THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in InvesTech Holdings Limited (the "Company"), you should at once hand this circular accompanying with the form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

InvesTech Holdings Limited
威 訊 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1087)

(1) MAJOR TRANSACTION — PROPOSED CAPITAL INJECTION
(2) RE-ELECTION OF RETIRING DIRECTOR
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the Board is set out on pages 5 to 21 of this circular. A notice convening the EGM to be held at the Conference Room 7, 3rd Floor, Jianguo Garden Hotel, No. 17 Jianguomennei Avenue, Dongcheng District, Beijing, the People's Republic of China on 10 July 2017 (Monday) at 11:00 a.m. (or any adjournment thereof) is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish. In such event, the instrument appointing a proxy shall be deemed to be revoked.

23 June 2017

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

"2016 Actual Profit"	the profit after tax generated from operating activities of the Target Company (excluding non-recurring income, non-recurring expenses and gain/loss on change in fair value) for the year ended 31 December 2016 based on the audited consolidated financial statements of the Target Company for the year ended 31 December 2016 as prepared by a PRC auditor in accordance with the PRC GAAP;
"Board"	the board of Directors;
"business day(s)"	any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning No. 8 or above or a "black rainstorm warning signal" is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks generally are open for general banking business in Hong Kong;
"Capital Injection Agreement"	a capital injection agreement dated 17 February 2017 (as supplemented by the Supplemental Agreement) entered into among the Company, the Target Company, and the Target Company Shareholders relating to the injection of capital into the Target Company;
"Capital Injection Completion"	completion of procedures of the injection of registered capital into the Target Company pursuant to the Capital Injection Agreement;
"Changcheng Xinsheng"	Changcheng Xinsheng Trust Limited* (長城新盛信託有限責任公司), holding approximately 3.92% equity interest in the Target Company prior to Capital Injection Completion;
"Company"	InvesTech Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 1087);
"Conditions Precedent"	the conditions precedent to the completion of the Proposed Capital Injection;
"connected person(s)"	has the meaning ascribed to it in the Listing Rules;
"Director(s)"	director(s) of the Company;

"EGM"	the extraordinary general meeting of the Shareholders to be convened by the Company for the purpose of considering, and if thought fit approving the Capital Injection Agreement and the transactions contemplated thereunder and the re-election of Mr. Wong Chun Sek, Edmund as an independent non-executive Director;
"Earnest Money"	a refundable earnest money of RMB150,000,000 paid by the Company within 30 business days after entering into the Capital Injection Agreement;
"Group"	the Company and its subsidiaries;
"Guaranteed Profit"	guarantees provided by the Target Company and the Target Company Shareholders to the Company for the Target Company's performance that the 2016 Actual Profit will be no less than RMB550,000,000;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Third Party(ies)"	the independent third party(ies) who is/are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, independent of and not connected with the Company and its connected person(s) (as defined in the Listing Rules);
"Jones Lang LaSalle"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional valuer;
"Latest Practicable Date"	21 June 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Long Stop Date"	31 July 2017 or such later date as the Company and the Target Company may agree in writing;
"Mr. Feng"	Mr. Feng Junzheng (馮軍正先生), a citizen of the PRC, holding approximately 2.82% equity interest in the Target Company prior to Capital Injection Completion;
"Mr. Huang"	Mr. Huang Yongjiang (黃永江先生), a citizen of the PRC, holding approximately 18.82% equity interest in the Target Company prior to Capital Injection Completion;

"Mr. Wu"	Mr. Wu Guangsheng (吳光勝先生), a citizen of the PRC, who is the largest shareholder of the Target Company holding approximately 39.98% equity interest in the Target Company prior to Capital Injection Completion;
"Mr. Xiang"	Mr. Xiang Junhui (項俊暉先生), a citizen of the PRC, holding approximately 7.53% equity interest in the Target Company prior to Capital Injection Completion;
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, Taiwan and Macau Special Administrative Region of the PRC;
"PRC GAAP"	the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC on 15 February 2006, and other relevant accounting principles and financial regulations as promulgated in the PRC;
"Proposed Capital Injection"	the proposed capital injection of RMB600,000,000 from the Company into the Target Company under the Capital Injection Agreement such that the Company shall have an equity interest in the Target Company upon Capital Injection Completion;
"RMB"	Renminbi, the lawful currency of the PRC;
"Rongjie Investment"	Rongjie Investment Holding Group Limited* (融捷投資控股集團有限公司), holding approximately 15.05% equity interest in the Target Company prior to Capital Injection Completion;
"Share(s)"	ordinary share(s) of USD0.02 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Shares(s);
"Shenzhen Fangdexin"	Shenzhen Fangdexin Fund Limited* (深圳方德信基金有限公司), holding approximately 2.00% equity interest in the Target Company prior to Capital Injection Completion;
"Shenzhen Yindingdong"	Shenzhen Yindingdong Technology Company Limited* (深圳市銀鼎東科技有限公司), holding approximately 9.88% equity interest in the Target Company prior to Capital Injection Completion;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;

"Supplemental Agreement"	the supplemental agreement dated 19 June 2017 entered into among the Company, the Target Company and the Target Company Shareholders to extend the Long Stop Date from 30 June 2017 to 31 July 2017;
"Target Company"	China Communication Technology Co., Ltd.* (華訊方舟科技有限公司), a company established in the PRC with limited liability, the holding company of Huaxun Fangzhou Co., Ltd* (華訊方舟股份有限公司) which is listed in the Shenzhen Stock Exchange (Stock Code: 000687.SZ);
"Target Company Shareholders"	Mr. Wu, Mr. Huang, Mr. Xiang, Mr. Feng and Shenzhen Yindingdong, collectively, holding approximately 79.03% equity interests in the Target Company prior to Capital Injection Completion;
"Target Group"	the Target Company and its subsidiaries;
"Terahertz"	the Terahertz, a unit of electromagnetic wave frequency equal to one trillion hertz (10^{12} Hz);
"%"	per cent.

This circular has been printed in English and Chinese. In the event of any inconsistency, the English text of this circular shall prevail over its Chinese text.

InvesTech Holdings Limited
威 訊 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1087)

Executive Directors:
Mr. Chan Sek Keung, Ringo *(Chairman and Chief Executive Officer)*
Mr. LU Chengye
Ms. WANG Fang
Mr. WU Chi Luen

Independent Non-executive Directors:
Mr. WONG Chun Sek, Edmund
Mr. LU, Brian Yong Chen
Mr. HUANG Liangkuai

Registered Office:
Floor 4, Willow House,
Cricket Square, P.O. Box 2804,
Grand Cayman KY1-1112,
Cayman Islands

Principal Place of Business in Hong Kong
33rd Floor
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

23 June 2017

To the Shareholders,

Dear Sir or Madam,

MAJOR TRANSACTION
PROPOSED CAPITAL INJECTION INTO CHINA COMMUNICATION TECHNOLOGY COMPANY LIMITED AND RE-ELECTION OF DIRECTOR

INTRODUCTION

Reference is made to the announcements of the Company dated 17 November 2016, 17 February 2017, 9 March 2017, 27 March 2017, 27 April 2017, 29 May 2017 and 19 June 2017, in relation to, among other things, the Proposed Capital Injection and the appointment of Mr. Wong Chun Sek, Edmund as an independent non-executive Director on 5 June 2017.

The purpose of this circular is to provide you with, among other things, (i) further details of the Capital Injection Agreement; (ii) such other information as required by the Listing Rules; (iii) details of the re-election of Mr. Wong Chun Sek, Edmund as an independent non-executive Director; and (iv) a notice convening the EGM.

THE CAPITAL INJECTION AGREEMENT

Principal terms of the Capital Injection Agreement are as follows:

Date: 17 February 2017 (after trading hours) (as supplemented by the Supplemental Agreement dated 19 June 2017)

Parties (i) the Company;

(ii) the Target Company Shareholders; and

(iii) the Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Target Company Shareholders, the Target Company and their respective ultimate beneficial owner(s) are Independent Third Parties.

Proposed Capital Injection

As at the date of the Capital Injection Agreement, the Target Company has a fully-paid registered capital of RMB400,000,000. Pursuant to the Capital Injection Agreement, the Company has conditionally agreed to inject an amount of RMB600,000,000, among which RMB18,453,813 represents payment for the additional registered capital of the Target Company (the "**Increased Registed Capital**") and RMB581,546,187 represents the increase in capital reserve of the Target Company. Upon Capital Injection Completion, the registered capital of the Target Company will be increased from RMB400,000,000 to RMB418,453,813, and the Company will be interested in approximately 4.41% of the enlarged registered capital of the Target Company. Assuming there is no further capital injection into the Target Company by independent third party investor(s) or transfer of equity interest into the Target Company by the Target Company Shareholders after the date of the Capital Injection Agreement, the shareholding structure of the Target Company before and after Capital Injection Completion is set out as follows:

	As at the date of the Capital Injection Agreement		**After Capital Injection Completion**	
	Amount of capital contribution to the registered capital of the Target Company *(in RMB)*	**Equity interest in the Target Company** *(%)*	**Amount of capital contribution to the registered capital of the Target Company** *(in RMB)*	**Equity interest in the Target Company** *(%)*
Mr. Wu	159,920,000	39.98	159,920,000	38.21
Mr. Huang	75,280,000	18.82	75,280,000	17.99
Rongjie Investment	60,200,000	15.05	60,200,000	14.39
Shenzhen Yindingdong	39,520,000	9.88	39,520,000	9.44

	As at the date of the Capital Injection Agreement		After Capital Injection Completion	
	Amount of capital contribution to the registered capital of the Target Company	Equity interest in the Target Company	Amount of capital contribution to the registered capital of the Target Company	Equity interest in the Target Company
	(in RMB)	*(%)*	*(in RMB)*	*(%)*
Mr. Xiang	30,120,000	7.53	30,120,000	7.20
The Group	—	—	18,453,813	4.41
Changcheng Xinsheng	15,680,000	3.92	15,680,000	3.75
Mr. Feng	11,280,000	2.82	11,280,000	2.70
Shenzhen Fangdexin	8,000,000	2.00	8,000,000	1.91
Total	400,000,000	100.00	418,453,813	100.00

Basis and Payment Method of the Proposed Capital Injection

The amount of the Proposed Capital Injection was determined after arm's length negotiation between the Company and the Target Company Shareholders after taking into account, among others, (i) the profit guarantee to be given by the Target Company and the Target Company Shareholders; (ii) the fair value of the Target Company of approximately RMB13.1 billion as at 30 November 2016 according to the valuation report (the "**Valuation Report**") issued by Jones Lang LaSalle using market approach in assessing the valuation of various business segments of the Target Group and cost approach in assessing the valuation of multiple properties held for investment purpose by the Target Group; (iii) the valuation of the Target Company of approximately RMB13.0 billion as agreed between the Company, the Target Company and the Target Company Shareholders after considering the Valuation Report results and situation of the Target Group (the"**Assessed Valuation**"); (iv) the competitive strengths of the Target Company in particular its network of clients and the historical growth of its financial results; and (v) the business prospect of the Target Company, in particular its satellite communication products. The Group intends to fund approximately 85% of the Proposed Capital Injection (approximately RMB507,884,000) by its internal resources and approximately 15% of the Proposed Capital Injection (approximately RMB92,116,000) by net cash proceeds from issuance of coupon notes of the Company subsequent to 31 December 2016. Such funding allocation was determined by the Company after considering the existing cash on hand and the working capital requirement of the Group. Since majority of the consideration under the Proposed Capital Injection would be funded by interest-free financial resources of the Group and upon considering the benefits which might be brought about by the Proposed Capital Injection as set out in the section headed "REASONS FOR AND BENEFITS OF ENTERING INTO OF THE CAPITAL INJECTION AGREEMENT", the Directors consider such basis of allocation is in the interest of the Company and the Shareholders as a whole.

