公司), collectively, holding approximately 79.08% equity interest in CCT, entered into a capital injection agreement (the "Capital Injection Agreement"), pursuant to which the Company shall, subject to the fulfillment of conditions precedent, inject an amount of RMB600 million to CCT.

As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) to the above mentioned the Capital Injection Agreement was more than 25% but less than 100%, the Capital Injection Agreement constituted a major transaction of the Company under Chapter 14 of the Listing Rules.

Details of proposed capital injection have been set out in the announcement of the Company dated 17 February 2017.

DIRECTOR'S INTEREST IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

CHANGE IN SHAREHOLDING OF SMOOTHLY GLOBAL HOLDINGS LIMITED

The Board has been informed by Smoothly Global Holdings Limited ("Smoothly Global"), a substantial shareholder of the Company which is 70% owned by Mr. Chan Sek Keung, Ringo, an executive Director, the chairman and the CEO, and 20% owned by Ms. Wang Fang, an executive Director, that it has acquired 97,000,839 shares (the "Shares") of the Company, representing approximately 11.8% of the issued share capital of the Company as the time of transaction, at a total consideration of approximately HK$164,901,000 from Asia Venture Holdings Corporation on 5 January 2017 and completion has taken place on the same day. Upon completion of the said acquisition, Smoothly Global holds 216,981,839 Shares, representing approximately 26.5% of the issued share capital of the Company as at the date of this announcement. Meanwhile, Asia Venture Holdings Corporation ceased to be a shareholder of the Company.

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Details of the change in shareholding of Smoothly Global have been set out in the announcement of the Company dated 5 January 2017.

DIVIDEND

The Directors consider that the declaration, payment and amount of the dividend shall be subject to the status of the Group's future development. The Board does not recommend any final dividend for the financial year ended 31 December 2016 (2015: Nil) and will consider to formulate a dividend policy at an appropriate time in the future.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from 17 May 2017 Wednesday to 24 May 2017 Wednesday (both dates inclusive) during which period no transfer of shares will be registered. The holders of shares whose name appears on the register of members of the Company on 24 May 2017 will be entitled to attend and vote at the annual general meeting of the Company (the "Annual General Meeting"). In order to qualify for attending and voting at the Annual General Meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 16 May 2017 Tuesday.

CORPORATE GOVERNANCE CODE

The Directors recognise the importance of incorporating the elements of good corporate governance into the management structures and internal control procedures of the Group so as to achieve effective accountability to the Shareholders as a whole. The Board strives to uphold good corporate governance and adopt sound corporate governance practices continuously in the interest of Shareholders to enhance the overall performance of the Group. The Company has adopted and complied with the principles and applicable code provisions of the Corporate Governance Code (the "CG Code") contained in the Appendix 14 to the Listing Rules throughout the year except for the following deviations.

Code provision A.2.1 of the CG Code states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Being aware of the said deviation from code provision A.2.1, but in view of the current rapid development of the Group, the Board believes that with the support of the management, vesting the roles of both chairman and CEO by Mr. Chan Sek Keung, Ringo can facilitate execution of the Group's business strategies and boost effectiveness of its operation. In addition, under the supervision by the Board which consists of three independent non-executive Directors, the interests of the Shareholders will be adequately and fairly represented. The Company will seek to re-comply with code provision A.2.1 by identifying and appointing a suitable and qualified candidate to the position of the CEO in future.

Code provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Some non-executive Directors were not able to attend the general meetings held on 15 January 2016, 27 May 2016 and 6 July 2016 respectively due to their respective business engagements. Other Board members who attend the general meetings were already of sufficient calibre and number for answering questions raised by the Shareholders at the relevant general meetings.

AUDIT COMMITTEE

The Company established the Audit Committee pursuant to a resolution of Directors passed on 25 October 2010 in compliance with Rule 3.21 of the Listing Rules. The Audit Committee has set up the written terms of reference which was revised on 22 March 2012 first and further revised on 26 November 2015. The primary responsibilities of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting at least at half-year intervals, and oversee the risk management policies and internal control procedures of the Group constantly. The Audit Committee currently consists of three members, namely, Mr. Qu Wen Zhou, Mr. Lu, Brian Yong Chen and Mr. Huang Liangkuai, all of whom are independent non-executive Directors. Mr. Qu Wen Zhou currently serves as the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the applicable code provisions in the CG Code.

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2016, the consolidated financial statements for the year ended 31 December 2016 and this announcement.

MODEL CODE FOR 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 code of conduct regarding securities transactions by the Directors. On specific enquiries made, all Directors confirmed that they complied with the required standards set out in the Model Code during the year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Subscription of New Shares and Options

On 20 May 2016, the Company entered into the subscription agreement (as amended by a supplemental agreement on 27 May 2016) with China Create Capital Limited (formerly known as Sinotak Limited) (the "Subscriber") whereby the Company conditionally agreed to allot and issue an aggregate of 39,000,000 ordinary shares at HK$1.55 per share of the Company and issue an aggregate of 117,000,000 options at HK$0.20 per option.

The subscription was completed on 21 July 2016. An aggregate of 39,000,000 ordinary shares were allotted and issued and an aggregate of 117,000,000 options were granted to the Subscriber. The net proceeds from the subscription are approximately HK$83.6 million.

Details of the above subscription have been set out in the announcements of the Company dated 20 May 2016, 27 May 2016, 6 July 2016 and 21 July 2016 and the circular of the Company dated 20 June 2016.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

FINANCIAL INFORMATION

The financial information set out in this announcement represents an extract from the Group's audited accounts for the year ended 31 December 2016. The financial information has been reviewed by the Audit Committee, approved by the Board and agreed by the Company's external auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this preliminary announcement of results.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 24 May 2017 Wednesday and the notice of Annual General Meeting will be published and despatched to Shareholders in due course.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules during the year.

ANNUAL REPORT

The annual report of the Company for the financial year ended 31 December 2016 containing all the applicable information required by the Listing Rules will be published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.investech-holdings.com) in due course. Printed copies will be despatched to Shareholders in due course.

By order of the Board
InvesTech Holdings Limited
Chan Sek Keung, Ringo
Chairman and Chief Executive Officer

Hong Kong, 30 March 2017

As at the date of this announcement, the executive Directors are Mr. Chan Sek Keung, Ringo (Chairman and Chief Executive Officer), Mr. Lu Chengye, Ms. Wang Fang and Mr. Wu Chi Luen, the non-executive Director is Mr. Wong Kui Shing, Danny and the independent non-executive Directors are Mr. Qu Wen Zhou, Mr. Lu, Brian Yong Chen and Mr. Huang Liangkuai.