The Group shall inject an amount of RMB600,000,000 in return for approximately 4.41% equity interest in the Target Company to be held by the Company based on the Assessed Valuation as enlarged by the Proposed Capital Injection (post-money), being approximately RMB13.6 billion.

Upon Capital Injection Completion, the registered capital of the Target Company will be increased from RMB400,000,000 to RMB418,453,813, among which the Group shall own RMB18,453,813, representing 4.41% proportionate equity interest in the Target Company. The Increased Registered Capital was derived from the proportionate equity interest of approximately 4.41% in the Target Company held by the Company under the enlarged registered capital of RMB418,453,813 (i.e. [RMB400,000,000 X 4.41% / (1 - 4.41%)] = RMB18,453,813). As such, while the Company agreed to inject an amount of RMB600,000,000 to acquire approximately 4.41% of the enlarged equity interest of the Target Company, among which RMB18,453,813 will be contributed to the enlarged registered capital of the Target Company, and the remaining injection amount of approximately RMB581.5 million, which represents the increase in capital reserve of the Target Company, will be contributed to the equity account of the Target Company. The Board considers such arrangement as fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

As disclosed above, the Valuation Report served as an independent reference in determining the fair value of the Target Company with respect to the Proposed Capital Injection. In order to present the up-to-date fair value of the Target Company, the valuation of the Target Company has been updated to as at 31 March 2017. According to the updated valuation report (the "**Updated Valuation Report**") issued by Jones Lang LaSalle using market approach in assessing the valuation of various business segments of the Target Group and taking reference to the carrying amount of the properties held for investment purpose as set out in the Accountants' Report of the Target Group as set out in Appendix II to this Circular, the valuation of the Target Company was approximately RMB13.6 billion as at 31 March 2017 (details of which please refer to Appendix V to this Circular).

According to Jones Lang LaSalle, the methodologies and assumptions used (please refer to sections headed "Valuation Methodology" and "Valuation Assumptions" as set out in the Updated Valuation Report to this Circular) in determining the fair value of the Target Company involve valuing businesses of the Target Company with a known market for comparable sales and valuing investment properties of the Target Company with referencing carrying amount on the Target Company's latest financial information as its proxy of the market value. The Directors consider such valuation approach as acceptable, and have not identified any major factors which cause doubt on the fairness and reasonableness of the principal bases and assumptions adopted for the valuation.

Upon receipt of a written notice from the Target Company in relation to: (i) the completion of the relevant registration procedures in respect of the Proposed Capital Injection with the local administration bureau of industry and commerce; and (ii) the revision of the article of association of the Target Company with respect to the Proposed Capital Injection, the injection amount of RMB600,000,000 shall be settled by the Company within six months.

Exclusivity

The Company, the Target Company and the Target Company Shareholders have agreed upon an exclusivity period from the date of the Capital Injection Agreement up to the date of the Capital Injection Completion ("**Exclusivity Period**"), during which the Target Company and the Target Company Shareholders shall not sell, transfer, accept capital injection to the Target Company or otherwise deal with any direct or indirect interest or investment of the Target Group on their own or through their agents or associates subject to the following exceptions:

(1) Upon the introduction of third party investor(s) (the "**Third Party Investor(s)**") by the Target Company, other than the Company, into the Target Company during the Exclusivity Period, the subscription price borne by the Third Party Investor(s) for each dollar of registered capital of the Target Company shall not be lower than that borne by the Company in the Proposed Capital Injection. Otherwise, the Company shall be compensated by the Target Company and the Target Company Shareholders (the "**Compensation Amount**") which is equal to:

[The Increased Registered Capital x (Capital injection amount under the Proposed Capital Injection / the Increased Registered Capital)] — (Capital injection amount paid by the Third Party Investor(s) / The additional registered capital of the Target Company injected by the Third Party Investor(s));

(2) Upon the completion of capital injection by the Third Party Investor(s) (whether for once or more), the aggregated equity interest of the Company in the Target Company shall not in any case be diluted by more than 1.0%, otherwise the Company shall have the right to request the Target Company and the Target Company Shareholders to compensate for the diluted equity interests in the Target Company;

(3) The Target Company shall notify the Company immediately upon receipt of the offer from the Third Party Investor(s) in relation to the major terms of the proposed investment in the Target Company;

(4) The transfer (whether wholly or partially) of equity interests of the Target Company by the Target Company Shareholders to the Third Party Investor(s) during the Exclusivity Period (if any), shall not affect the Proposed Capital Injection and in any case cause any significant change to the control of the Target Company.

If the provision(s) 1 and 2 above is/are violated by the Target Company and the Target Company Shareholders: (i) the Company may issue a written notice to the Target Company to offset the Compensation Amount from the consideration amount not yet been paid by the Company under the Capital Injection Agreement; and (ii) if the Company has paid the consideration amount in full, the Target Company shall pay the Company the Compensation Amount in cash upon receipt of the written notice issued by the Company.

As of the Latest Practicable Date, as advised by the Target Company, there is no plan to introduce Third Party Investor to the Target Company during the Exclusivity Period.

Earnest Money

Within 30 business days after entering into the Capital Injection Agreement, the Company is obliged to pay refundable Earnest Money of RMB150,000,000 to the Target Company. The final amount of the consideration payable in the Proposed Capital Injection will be netted off by this balance of Earnest Money.

As at 20 February 2017 and 24 February 2017, the Earnest Money of RMB70,000,000 and RMB80,000,000 have been paid, respectively, by the Company to the Target Company.

Profit guarantee

The Target Company and the Target Company Shareholders have provided guarantee to the Company for the Target Group's performance that 2016 Actual Profit will be no less than RMB550,000,000. In the case of the 2016 Actual Profit being less than the Guaranteed Profit, the amount of the injection capital of RMB600,000,000 payable will be deducted by the compensation amount which is equal to:

(Guaranteed Profit — 2016 Actual Profit)/ Guaranteed Profit x (Assessed Valuation) x (percentage of equity interest of the Company in the Target Company).

Based on the audited financial statements of the Target Company for the year ended 31 December 2016 as prepared by the PRC auditor of the Target Company in accordance with the PRC GAAP, the 2016 Actual Profit amounted to approximately RMB875.7 million, where the Guaranteed Profit was met.

Conditions precedent

The transactions contemplated under the Capital Injection Agreement are conditional upon the satisfaction of the following conditions precedent:

(a) the parties under the Capital Injection Agreement having obtained the necessary consents and approvals from the relevant authorities (including but not limited to the Stock Exchange) and their respective shareholders (if required) for the Capital Injection Agreement and the transactions contemplated thereunder;

(b) the Company having completed its due diligence investigation on the financial, legal, business and all other aspects of the Target Group and is satisfied with the results of its diligence review;

(c) the completion of the valuation report of the Target Company and the Company being satisfied with the valuation results;

(d) the registered capital of the Target Company being fully paid and there being no illegal transfer of the fully paid capital out of the Target Company;

(e) there being no change in the principal business activities of the Target Group;

(f) there being no enactment, declaration, issue or enforcement of any law, judgment, decree or prohibition order by any government authority before Capital Injection Completion which may result in (a) limitation or prohibition of the signing or completion of the Capital Injection Agreement; or (b) adverse influence in any material aspect on the Company's rights or powers to exercise in accordance with its equity interest in the Target Company or under the provisions of Capital Injection Agreement;

(g) there being no material change of financial, legal, business and all other aspects and conditions in the Target Group;

(h) there being no outstanding or potential litigation, arbitration or other legal process from any third party (including any government authority) that prohibits or restricts the completion of the transactions contemplated under the Capital Injection Agreement;

(i) the provision of the certified copy of the authorization granted by the shareholder's resolution of the Target Company to the Company; and

(j) guarantees made by the Target Company and the Target Company Shareholders in the Capital Injection Agreement until Capital Injection Completion remaining true, complete and not misleading and having the same effect as if being reaffirmed throughout the period between the date of entering into the Capital Injection Agreement and Capital Injection Completion.

If any of the Conditions Precedent are not fulfilled or waived (save for condition (a)) on or before the Long Stop Date or such later date as the Company may agree in writing, the Capital Injection Agreement shall terminate and be of no further effect.

As at the Latest Practicable Date, none of the conditions above has been satisfied nor waived and the Company has no intention to waive any of Conditions Precedent.

COMPLETION

Capital Injection Completion shall take place when all Conditions Precedent have been fulfilled or (i) the Company has fully paid the total consideration of RMB600,000,000 to the Target Company; (ii) the Target Company has completed the relevant registration procedures in respect of the Proposed Capital Injection with the local administration bureau of industry and commerce; and (iii) The Target Company has revised its article of association with respect to the Proposed Capital Injection (whichever is later).

TERMINATION

If either party has materially breached or failed to perform its obligations under the Capital Injection Agreement, the observant party shall have the right to notify the defaulting party of such breach or default in writing. In the event that (1) such breach or default can be remedied and the observant party is not satisfied with the remedial results within 30 business days after such notice has been given to the defaulting party; or (2) such breach or default cannot be remedied, the observant party shall have the right to terminate the Capital Injection Agreement by giving written notice to the defaulting party.

In the event that the Capital Injection Agreement is terminated, all rights and obligations of the parties shall cease immediately, the Target Company and the Target Company Shareholders shall return the full amount of Earnest Money paid by the Group and/or the amount of capital injected (without any interest) within 30 business days upon termination of the Capital Injection Agreement, if the Target Company and the Target Company Shareholders fail to repay such amount as scheduled,they shall pay a daily interest of 0.01% of the outstanding amount. If the registration procedures in respect of the Proposed Capital Injection are completed, the Target Company and the Target Company Shareholders shall return the amount of capital injected to the Group, and perform the corresponding procedures of capital reduction with the local administration bureau of industry and commerce.

INFORMATION OF THE TARGET COMPANY SHAREHOLDERS AND THE TARGET COMPANY

Background of the Target Company Shareholders

Mr. Wu Guangsheng (吳光勝先生), aged 38, a citizen of the PRC, who is the founder, vice-chairman of the board, the controlling shareholder and ultimate beneficial owner of the Target Company, holding approximately 39.98% equity interest in the Target Company prior to Capital Injection Completion. Mr. Wu is also currently one of the directors of the National Chamber of Industry, Commerce and Technology and Equipment* (全國工商聯科技裝備商會).

Mr. Huang Yongjiang (黃永江先生), aged 64, a citizen of the PRC, who is a director, the chief scientist and the chairman of the Strategy Development Committee of the Target Company, holding approximately 18.82% equity interest in the Target Company prior to Capital Injection Completion.

Mr. Xiang Junhui (項俊暉先生), aged 48, a citizen of the PRC, who is a director and the general manager of the microwave communication division of the Target Company holding approximately 7.53% equity interest in the Target Company prior to Capital Injection Completion. Mr Xiang is also currently a director and the senior vice-president of the Target Group.

Mr. Feng Junzheng (馮軍正先生), aged 40, a citizen of the PRC, who is a director and the vice-general manager of the Target Company, holding approximately 2.82% equity interest in the Target Company prior to Capital Injection Completion.

Shenzhen Yindingdong Technology Company Limited* (深圳市銀鼎東科技有限公司) is a limited liability company established in the PRC and is principally engaged in investment holdings, assets management and related consultancy services, holding approximately 9.88% equity interest in the Target Company prior to Capital Injection Completion.

The remaining Target Company shareholders are three institutional investors establishes in the PRC, two of which are principally engaged in investment holdings, assets management and investment and financial related consultancy services; the remaining one shareholder is a trust company principally engaged in offering various financial trusts, real estate trusts and securities trusts services, it also engages in investment holdings, corporate finance consultancy services and money lending.

Background of the Target Company

The Target Company is a limited liability company incorporated on 21 August 2007 in the PRC and 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.

The Target Company is specialised in developing ground receivers which are compatible with both Ka-band and Ku-band signal from satellites. Further, the Target Company is now proactively engaged in satellite operation service business to develop a more comprehensive satellite business chain.

Moreover, the Target Company has been devoting resources in the research of Terahertz. The Target Company expects to develop Terahertz products in respect of (i) microchips, (ii) security inspection equipment; (iii) spectrum analyser and (iv) wireless communication.

As at 31 December 2016, being the latest financial year covered in the financial information of the Target Company, the Target Company held 29.8% equity interest of Huaxun Fangzhou Co., Ltd* ("**Huaxun**") (華訊方舟股份有限公司) and was a controlling shareholder of Huaxun, which was listed in the Shenzhen Stock Exchange (Stock Code: 00687.SZ). Although the Target Company owns less than 50% of the equity interest in Huaxun, Huaxun was treated as a subsidiary of the Target Company because the Target Company is able to control the relevant activities of Huaxun by having the majority control of board of directors in Huaxun.

The following companies, being wholly-owned subsidiaries of Huaxun, were recognised as subsidiaries of the Target Company, being Nanjing Huaxun Fangzhou Communication Equipment Co., Ltd* (南京華訊方舟通信設備有限公司); Chengdu Guorong Technology Co., Ltd* (成都國蓉科技有限公司); Chengdu Huaxun Tiangu Technology Co., Ltd* (成都華訊天穀科技有限公司); Wuhan Huaxun Guorong Technology Co., Ltd.* (武漢華訊國蓉科技有限公司); Shenzhen Huaxun Ark Investment Development Co., Ltd* (深圳市華訊方舟投資發展有限公司); Huaxun Fangzhou (Hong Kong) Holdings Co., Ltd.* (華訊方舟(香港)控股有限公司); Huayan Fangzhou (Beijing) Information Technology Research Institute Ltd* (華研方舟(北京)信息科技研究院有限公司) and Shenzhen Huaxun Fangzhou Equipment Technology Co., Ltd.* (深圳市華訊方舟裝備技術有限公司). In addition, since Huaxun exercises control in substance over the board of the following companies, the following companies, being non-wholly-owned subsidiaries of Huaxun, were recognised as subsidiaries of the Target Company, being Jilin Jiyan High-Tech Fiber Co., Ltd* (吉林市吉研高科技纖維有限責任公司); Beijing Huaxin Fangzhou Technology Co., Ltd* (北京華鑫方舟科技有限公司); Shenzhen Huaxun Fangde Investment Management Co., Ltd.* (深圳市華訊方德投資管理有限公司) and Shenzhen Huaxun Fangzhou System Technology Co., Ltd.* (深圳市華訊方舟系統技術有限公司). In addition, Shenzhen Huaxun Fangzhou System Engineering Enquipment Co., Ltd* (深圳市華訊方舟系統工程設備有限公司), being a wholly owned subsidiary of the Target Company, had direct control in substance over the board of Henan Huaxun Fangzhou Electronics Co., Ltd.* (河南華訊方舟電子有限公司). Accordingly Henan Huaxun Fangzhou Electronics Co., Ltd.* (河南華訊方舟電子有限公司) was recognised as subsidiary of the Target Company.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is a summary of the financial information of The Target Group for the three years ended 31 December 2014, 2015 and 2016, as extracted from the Accountants' Report of the Target Group.

	For the year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*
Revenue	5,082,615	6,813,848	6,989,263
(Loss)/Profit before taxation	(172,484)	930,443	3,200,080
(Loss)/Profit after taxation	(223,951)	577,173	2,861,194

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*
Total assets	9,945,527	12,328,269	15,994,329
Net assets	1,232,973	2,228,674	5,872,465

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE CAPITAL INJECTION AGREEMENT

The Group is principally engaged in the provision of network system integration including provision of network infrastructure solutions, network professional services and mobile internet software of office automation, and trading of telecommunications equipment. Over the past few years, due to the uncertainty of worldwide economy, the continuous intense competition and technological advancement in the telecommunications industry, the Company underwent various business restructuring to gradually shift its business focus from the traditional telecommunication products and services to the design, development of network communication business and the mobile office automation software business in order to improve the overall sustainable profitability and bring long-term contribution to Shareholders.

As mentioned in the annual report of the Company for the year ended 31 December 2016, it is the Company's strategy to proactively expand the scale of business, promote cooperation with more powerful business partners on various fields and encourage the sort of resource sharing. As the Group recognises 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 Directors consider that the network communication industry in the PRC will remain robust with continuous growth in the following years and it is the Group's strategy to proactively engage in satellite communications business.

The Target Company 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.

Upon Capital injection Completion, the Company will become a shareholder of the Target Company. The Directors consider that, despite the Company will not obtain control of nor be involved in the operation of the Target Company through the Proposed Capital Injection, the Company may benefit through the Proposed Capital Injection in multiple aspects, in particular:

(i) The Proposed Capital Injection may generate considerable return on the investment made by the Group. Unlike the contemporary 3G/4G broadband network where base stations deployment may be constrained by different location and region, the satellite broadband network is not constrained by any geographical restrictions and can be operated at much lower costs. Under China's "One Belt, One Road" Initiative, the PRC government committed to invest significantly in the field of satellite communication to enhance cross-country internet penetration in order to assist more countries in overcoming digital gap. Accordingly, the Directors are of the view that the technology know-how of the Target Company in developing ground receivers which are compatible with both Ka-band and Ku-band signal from satellites would become the mainstream satellite signal transmission specification in the near future, which will allow the Target Company to secure a larger global market share in the satellite communication business in the foreseeable future and thereby enhancing the overall profitability and the return to the equity holders of the Target Company;

(ii) Based on the in-depth market development experiences of network communication market in the past years of the Group and the Target Group respectively in the PRC, the Directors consider the Proposed Capital Injection as a business opportunity which could provide synergies between the Group's existing businesses and that of the Target Company.

    In view of the above and the Proposed Capital Injection, a memorandum of understanding has been entered into between the Company and the Target Company on 14 June 2017. Pursuant to such memorandum of understanding, it was agreed that upon Capital Injection Completion, the Company and the Target Company should leverage on their respective customer base in the PRC, the advantage of the existing network products of the Target Company and the capabilities of the network system integration platform of the Company, to carry out cooperation on (a) the sale and marketing of the software and hardware of WLAN and WiFi network products; and (b) the development of the enterprise private network market in the PRC. Details of which are set out in the Company's announcement dated 14 June 2017.

    Specifically, the Company could leverage on its capabilities in the network system integration platform and products with leading edge technology such as the mobile office conferencing devices developed by Wafer System Limited ("**Wafer**"), a wholly-owned subsidiary of the Company, to combine in application with the existing network products developed by the Target Company to provide more comprehensive product portfolio and enrich product customisation to enterprise customers in the PRC which in turn may enhance profitability of the Group.

Further, as the golden reseller partner of Cisco System, Inc. ("**Cisco**"), a worldwide leader in the provision of Internet Protocol (IP) based networking and other products related to the communications and information technology industry whose shares is listed on the NASDAQ stock exchange (NASDAQ: CSCO), in the PRC, Wafer's existing customer base primarily consists of top 500 foreign owned enterprises in the PRC. Upon Capital Injection Completion, Wafer could leverage on the existing customer base of the Target Company and expand the marketing and sales channel for its products to domestic small to medium enterprises in the PRC. On the other hand, the Company could also expand sales of its existing products and services to overseas clients of the Target Company.

(iii) The Proposed Capital Injection is expected to facilitate the Group and the Target Company to jointly-develop the satellite communication market and thereby diversify the Group's business to the prospective and steadily-growing satellite communication industry. The Company has started business cooperation with the Target Company in the perspective of satellite microwave communication devices since 2014 and has shared in-depth cooperation in terms of the development, sales and marketing of satellite microwave communications products. For the two years ended 31 December 2014 and 2015, the Target Company was one of the Group's major suppliers which contributed appropriately 35.7% and 28.5% of the Group's total purchase during the two years, respectively. During 2016, the Group underwent the re-structuring of internal resources and downsized the operating of the traditional telecommunication business due to the intense competition in the industry. From 2017, the Group plans to proactively expand the business scope and develop strategic partnership with the Target Company for future business development.

To develop satellite communication business for the Group, the Company has purchased from the Target Company microwave communication products with a contract sum of USD4.05 million (equivalent to approximately RMB27.5 million) in April 2017, which was used as one of the core components in forming network system integration solutions and sold to customers.

Furthermore, in view of the Proposed Capital Injection, a letter of intent has been entered into between the Company and the Target Company on 14 June 2017 for the Company to be appointed as the trial sale agent of the Target Company on satellite communication products in the PRC and in overseas. The Company shall become the formal sales agent of the Target Company upon fulfilment of the sales target in the aggregate amount of RMB50.0 million during the trial sale period of six months. Details of which are set out in the Company's announcement dated 14 June 2017. Under the strengthened business relationship between the Group and the Target Company brought by the Proposed Capital Injection and the business agency relationship, it is expected that the Group will be able to secure more business opportunities to combine the technological know-how and existing products and services of the two parties to jointly-develop the satellite communication market and bring in revenue and profitability to the Group.

(iv) Upon Capital Injection Completion, the Company shall be entitled to appoint one non-executive director to the board of the Target Company. As at the Latest Practicable Date, the board of the Target Company comprises of 7 directors, and hence, the Directors expect that representative of the Company will be able to monitor the performance of the Target Company through participating in the board meetings of the Target Company and regularly accessing and reviewing the financial information of the Target Company. At the same time, the representative of the Company may also facilitate business cooperation between the Company and the Target Company by leveraging resources such as market coverage, technology advantages and product portfolio owned by mutual parties. In addition, the operation of satellite communications business requires high technology expertise, and the Proposed Capital Injection allows the Group to participate in the Target Company which is specialized in such area. This helps the Group to accumulate and obtain experience and industry knowledge in the satellite communications business to a certain extent and is beneficial to the Group's further development in this business.

As at the Latest Practicable Date, Mr. Lu Chengye ("**Mr. Lu**"), an executive Director of the Company, was nominated as a candidate to be the non-executive director to the board of the Target Company upon Capital Injection Completion. Mr. Lu is currently in charge of the overall strategic planning, business planning and decision making in all material matters of the communication system segment of the Group. Mr. Lu has over 16 years of experience in the communication industry gained in the Group and in his previous employment. Before joining the Group, Mr. Lu worked as a director of the science and research department of base station software development in a renowned mobile communication equipment company in the PRC from April 2002 to August 2008, mainly responsible for the design, development and implementation of solution of communication base station software. From August 2009 to May 2012, Mr. Lu had served as the general manager of TD-SCDMA/TD-LTE production line of another prestigious communication equipment and technology firm, mainly in charge of the establishment and research and development works for projects of wireless base station and communication base station equipments. Mr. Lu obtained his master degree of engineering from Xidian University (西安電子科技大學) majoring in information and communication engineering in March 2002. As an expert from TD-LTE workgroup of the Ministry of Industry and Information Technology of the People's Republic of China (中華人民共和國工業和信息化部), Mr. Lu is the inventor of 7 patented technologies in the communication sector over the last 16 years, and has published several research papers on communication topics in various journals.

Apart from monitoring the performance of the Target Company through the representative of the Company as explained above, the Company may also, from time to time, monitor and review the financial performance of the Target Company through the financial disclosure of the Target Company to be published in the Shenzhen Stock Exchange as the corporate bonds of the Target Company was listed on the Shenzhen Stock Exchange on 25 May 2017 which would require the Target Company to make regular disclosures.

After taking into account the updated valuation of the Target Company of approximately RMB13.6 billion as at 31 March 2017 according to the updated Valuation Report and the availability of resources of the Group, the Directors consider the Proposed Capital Injection represents a good opportunity for the Group to develop long-term strategic partnership with the Target Company, expand the Group's customer bases and business coverage into the satellite communication field, which may diversify its business segment and bring potential profitability to the Group, and therefore is an important move towards the Group's long-term objective to expand and grow business scale. Based on the above, the Board is of the view that the Proposed Capital Injection is in line with the Group's business strategy. Whereas terms of the Capital Injection Agreement and the transactions contemplated thereunder are fair and reasonable, are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE PROPOSED CAPITAL INJECTION

Upon Capital Injection Completion, the Company will be indirectly interested in approximately 4.41% equity interest in the Target Company, and therefore the Proposed Capital Injection will be accounted for as an available-for-sale financial investment of the Company and the financial results, assets and liabilities of the Target Company will not be consolidated into the consolidated financial statements of the Group.

Earning

As set out in the financial information of the Target Group for the year ended 31 December 2014, 2015 and 2016 in Appendix II to this circular. The Target Group recorded a loss before tax of approximately RMB172.5 million for the year ended 31 December 2014, and profit before tax of approximately RMB930.4 million and RMB3,200.1 million for the two years ended 31 December 2015 and 2016, respectively. Further, the Target Company recorded a net loss after tax of approximately RMB224.0 million for the year ended 31 December 2014, and net profit after tax of approximately RMB557.2 million and RMB2,861.2 million for the two years ended 31 December 2015 and 2016, respectively. The Company considers that there will not be any material effect on the profit or loss of the Group immediately upon Capital Injection Completion. Any profit or loss of the Target Company after Capital Injection Completion will not be consolidated into the consolidated financial statements of the Group.

Assets and liabilities

Based on the unaudited pro forma financial information of the Group as set out in Appendix III to this circular and assuming that the Capital Injection had been completed on 31 December 2016:

(i) the unaudited pro forma consolidated total assets of the Group as at 31 December 2016 would be increased from approximately RMB1,577.6 million to approximately RMB1,669.7 million.

(ii) the unaudited pro forma consolidated total liabilities of the Group as at 31 December 2016 would be increased from approximately RMB523.2 million to approximately RMB615.3 million.

(iii) the unaudited pro forma consolidated net assets of the Group as at 31 December 2016 would remain unchanged at approximately RMB1,054.4 million.

LISTING RULES IMPLICATIONS

As more than one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Proposed Capital Injection exceed 25% but are all less than 100%, the entering into of the Capital Injection Agreement constitutes a major transaction for the Company, and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders have any material interest in the Capital Injection Agreement and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting if the Company has to convene a general meeting for the approval of the Capital Injection Agreement and the transactions contemplated thereunder.

RE-ELECTION OF RETIRING DIRECTOR

Mr. Wong Chun Sek, Edmund was appointed as an independent non-executive Director with effect from 5 June 2017. Pursuant to Article 83(3) of the articles of association of the Company, Mr. Wong will hold office as a Director until the EGM and be eligible, offer himself for re-election at the EGM.

The biographical details of Mr. Wong Chun Sek, Edmund are set out below:

Mr. Wong Chun Sek, Edmund, aged 32, is an independent non-executive Director. He was appointed as a Director of the Company on 5 June 2017.

Mr. Wong obtained his bachelor's degree in Accountancy from Hong Kong Baptist University in November 2007, Master of Science in Applied Accounting and Finance from Hong Kong Baptist University in November 2013, and Master of Business Administration from The Open University of Hong Kong in October 2016. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants and holds the practicing certificate issued by the Hong Kong Institute of Certified Public Accountants. He is also a member of The Institute of Chartered Accountants in England and Wales and the Association of Chartered Certified Accountants of the United Kingdom.

Mr. Wong has approximately 10 years of experience in accounting, taxation and auditing of Hong Kong-listed and private companies. He had participated in various audit and assurance engagements for Deloitte Touche Tohmatsu before and currently is a practising director of Patrick Wong C.P.A. Limited.

Mr. Wong has entered into a service agreement with the Company as an independent non-executive Director for a term of three years commencing from 5 June 2017, which may be terminated by either the Company or Mr. Wong by giving three months written notice or otherwise in accordance with the terms of the service agreement. Under the service agreement entered into between the Company and Mr. Wong, Mr. Wong is entitled to a remuneration of HK$120,000 per year, payable on a monthly basis. The remuneration of Mr. Wong was determined having considered the experience, duties and responsibilities of Mr. Wong and the prevailing market rate of companies of comparable size and similar operation.

Mr. Wong does not have any interests in Shares, underlying Shares and debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

Save as disclosed above, (i) Mr. Wong has not held any other directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; (ii) Mr. Wong has not held any other positions in the Group; and (iii) Mr. Wong does not have any relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders (as defined in the Listing Rules) of the Company.

Save as disclosed above, there is no information in relation to the re-election of Mr. Wong that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

EGM

The EGM will be convened and held at the Conference Room 7, 3rd Floor, Jianguo Garden Hotel, No. 17 Jianguomennei Avenue, Dongcheng District, Beijing, the People's Republic of China on 10 July 2017 (Monday) at 11:00 a.m. (or any adjournment thereof) for the purpose of considering and, if thought fit, approving the Capital Injection Agreement and the transactions contemplated thereunder and the re-election of Mr. Wong Chun Sek, Edmund as an independent non-executive Director.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM.

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed herewith. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish. In such event, the instrument appointing a proxy shall be deemed to be revoked.

The transfer books and register of members of the Company will be closed from 5 to 10 July 2017 (both dates inclusive), during which period no transfer of Shares will be effected. In order to qualify for the right to attend and vote at the EGM, 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, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 4 July 2017.

Shareholders and potential investors of the Company should note that Capital Injection Completion is subject to fulfillment of the Conditions precedent. As the Proposed Capital Injection may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

RECOMMENDATION

Having noted and considered the reasons stated under the section captioned "REASONS FOR AND BENEFITS OF ENTERING INTO OF THE CAPITAL INJECTION AGREEMENT", the Board considered that the terms of the Capital Injection Agreement and the transactions contemplated thereunder are fair and reasonable, are normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Furthermore, the Board also considered the re-election of Mr. Wong Chun Sek, Edmund as an independent non-executive Director is in the interest of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions to approve the entering into of the Capital Injection Agreement and the transactions contemplated thereunder, and the re-election of Mr. Wong Chun Sek, Edmund as an independent non-executive Director to be proposed at the EGM.

VOTING BY POLL

According to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all the resolutions put to the vote at the EGM will be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

FINANCIAL SUMMARY OF THE GROUP

The published audited consolidated financial statements of the Group for the years ended 31 December 2014, 2015 and 2016 are set out on pages 65 to 176, 75 to 184 and 80 to 196 of the annual reports of the Group for the years ended 31 December 2014, 2015 and 2016 respectively, and are incorporated by reference into this circular.

The said annual reports of the Company are available on the website of the Company at www.investech-holdings.com and the website of the Stock Exchange at www.hkexnews.hk through the links below:

http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0420/LTN20170420618.pdf

http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0415/LTN20160415941.pdf

http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0420/LTN20150420460.pdf

1. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 April 2017, being the latest practicable date prior to the printing of this circular for the purpose of this indebtedness statement, the Group had outstanding total borrowings of approximately RMB249.8 million, comprising unsecured and unguaranteed coupon notes of approximately RMB215.4 million with an aggregate principal amount of RMB226.9 million, unsecured and guaranteed short-term bank loans and other borrowings of approximately RMB30.0 million and RMB4.4 million respectively, which were guaranteed by Mr. Chan Sek Keung, Ringo (the chairman, CEO and executive Director of the Company).

The Group underwent several reorganisations, including disposals of the entire interest in its former subsidiaries during the year ended 31 December 2015 and the 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 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.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business on 30 April 2017, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, finance leases, debt securities, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

2. MATERIAL ADVERSE CHANGE

During the recent financial year, businesses of the Group have still been adversely affected by the continuous challenges and uncertainties in the global economies and the continuous intense competition in the telecommunication industry and the downsizing of the operation of the traditional telecommunications products and services by the Group due to shifting of its business focus towards the development of network communication business and the mobile office automation software business, the trend of application of wireless technology in similar products and the relevant results were also adversely impacted.

Save as disclosed above, the Directors are not aware of any material adverse changes in the financial or trading position or prospects of the Group since 31 December 2016, being the date to which the latest audited consolidated financial statements of the Group were made up.

3. WORKING CAPITAL

The Group has historically financed working capital primarily through proceeds from sales of its products and borrowings from banks and other financial institutions. The Group will continue to finance the working capital primarily by proceeds from sales of products, and external borrowings from banks and other financial institutions. The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Group including the internally generated funds, the currently available facilities and the effects of the Capital Injection, the working capital available to the Group is sufficient for the Group's requirements for at least the next twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the provision of telecommunication system and related products, network system integration and mobile software solutions.

In the segment of Business-to-Business market, the Company believes that mobile internet software of OA will be adopted by more and more medium-sized and large-sized companies. With the software, employees of the enterprises are able to communicate seamlessly with instant messages, share documents in cloud space with security and host online meetings anytime and anywhere which can better improve the efficiency and effectiveness of enterprises.

The Group will keep increasing its investments in the network communication business and the mobile office automation software business, seeking for more strong partners and working closely with them to develop new products and solutions. The Group will also keep exploring new technologies to be applied in its current products and services.

As shown in the analysis in the section headed "Financial effects of the Proposed Capital Injection" in the letter from the Board, there will not be any material effect on the profit or loss of the Group immediately upon Capital Injection Completion, however, any profit or loss of the Target Company after Capital Injection Completion shall be shared or borne by the Company and the Target Company Shareholders in proportion to their respective equity interests in the Target Company. Furthermore, the Capital Injection Completion would also allow the Group to diversify its business segment and provide opportunities to the Group to expand its business scope and broaden its source of income; and also provide an opportunity for the Group to jointly develop the satellite communication market with the Target Company through the sales of high-frequency satellite communication products, which are beneficial to the long-term development of the enlarged Group.

ACCOUNTANTS' REPORT OF THE TARGET GROUP

The following is the text of a report received from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this investment circular.

中汇 ZHONGHUI

23 June 2017

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP TO THE DIRECTORS OF INVESTECH HOLDINGS LIMITED

Introduction

We report on the historical financial information of China Communication Technology Co., Ltd.* (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") set out on pages II-12 to II-90, which comprises the consolidated and company statements of financial position of the Target Company as at 31 December 2014, 2015 and 2016, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 31 December 2016 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the investment circular of InvesTech Holding Limited (the "Company") dated 23 June 2017 in connection with the proposed capital injection of RMB600,000,000 by the Company into the Target Company under the capital injection agreement such that the Company shall have an equity interest of 4.41% in the Target Company upon the completion of capital injection.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in

Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's and the Target Group's financial position as at 31 December 2014, 2015 and 2016 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page II-11 have been made.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Ng Ka Lok
Audit Engagement Director
Practising Certificate Number P06084
Hong Kong, 23 June 2017

* *The English name is a translation of its Chinese name of 華訊方舟科技有限公司 and included herein for identification purpose only*

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

China Communication Technology Co., Ltd.* was incorporated on 21 August 2007 in the People's Republic of China (the "PRC") with limited liability and 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 services. The Target Company and its subsidiaries are hereinafter collectively referred to as the "Target Group". As at the date of this report, the Target Company has the following subsidiaries:

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share/ registered capital	Attributable equity interest of the Target Group		Principal activities
			Direct	Indirect	
深圳市前海華訊方舟科技有限公司 Shenzhen Qianhai Huaxun Fangzhou Technology Co., Ltd* (Note ii)	20 March 2012 The PRC	RMB200,000,000/ RMB200,000,000	55%	—	R & D and sales of HF & UHF communication system
深圳市智達通資訊諮詢有限公司 Shenzhen Zhitongda Information Consultancy Co., Ltd* (Note i)	4 March 2014 The PRC	RMB500,000/ RMB500,000	—	100%	Property holding
深圳市惠研創科技有限公司 Shenzhen Huiyanchuang Technology Co., Ltd* (Note i)	15 May 2014 The PRC	RMB30,000/ RMB30,000	—	100%	Property holding
深圳市很發通電子有限公司 Shenzhen Henfa Electronic Co., Ltd* (Note i)	22 March 2013 The PRC	RMB42,000,000/ RMB42,000,000	—	100%	Property holding
深圳市狼翔投資有限公司 Shenzhen Langxiang Investments Co., Ltd* (Note i)	17 December 2013 The PRC	RMB5,000,000/ RMB5,000,000	—	100%	Property holding
華訊方舟科技(湖北)有限公司 Huaxun Fangzhou (Hubei) Technology Co., Ltd* (Note i)	21 June 2013 The PRC	RMB190,000,000/ RMB190,000,000	100%	—	R & D, production and sales of communication system products
深圳市華訊方舟軟件技術有限公司 Shenzhen Huaxun Fangzhou Software Technology Co., Ltd* (Note ii)	30 December 2013 The PRC	RMB2,000,000/ RMB20,000,000	85%	—	R & D and sales of computer software & hardware

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share/ registered capital	Attributable equity interest of the Target Group Direct	Attributable equity interest of the Target Group Indirect	Principal activities
西安華訊方舟信息技術有限公司 Xi'an Huaxun Fangzhou Information Technology Co., Ltd* (Note i)	17 January 2014 The PRC	RMB2,473,522/ RMB10,000,000	100%	—	R & D and sales of computer software & hardware and communication products
深圳市華訊方舟信息技術研究院 Shenzhen Huaxun Fangzhou Communication Technology Research Institute* (Note i)	27 July 2012 The PRC	RMB1,000,000/ RMB1,000,000	100%	—	R & D of communication system products
貴州華訊方舟信息技術有限公司 Guizhou Huaxun Fangzhou Information Technology Co., Ltd* (Note i)	21 September 2012 The PRC	RMB1,000,000/ RMB1,000,000	100%	—	R & D and sales of computer software & hardware and communication products
貴州華訊方舟科技有限公司 Guizhou Huaxun Fangzhou Technology Co., Ltd* (Note ii)	13 December 2012 The PRC	RMB1,000,000/ RMB100,000,000	—	70%	Sales of electronic products of communication devices
福建省華訊方舟通信技術有限公司 Fujian Huaxun Fangzhou Communication Technology Co., Ltd* (Note ii)	6 January 2012 The PRC	RMB6,000,000/ RMB30,000,000	99%	—	Development and sales of communication products and computer software & hardware
吉林華訊軌道移動通信有限公司 Jilin Huaxun Guidao Mobile Communications Co., Ltd* (Note ii)	24 May 2012 The PRC	RMB5,800,000/ RMB10,000,000	75%	—	Design, production and sales of wireless broadband network communication system
廣州市華訊方舟資訊科技有限公司 Guangzhou Huaxun Fangzhou Information Technology Co., Ltd* (Note ii)	23 October 2013 The PRC	RMB1,000,000/ RMB1,000,000	70%	—	Development and sales of communication products, computer software & hardware and mobile phone
智慧方舟科技有限公司 Zhihui Fangzhou Technology Co., Ltd* (Note i)	20 January 2014 The PRC	RMB36,290,000/ RMB50,000,000	65%	35%	Consultancy for technology development and transfer
深圳市華訊新天地科技有限公司 Shenzhen Huaxun Xintiandi Technology Co., Ltd* (Note ii)	14 September 2011 The PRC	RMB20,200,000/ RMB20,200,000	51%	—	Manufacture of computer, communication and other electronic devices

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share/ registered capital	Attributable equity interest of the Target Group		Principal activities
			Direct	Indirect	
上海琪仕電子科技有限公司 Shanghai Qishi Electronic Technology Co., Ltd* (Note i)	17 February 2014 The PRC	RMB10,000,000/ RMB10,000,000	100%	—	Manufacture of computer, communication and other electronic devices
華訊國際集團有限公司 Huaxun International Group Co., Ltd*	3 April 2013 Hong Kong	HKD397,920/ HKD500,000	100%	—	Sales of HF & UHF communication system
CCT SATCOM LIMITED	22 May 2015 Hong Kong	HKD100/ HKD100	—	68%	Trading of communication devices
深圳市華訊方舟系統工程設備有限公司 Shenzhen Huaxun Fangzhou System Engineering Equipment Co., Ltd* (Note i)	19 September 2014 The PRC	RMB30,000,000/ RMB100,000,000	100%	—	Manufacture of computer, communication and other electronic devices
河南華訊方舟電子有限公司 Henan Huaxun Fangzhou Electronics Co., Ltd.* (Note ii)	29 November 2016 The PRC	— / RMB10,000,000	—	35%	Trading business of goods and technology
成都國訊聯合科技有限公司 Chengdu Guoxun United Technology Co., Ltd* (Note i)	23 October 2014 The PRC	RMB50,000,000/ RMB50,000,000	100%	—	Manufacture of computer, communication and other electronic devices
無錫華訊方舟科技有限公司 Wuxi Huaxun Fangzhou Technology Co., Ltd.* (Note ii)	26 December 2014 The PRC	RMB35,970,000/ RMB100,000,000	75%	—	Online logistics and big data cloud platform
南京華訊方舟智慧城市信息科技有限公司 Nanjing Huaxun Fangzhou Intelligent City Information Technology Co., Ltd* (Note i)	10 April 2015 The PRC	RMB1,660,000/ RMB10,000,000	100%	—	Network technology services and information consultation
深圳市華訊方舟微電子科技有限公司 Shenzhen Huaxun Fangzhou Microelectronics Technology Co., Ltd* (Note ii)	8 April 2015 The PRC	RMB45,000,000/ RMB66,666,666	70%	—	R & D, production andsales of semiconductor, microwave, THz component devices
華訊方舟股份有限公司 Huaxun Fangzhou Company Limited* (Note ii)	1 February 1997 The PRC	RMB757,368,462/ RMB757,368,462	29.8%	—	Manufacture of computer, communication and other electronic devices

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share/ registered capital	Attributable equity interest of the Target Group		Principal activities
			Direct	Indirect	
吉林市吉研高科技纖維有限責任公司 Jilin Jiyan High-Tech Fiber Co., Ltd* (Note ii)	12 February 2004 The PRC	RMB20,000,000/ RMB20,000,000	—	17.8%	Manufacture of PAN-based carbon fibers & products, rayon-based carbon fibers and bike & components of carbon fiber composite materials
南京華訊方舟通信設備有限公司 Nanjing Huaxun Fangzhou Communication Equipment Co., Ltd* (Note ii)	23 July 2013 The PRC	RMB100,000,000/ RMB418,000,000	—	29.8%	R & D, production and sales of communication system products
成都國蓉科技有限公司 Chengdu Guorong Technology Co., Ltd* (Note ii)	1 November 2011 The PRC	RMB100,000,000/ RMB100,000,000	—	29.8%	Manufacture of computer, communication and other electronic devices
成都華訊天穀科技有限公司 Chengdu Huaxun Tiangu Technology Co., Ltd* (Note ii)	26 August 2015 The PRC	— / RMB50,000,000	—	29.8%	Military electronic products
武漢華訊國蓉科技有限公司 Wuhan Huaxun Guorong Technology Co., Ltd.* (Note ii)	26 February 2016 The PRC	— / RMB50,000,000	—	29.8%	Maintenance of communications equipment, trading of goods
北京華鑫方舟科技有限公司 Beijing Huaxun Fangzhou Technology Co., Ltd* (Note ii)	27 May 2015 The PRC	RMB20,000,000/ RMB20,000,000	—	15.19%	Technical services
深圳市華訊方舟投資發展有限公司 Shenzhen Huaxun Ark Investment Development Co., Ltd* (Note ii)	29 September 2015 The PRC	RMB15,010,000/ RMB100,000,000	—	29.8%	Funds for shareholding investment and entrusted shareholding investment
深圳市華訊方德投資管理有限公司 Shenzhen Huaxun Fangde Investment Management Co., Ltd.* (Note ii)	18 January 2016 The PRC	— / RMB60,000,000	—	15.19%	Consultation services for corporate listing, financial information and information
華研方舟(北京)信息科技研究院有限公司 Huayan Fangzhou (Beijing) Information Technology Research Institute Ltd* (Note ii)	25 September 2015 The PRC	RMB3,720,000/ RMB10,000,000	—	29.8%	Engineering and technical research and tentative development

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share/ registered capital	Attributable equity interest of the Target Group		Principal activities
			Direct	Indirect	
深圳市華訊方舟系統技術有限公司 Shenzhen Huaxun Fangzhou System Technology Co., Ltd.* (Note ii)	16 March 2016 The PRC	RMB25,000,000 RMB100,000,000	—	15.19%	Domestic trading business, import and export business
深圳市華訊方舟裝備技術有限公司 Shenzhen Huaxun Fangzhou Equipment Technology Co., Ltd.* (Note ii)	28 June 2016 The PRC	— / RMB100,000,000	—	29.8%	Domestic trading business, import and export business
華訊方舟(香港)控股有限公司 Huaxun Fangzhou (Hong Kong) Holdings Co., Ltd.*	15 January 2016 Hong Kong	— / HKD1,000,000	—	29.8%	Research, manufacture, trading of electrical products
華訊方舟智慧信息科技(深圳)有限公司 Huaxun Fangzhou Zhihui Information Technology (Shenzhen) Co., Ltd* (Note i)	3 July 2015 The PRC	— / RMB10,000,000	100%	—	Development and sales of computer software & hardware and communication products
深圳市華訊方舟衛星通信有限公司 Shenzhen Huaxun Fangzhou Satellite Communication Co., Ltd* (Note ii)	16 July 2015 The PRC	RMB170,000/ RMB115,000,000	60.87%	—	Development and sales of system for satellite broadband communication devices
深圳市華訊方舟軟件信息有限公司 Shenzhen Huaxun Fangzhou Software Information Co., Ltd* (Note i)	11 September 2015 The PRC	RMB6,500,000/ RMB11,250,000	100%	—	Development and sales of computer software & hardware and communication products
深圳市華訊方舟進出口有限公司 Shenzhen Huaxun Fangzhou Import and Export Co., Ltd* (Note ii)	18 September 2015 The PRC	RMB10,000/ RMB50,000,000	51%	—	Trading of goods and technology
深圳市太赫茲科技創新研究院 Shenzhen Huaxun Fangzhou Terahertz Technology Innovation Research Institute* (Note i)	11 December 2015 The PRC	RMB10,000,000/ RMB10,000,000/	100%	—	Domestic trading business, import and export business
深圳市無牙太赫茲科技有限公司 Shenzhen No Tooth Terahertz Technology Co., Ltd.* (Note i)	11 January 2016 The PRC	RMB50,000,000/ RMB50,000,000	100%	—	Domestic trading business, import and export business
深圳市華訊教育科技有限公司 Shenzhen Huaxun Education Technology Co., Ltd.* (Note i)	2 February 2016 The PRC	RMB4,050,000/ RMB10,000,000	100%	—	Sales of electronic products

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share/ registered capital	Attributable equity interest of the Target Group		Principal activities
			Direct	Indirect	
深圳華訊鑫根投資基金管理有限公司 Shenzhen Huaxun Xingen Investment Fund Management Co., Ltd.* (Note ii)	3 November 2014 The PRC	— / RMB5,000,000	51%	—	Investment management
荊州市華垣置業有限公司 Jingzhou Huayuan Property Co., Ltd.* (Note i)	17 March 2016 The PRC	— / RMB10,000,000	100%	—	Development and sales of properties
深圳市華訊方舟基金管理有限公司 Shenzhen Huaxun Fangzhou Fund Management Co., Ltd.* (Note i)	4 March 2016 The PRC	RMB5,000/ RMB20,000,000	100%	—	Equity interest investment
深圳市華訊合創投資有限公司 Shenzhen Huaxun Hezhuang Investment Co., Ltd.* (Note ii)	2 November 2016 The PRC	— / RMB10,000,000	—	51%	Investment in setting up industrial business
深圳市太赫兹科技創新研究院有限公司 Shenzhen Huaxun Fangzhou Terahertz Technology Innovation Research Institute Co., Ltd.* (Note i)	15 March 2016 The PRC	RMB50,000,000 RMB50,000,000	67%	33%	Domestic trading business, import and export business
深圳市太赫兹系統設備有限公司 Shenzhen Huaxun Fangzhou Terahertz System Equipment Co., Ltd.* (Note i)	31 March 2016 The PRC	RMB5,000,000/ RMB5,000,000	—	100%	Domestic trading business, import and export business
深圳市華訊方舟物業管理有限公司 Shenzhen Huaxun Fangzhou Property Management Co., Ltd.* (Note i)	21 April 2016 The PRC	RMB750,000/ RMB10,000,000	85%	—	Property management, residential leasing
深圳市華訊星通訊有限公司 Shenzhen Huaxun Satellite Communications Co., Ltd.* (Note i)	12 May 2016 The PRC	RMB870,000,000/ RMB1,360,000,000	62.5%	—	Satellite broadband communications equipment system for domestic trading, trading of goods and technology
湖北典倫進出口貿易有限公司 Hubei Dianlun Import and Export Trading Co., Ltd.* (Note i)	19 September 2016 The PRC	— / RMB20,000,000	—	100%	Self-produced and distributed goods and technology trading
中山市華訊方舟投資有限公司 Zhongshan Huaxun Fangzhou Investment Co., Ltd.* (Note i)	18 September 2016 The PRC	— / RMB100,000,000	100%	—	Property investment and development, goods and technology trading

Name of subsidiary	Date and place of incorporation/ establishment	Issued and fully paid share/ registered capital	Attributable equity interest of the Target Group		Principal activities
			Direct	Indirect	
中山市華訊方舟技術開發有限公司 Zhongshan Huaxun Fangzhou Technology Development Co., Ltd.* (Note i)	18 September 2016 The PRC	— / RMB100,000,000	100%	—	Trading of goods and technology

Notes:

(i) The subsidiary is a wholly owned domestic limited company incorporated in the PRC.

(ii) The subsidiary is a non-wholly owned domestic limited company incorporated in the PRC.

All companies of the Target Group have adopted 31 December as the financial year end date.

The statutory financial statements of China Communication Technology Co., Ltd* and other subsidiaries for each of the three years ended 31 December 2016, 31 December 2015 and 31 December 2014 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by the following certified public accountants registered in the PRC.

Name	Financial Period	Auditors
華訊方舟科技有限公司 China Communication Technology Co., Ltd*	For the years ended 31 December 2014, 2015 and 2016	Asia-Pacific (Group) Certified Public Accountants Company Limited 亞太(集團)會計師事務所(特殊普通合夥)
華訊方舟科技(湖北)有限公司 Huaxun Fangzhou (Hubei) Technology Co., Ltd*	For the years ended 31 December 2014, 2015 and 2016	Asia-Pacific (Group) Certified Public Accountants Company Limited 亞太(集團)會計師事務所(特殊普通合夥)

Name	Financial Period	Auditors
華訊方舟股份有限公司 Huaxun Fangzhou Company Limited*	For the years ended 31 December 2015 and 2016	Daxin Certified Public Accountants LLP 大信會計師事務所(特殊普通合夥)
	For the year ended 31 December 2014	Baker Tilly China Certified Public Accountants 天職國際會計師事務所(特殊普通合夥)
吉林市吉研高科技纖維有限責任公司 Jilin Jiyan High-Tech Fiber Co., Ltd*	For the years ended 31 December 2016 and 2015	Daxin Certified Public Accountants LLP 大信會計師事務所(特殊普通合夥)
	For the year ended 31 December 2014	Baker Tilly China Certified Public Accountants 天職國際會計師事務所(特殊普通合夥)
南京華訊方舟通信設備有限公司 Nanjing Huaxun Fangzhou Communication Equipment Co., Ltd*	For the years ended 31 December 2016 and 2015	Daxin Certified Public Accountants LLP 大信會計師事務所(特殊普通合夥)
	For the year ended 31 December 2014	Nan Jing Zhong He CPA Limited 南京中和會計師事務所
成都國蓉科技有限公司 Chengdu Guorong Technology Co., Ltd*	For the years ended 31 December 2014, 2015 and 2016	Daxin Certified Public Accountants LLP 大信會計師事務所(特殊普通合夥)
成都華訊天穀科技有限公司 Chengdu Huaxun Tiangu Technology Co., Ltd*	For the year ended 31 December 2016	Daxin Certified Public Accountants LLP 大信會計師事務所(特殊普通合夥)
北京華鑫方舟科技有限公司 Beijing Huaxun Fangzhou Technology Co., Ltd*	For the years ended 31 December 2016 and 2015	Daxin Certified Public Accountants LLP 大信會計師事務所(特殊普通合夥)

Name	Financial Period	Auditors
深圳市華訊方舟投資發展有限公司 Shenzhen Huazheng Ark Investment and Development Co., Ltd*	For the year ended 31 December 2016	Daxin Certified Public Accountants LLP 大信會計師事務所(特殊普通合夥)
華研方舟(北京)信息科技研究院有限公司 Huayan Fangzhou (Beijing) Information Technology Research Institute Limited*	For the years ended 31 December 2016 and 2015	Daxin Certified Public Accountants LLP 大信會計師事務所(特殊普通合夥)
深圳市華訊方舟系統技術有限公司 Shenzhen Huaxun Fangzhou System Technology Co., Ltd.*	For the year ended 31 December 2016	Daxin Certified Public Accountants LLP 大信會計師事務所(特殊普通合夥)

No audited financial statements of other subsidiaries have been prepared for the Relevant Periods as there is no statutory audit requirement in the country of their incorporation.

The directors of the Target Company have prepared the consolidated financial statements of the Target Group for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "Underlying Financial Statements"). We have performed our independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

* *The English name is a translation of its Chinese name and included herein for indentification purpose only.*

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2016	2015	2014
		RMB'000	*RMB'000*	*RMB'000*
Revenue	8	6,989,263	6,813,848	5,082,615
Cost of sales		(4,950,530)	(5,214,722)	(3,944,441)
Gross profit		2,038,733	1,599,126	1,138,174
Other income and gain or (losses)	9	293,742	580,821	(46,342)
Selling expenses		(52,928)	(46,217)	(51,190)
Administrative expenses		(493,537)	(371,818)	(256,235)
Profit from operation		1,786,010	1,761,912	784,407
Share of profits or (losses) of associates		1,714	(7,204)	(224)
Gain on bargain purchase of a subsidiary		—	—	990
Gain or (loss) on disposal of subsidiaries	40	1,842,084	(482,304)	—
Impairment on goodwill	18	—	—	(817,321)
Impairment on assets		(50,570)	(20,474)	(11,105)
Finance cost	11	(379,158)	(321,487)	(129,231)
Profit/(loss) before tax		3,200,080	930,443	(172,484)
Income tax expense	12	(338,886)	(353,270)	(51,467)
Profit/(loss) for the year	13	2,861,194	577,173	(223,951)
Other comprehensive income after tax:				
Items that may be reclassified to profit or loss:				
Fair value changes of available-for-sale financial assets		(413)	(1,472)	—
Other comprehensive expense for the year, net of tax		(413)	(1,472)	—
Total comprehensive income/(loss) for the year		2,860,781	575,701	(223,951)
Profit/(loss) for the year attributable to:				
Owners of the Target Company		2,750,315	586,950	(212,864)
Non-controlling interests		110,879	(9,777)	(11,087)
		2,861,194	577,173	(223,951)
Total comprehensive income/(expense) for the year attributable to:				
Owners of the Target Company		2,749,902	585,631	(212,864)
Non-controlling interests		110,879	(9,930)	(11,087)
		2,860,781	575,701	(223,951)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2016	2015	2014
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	15	400,095	255,573	1,316,365
Prepaid land lease payments	16	95,673	103,934	143,850
Investment properties	17	941,659	920,670	121,094
Goodwill	18	48,574	48,574	48,574
Intangible assets	19	591,003	298,970	211,953
Investments in associates	21	912,736	2,672	55,382
Available-for-sale financial assets	22	4,558	3,971	—
Other financial assets	23	7,000	—	—
Pledged bank deposits	31	—	—	269,000
Deposits paid for non-current assets		725,916	137,459	576,917
Deferred tax assets	24	11,442	7,433	37,633
		3,738,656	1,779,256	2,780,768
Current assets				
Inventories	25	2,618,212	3,554,518	2,379,716
Trade and bill receivables	26	3,703,592	3,597,639	2,132,751
Prepayments, deposits and other receivables	27	1,675,480	1,942,728	392,236
Other financial assets	23	—	20,000	230,417
Due from shareholders	28	34,109	2,400	6,720
Due from associates	29	817,444	10,260	—
Due from a related party	30	632	600	—
Pledged bank deposits	31	2,046,243	939,253	1,522,768
Bank and cash balances	31	1,283,719	481,615	500,151
		12,179,431	10,549,013	7,164,759
Disposal company classified as held for sale	41	76,242	—	—
		12,255,673	10,549,013	7,164,759

	Notes	As at 31 December 2016	2015	2014
		RMB'000	*RMB'000*	*RMB'000*
Current liabilities				
Trade and bill payables	32	2,196,714	3,885,457	3,066,476
Accruals and other payables	33	534,398	1,391,068	1,475,966
Due to shareholders	28	17,600	142,954	43,207
Borrowings	34	3,247,156	2,958,970	2,420,844
Current tax liabilities		397,585	221,061	49,077
		6,393,453	8,599,510	7,055,570
Liabilities directly associated with the disposal company	41	43,885	—	—
		6,437,338	8,599,510	7,055,570
Net current assets		5,818,335	1,949,503	109,189
Total assets less current liabilities		9,556,991	3,728,759	2,889,957
Non-current liabilities				
Borrowings	34	2,513,389	1,341,000	1,341,000
Bond	35	981,723	—	—
Other liabilities	36	500	—	180,000
Deferred income	37	86,055	61,473	135,880
Deferred tax liabilities	24	102,859	97,612	104
		3,684,526	1,500,085	1,656,984
NET ASSETS		5,872,465	2,228,674	1,232,973
Capital and reserves				
Capital	38	400,000	400,000	35,714
Reserves	39	4,590,201	1,705,179	50,460
Equity attributable to owners of the Target Company		4,990,201	2,105,179	86,174
Non-controlling interests		882,264	123,495	1,146,799
TOTAL EQUITY		5,872,465	2,228,674	1,232,973

STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2016	2015	2014
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment		90,184	95,550	51,724
Intangible assets		555,558	272,510	120,824
Investments in subsidiaries	20	2,081,302	1,933,376	1,816,793
Investments in associates		51,255	2,672	3,526
Available-for-sale financial assets		1,000	—	—
Other financial assets		7,000	—	—
Pledged bank deposits		—	—	269,000
Deferred tax assets		7,269	2,925	2,445
		2,793,568	2,307,033	2,264,312
Current assets				
Inventories		2,349,147	3,470,312	1,535,102
Trade and bill receivables		1,202,846	2,278,456	1,619,459
Prepayments, deposits and other receivables		1,319,695	405,728	822,647
Due from shareholders		45,172	16,399	2,520
Due from subsidiaries		2,553,863	1,918,886	331,892
Due from associates		831,090	3,334	—
Pledged bank deposits		1,373,598	762,186	1,101,375
Bank and cash balances		178,240	170,359	81,375
		9,853,651	9,025,660	5,494,370
Current liabilities				
Trade and bill payables		1,842,518	3,494,931	1,878,156
Accruals and other payables		146,259	599,069	149,171
Due to subsidiaries		844,167	433,024	1,126,453
Due to shareholders		—	99,747	37,044
Borrowings		2,199,369	2,082,250	2,210,956
Current tax liabilities		333,343	215,328	48,339
		5,365,656	6,924,349	5,450,119
Net current assets		4,487,995	2,101,311	44,251
Total assets less current liabilities		7,281,563	4,408,344	2,308,563

	Note	As at 31 December 2016	2015	2014
		RMB'000	*RMB'000*	*RMB'000*
Non-current liabilities				
Borrowings		2,407,716	1,341,000	1,341,000
Deferred income		13,745	12,624	10,672
		2,421,461	1,353,624	1,351,672
NET ASSETS		4,860,102	3,054,720	956,891
Capital and reserves				
Capital		400,000	400,000	35,714
Reserves	39	4,460,102	2,654,720	921,177
TOTAL EQUITY		4,860,102	3,054,720	956,891

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the owners of the Target Company							
	Capital	Capital reserve	Statutory reserve	Available-for-sale reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	35,714	5,027	17,857	—	240,440	299,038	4,410	303,448
Contribution by non-controlling shareholders	—	—	—	—	—	—	17,200	17,200
Acquisitions of subsidiaries	—	—	—	—	—	—	1,136,276	1,136,276
Total comprehensive expense for the year	—	—	—	—	(212,864)	(212,864)	(11,087)	(223,951)
At 31 December 2014	35,714	5,027	17,857	—	27,576	86,174	1,146,799	1,232,973
At 1 January 2015	35,714	5,027	17,857	—	27,576	86,174	1,146,799	1,232,973
Contribution by non-controlling shareholders	—	—	—	—	—	—	20,000	20,000
Capital injection	5,570	394,430	—	—	—	400,000	—	400,000
Transfer of capital reserve	358,716	(358,716)	—	—	—	—	—	—
Transfer of subsidiaries within the Target Group (Note a)	—	1,033,374	—	—	—	1,033,374	(1,033,374)	—
Total comprehensive income/(expense) for the year	—	—	—	(1,319)	586,950	585,631	(9,930)	575,701
Appropriation of statutory reserve	—	—	169,783	—	(169,783)	—	—	—
At 31 December 2015	400,000	1,074,115	187,640	(1,319)	444,743	2,105,179	123,495	2,228,674
At 1 January 2016	400,000	1,074,115	187,640	(1,319)	444,743	2,105,179	123,495	2,228,674
Contribution by non-controlling shareholders	—	—	—	—	—	—	593,010	593,010
Partial disposal of a subsidiary (Note b)	—	—	—	—	135,120	135,120	54,880	190,000
Total comprehensive income for the year	—	—	—	(413)	2,750,315	2,749,902	110,879	2,860,781
Appropriation of statutory reserve	—	—	186,807	—	(186,807)	—	—	—
At 31 December 2016	400,000	1,074,115	374,447	(1,732)	3,143,371	4,990,201	882,264	5,872,465

Notes:

(a) Transfer of subsidiaries within the Target Group represented transfer of two wholly-owned subsidiaries, namely Nanjing Huaxun Fangzhou Communication Equipment Co., Ltd* (南京華訊方舟通信設備有限公司) and Chengdu Guorong Technology Co., Ltd* (成都國蓉科技有限公司) by the Target Company to its non-wholly owned subsidiary, Huaxun Fangzhou Company Limited* (華訊方舟股份有限公司). For the details of differences between the transfer consideration and net assets share of subsidiary according to disposal equity percentage calculation, please see note 40.

(b) On August 2016, the Target Group disposed of 22.0738% of the equity interest in a subsidiary to a shareholder of the Target Company at a consideration of RMB190,000,000. The amount of approximately RMB135,120,000 was recognised directly in equity attributable to owners of the Target Company which was arising from the difference between the consideration of RMB190,000,000 and carrying amount of the non-controlling interests of approximately RMB54,880,000 calculated based on 22.0738% of the net assets of the subsidiary on the date of disposal.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year end 31 December		
	2016	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operation activities			
Profit/(loss) before tax	3,200,080	930,443	(172,484)
Adjustments for:			
Amortisation of prepaid land lease payments	2,572	2,926	1,405
Amortisation of intangible assets	21,777	8,537	1,660
Release of government grants to income	(114,525)	(137,578)	(5,293)
Depreciation	31,574	81,968	5,913
Finance cost	379,158	321,487	129,231
Interest income	(110,375)	(84,817)	(18,605)
Fair value (gains)/losses on investment properties	(20,989)	(468,869)	78,421
Share of (profits) or losses of associates	(1,714)	7,204	224
Impairment on inventories	599	1,194	827
Impairment on goodwill	—	—	817,321
Impairment on trade receivables	23,828	7,992	6,248
Impairment on prepayments, deposits and other receivables	26,143	11,288	4,030
Gain on bargain purchase of subsidiary	—	—	(990)
(Gain)/loss on disposal of subsidiaries	(1,842,084)	482,304	—
Loss on disposal of property, plant and equipment	57,152	64,947	8,400
Operating cash flows before movements in working capital	1,653,196	1,229,026	856,308
Change in inventories	935,707	(1,373,196)	(1,887,579)
Change in trade and bill receivables	(105,953)	(1,622,128)	(984,810)
Change in prepayments, deposits and other receivables	241,006	(1,575,130)	457,940
Change in trade and bill payable	(1,688,743)	964,562	1,047,348
Change in accruals and other payables	(1,609,083)	887,916	392,252
Change in deferred income	139,107	63,171	11,397
Cash used in operations	(434,763)	(1,425,779)	(107,144)
Tax paid	(161,124)	(175,671)	(9,366)
Interest received	110,375	84,817	18,605
Net cash used in operating activities	(485,512)	(1,516,633)	(97,905)

	Year end 31 December		
	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from investing activities			
Cash paid for acquisition of			
Property, plant and equipment	(210,716)	(243,103)	(66,325)
Prepaid land lease payments	(9,083)	(13,161)	(93,987)
Intangible assets	(336,342)	(210,407)	(95,698)
Investment properties	—	(247,500)	(200,000)
Placement of pledged bank deposits	(2,046,243)	(939,253)	(1,791,768)
Withdrawal of pledged bank deposits	939,253	1,791,768	—
Net cash outflow of acquisition of subsidiaries	—	—	(1,052,001)
Net cash inflow of disposal of subsidiaries	1,059,982	360,233	—
Partial disposal of a subsidiary	190,000	—	—
Purchase of available-for-sale financial assets	(1,000)	(5,443)	—
Purchase of other financial assets	(7,000)	(20,000)	(230,417)
Proceeds from disposal of other financial assets	20,000	230,417	113,978
Net cash (used in)/ generated from investing activities	(401,149)	703,551	(3,416,218)
Cash flows from financing activities			
Interests paid	(379,158)	(321,487)	(129,231)
New borrowings raised	6,042,008	4,782,062	6,023,037
Repayment of borrowings	(4,581,433)	(4,188,010)	(2,428,981)
(Repayment)/advance from shareholders	(157,063)	104,067	36,487
Advance from associates	(807,184)	(10,260)	—
Advance from a related party	(32)	(600)	—
Issue of bond	990,000	—	—
Capital injection	—	400,000	—
Contribution by non-controlling shareholders	593,010	20,000	17,200
Net cash generated from financing activities	1,700,148	785,772	3,518,512
Net increase/(decrease) in cash and cash equivalents	813,487	(27,310)	4,389
Effect of foreign exchange rate changes	(11,383)	8,774	(982)
Cash and cash equivalents at beginning of year	481,615	500,151	496,744
Cash and cash equivalents at end of year	1,283,719	481,615	500,151
Analysis of cash and cash equivalents			
Bank and cash balances	1,283,719	481,615	500,151

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

China Communication Technology Co., Ltd* (華訊方舟科技有限公司) (hereinafter referred to as the "Target Company", together with its subsidiaries referred to as the "Target Group") (formerly known as Shenzhen Huaxun Fangzhou Technology Co., Ltd* (深圳市華訊方舟科技有限公司)) was established in the People's Republic of China (the "PRC") with limited liability on 21 August 2007. The address of its registered office and principal place of business is Westside Unit, 1st & 2nd Floor, Tower 37, Chentian Industrial Park, Baotian First Road, Xixiang District, Bao'an District, Shenzhen.

The principal scope of business of the Target Group includes: development and sales of computer hardware, communication devices, and mobile phone technologies; development and sales of metal materials and semiconductors; sales of electronic products; domestic businesses, supply and sales of resources, goods and technologies export (saved for prohibited and subject to prior approval under the laws, administrative and regulatory mandates, and State Council Orders); data service business (limited to mobile network data service businesses). Licensed operations include: computer software and hardware, communication products, mobile phones, metal materials and semiconductors manufacturing.

During the Reporting Period, Mr. WU Guangsheng is the ultimate controlling party of the Target Company.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 4 below which conforms with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Target Group has adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2016. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared under the historical cost convention, as modified by investment properties and investments which are carried at their fair values. The Historical Financial Information is presented in Renminbi ("RMB") and all figures are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

The preparation of Historical Financial Information in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the management of the Target Group to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these Historical Financial Information, are disclosed in Note 5 to the Historical Financial Information.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

Consolidation

The Historical Financial Information include the financial statements of the Target Company and its subsidiaries made up to the Relevant Periods. Subsidiaries are entities over which the Target Group has control. The Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Target Group has power over an entity when the Target Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Target Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Target Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Target Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Target Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Target Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Target Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Target Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Target Company.

In the Target Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Target Company on the basis of dividends received and receivable.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Target Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Target Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Target Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Associates

Associates are entities over which the Target Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Target Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the Historical Financial Information by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Target Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Target Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Target Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Target Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Target Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Target Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Target Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Target Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Target Group and its associates are eliminated to the extent of the Target Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

In the Target Company's statement of financial position the investments in associates are stated at cost less allowance for impairment losses. The results of associates are accounted for by the Target Company on the basis of dividends received and receivable.

Foreign currency translation

(a) Functional and presentation currency

Items included in the Historical Financial Information of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information are presented in Renminbi, which is the Target Company's presentation currency and the functional currency of the principal operating subsidiaries of the Target Group. The directors consider that choosing Renminbi as the presentation currency best suits the needs of the shareholders and investors.

(b) Transactions and balances in each entity's Historical Financial Information

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Target Group entities that have a functional currency different from the Target Company's presentation currency are translated into the Target Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2.17% - 12.13%
Office equipment	19.00% - 31.67%
Motor vehicle	9.50% - 11.88%
Plant and machinery	6.33% - 19.40%
Electronic equipment and other	7.92% - 32.33%
Leasehold improvements	19.00% - 31.67%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in consolidated profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Operating leases

The Target Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Target Group as lessee

Leases that do not substantially transfer to the Target Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Target Group's communication products development is recognised only if all of the following conditions are met:

(a) An asset is created that can be identified (such as software and new processes);

(b) It is probable that the asset created will generate future economic benefits; and

(c) The development cost of the asset can be measured reliably.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 10 years. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Patents and trademarks

Patents and trademarks are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 10 years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Target Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Target Group transfers substantially all the risks and rewards of ownership of the assets; or the Target Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

Impairment losses recognised in consolidated profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through consolidated profit or loss. Impairment losses recognised in consolidated profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in consolidated profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment losses on unquoted equity instruments that are not carried at fair value because their fair value cannot be reliably measured, or on derivative assets that are linked to and must be settled by delivery of such unquoted equity instruments are not reversed.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Target Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in consolidated profit or loss.

Impairment losses are reversed in subsequent periods and recognised in consolidated profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Target Group and the amount of revenue can be measured reliably.

Revenue comprises the fair value of the consideration for the sale of goods and services in the ordinary course of the Target Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts allowed and after eliminating sales within the Target Group. Revenue is recognised as follows:

(a) Revenue from the sales of manufactured goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(b) Service income is recognised when the service is rendered and on the basis of stage of completion of each individual project, provided that the costs involved can be measured reliably. The stage of completion of a transaction is established by reference to the costs incurred to date as compared to the estimated total costs under the transaction.

(c) Rental income is recognised on a straight-line basis over the lease term.

(d) Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Target Group participates in a defined contribution retirement scheme organised by the government in the PRC. The Target Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Target Group can no longer withdraw the offer of those benefits and when the Target Group recognises restructuring costs and involves the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Target Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

A government grant is recognised when there is reasonable assurance that the Target Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are deducted from the carrying amount of the assets. The grant is recognised in profit or loss over the life of a depreciable asset by way of a reduced depreciation charge.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

Repayment of a grant related to income is applied first against any unamortised deferred income set up in respect of the grant. To the extent that the repayment exceeds any such deferred income, or where no deferred income exists, the repayment is recognised immediately in consolidated profit or loss. Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income by the amount repayable. The cumulative additional depreciation that would have been recognised in consolidated profit or loss to date in the absence of the grant is recognised immediately in consolidated profit or loss.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Target Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Target Group.

(A) A person or a close member of that person's family is related to the Target Group if that person:

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company.

(B) An entity is related to the Target Group if any of the following conditions applies:

(i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group. If the Target Group is itself such a plan, the sponsoring employers are also related to the Target Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to a parent of the Target Company.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Target Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Target Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Target Group reviews the carrying amounts of its tangible and other intangible assets except goodwill, investment properties, deferred tax assets, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Target Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the Historical Financial Information (apart from those involving estimations, which are dealt with below).

(a) Legal titles of certain buildings

As stated in notes 15 to the Historical Financial Information, the legal titles of certain buildings have not been transferred to the Target Group as at 31 December 2014, 2015 and 2016. Despite the fact that the Target Group has not obtained the relevant certificates of legal titles, the directors determine to recognise those buildings as property, plant and equipment, on the grounds that they expect the transfer of legal titles in future should have no material difficulties and the Target Group is in substance controlling those buildings.

(b) Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Target Group's investment property portfolios and concluded that the Target Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Target Group's deferred tax for investment properties, the directors have rebutted the presumption that investment properties measured using the fair value model are recovered through sale.

(c) Consolidation of entity of less than 50% equity interest

Although the Target Group owns less than 50% of the equity interest in Huaxun Fangzhou Co., Ltd*, Huaxun Fangzhou Co., Ltd* is treated as a subsidiary because the Target Group is able to control the relevant activities of Huaxun Fangzhou Co., Ltd* as a result of the minority shareholding and control of board of directors in Huaxun Fangzhou Co., Ltd*.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Target Group determines the estimated useful lives, residual values and related depreciation charges for the Target Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Target Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavorable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Target Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was approximately RMB48,574,000 after an impairment loss of approximately RMB817,321,000 was recognised during 2014. Details of the impairment loss calculation are provided in note 18 to the Historical Financial Information.

(d) Recoverability of internally-generated intangible asset

During the year, the Target Group reconsidered the recoverability of its internally-generated intangible asset arising from the Target Group's communication products. The project continues to progress in a very satisfactory manner, and customer reaction has reconfirmed the Target Group's previous estimates of anticipated revenues from the project. However, increased competition has caused the Target Group to reconsider its assumptions regarding future market shares and anticipated margins on these products. Detailed sensitivity analysis has been carried out and the Target Group is confident that the carrying amount of the asset will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods, if future market activity indicates that such adjustments are appropriate.

(e) Fair values of investment properties

The Target Group appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(f) Impairment loss for bad and doubtful debts

The Target Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(g) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

6. FINANCIAL RISK MANAGEMENT

The Target Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance.

(a) Foreign currency risk

The Target Group has certain assets and liabilities, including trade and bill receivables, Prepayments, deposits and other receivables, pledged bank deposits and bank and cash balances, trade and bill payables, accruals and other payables and borrowings denominated in foreign currencies. Hence, it exposes to foreign currency risk.

The Target Group has not entered into any foreign currency forward contract to hedge against these foreign currencies risk exposure. However, the management of the Target Group will consider to hedge these balances should the need arise.

Foreign currency sensitivity

The Target Group is mainly exposed to exchange rate fluctuation on United States dollars ("US$") against functional currency of RMB. The carrying amounts of the Target Group's foreign currency denominated monetary assets and monetary liabilities at the end of the Reporting Periods are as follows:

	Assets			Liabilities		
	2016	**2015**	**2014**	**2016**	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
US$ assets and liabilities	4,692,773	2,505,076	1,681,724	(2,504,329)	(3,501,712)	(2,406,118)

The following table details the Target Group 's sensitivity to a 1% strengthening of RMB against US$. 1% is the sensitivity rate represents management's assessment of the reasonably possible change in the exchange rate of RMB against US$. A positive/(negative) amount below represents increase/(decrease) in profit before tax for the relevant year:

	US$		
	2016	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
If RMB weakens 1% against foreign currencies	16,413	(7,475)	(5,433)
If RMB strengthens 1% against foreign currencies	(16,413)	7,475	5,433

(b) Credit risk

The carrying amount of the pledged bank deposits, bank and cash balances, trade and bills receivables, prepayments, deposits and other receivables, other financial assets and amounts due from shareholders and associates included in the statement of financial position represents the Target Group's maximum exposure to credit risk in relation to the Target Group's financial assets.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on pledged bank deposits, cash and bank balances and other financial assets is limited because the counterparties are banks or financial institutions with high credit-ratings assigned by international credit-rating agencies.

The Target Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(c) Liquidity risk

The Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Target Group's financial liabilities is as follows:

As at 31 December 2016

	Weighted average interest rate	On demand or less than 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	10.70%	78,263	122,470	3,230,220	1,621,249	590,901	733,803	6,376,906	5,760,545
Bond	7.05%	—	—	63,800	63,800	1,063,800	—	1,191,400	981,723
Shareholder's loans	—	17,600	—	—	—	—	—	17,600	17,600
Trade and bill payables	—	2,196,714	—	—	—	—	—	2,196,714	2,196,714
Accruals and other payables	—	395,914	—	—	—	—	—	395,914	395,914
Other liabilities	—	500	—	—	—	—	—	500	500
		2,688,991	122,470	3,294,020	1,685,049	1,654,701	733,803	10,179,034	9,352,996

As at 31 December 2015

	Weighted average interest rate	On demand or less than 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	7.82%	778,584	239,107	1,680,530	1,937,949	—	—	4,636,170	4,299,970
Shareholder's loans	—	142,954	—	—	—	—	—	142,954	142,954
Trade and bill payables	—	3,885,457	—	—	—	—	—	3,885,457	3,885,457
Accruals and other payables	—	937,915	—	—	—	—	—	937,915	937,915
		5,774,910	239,107	1,680,530	1,937,949	—	—	9,602,496	9,266,296

As at 31 December 2014

	Weighted average interest rate	On demand or less than 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	8.91%	565,526	102,805	1,815,050	1,613,695	—	—	4,097,076	3,761,844
Shareholder's loans	—	43,207	—	—	—	—	—	43,207	43,207
Trade and bill payables	—	3,066,476	—	—	—	—	—	3,066,476	3,066,476
Accruals and other payables	—	844,367	—	—	—	—	—	844,367	844,367
Other liabilities	—	180,000	—	—	—	—	—	180,000	180,000
		4,699,576	102,805	1,815,050	1,613,695	—	—	8,231,126	7,895,894

(d) Interest rate risk

As the Target Group has no significant interest-bearing assets and liabilities, the Target Group's operating cash flows are substantially independent of changes in market interest rates.

The Target Group's pledged bank deposits, bank balances, borrowings and bond bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

(e) Categories of financial instruments as at 31 December

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Financial assets:			
Loans and receivables (including cash and cash equivalents)	7,476,937	5,794,649	5,022,698
Available-for-sale financial assets	4,558	3,971	—
	7,481,495	5,798,620	5,022,698
Financial liabilities:			
Financial liabilities at amortised cost	9,352,995	9,266,296	7,895,894

(f) Fair values

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of the Target Group's financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categories into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Target Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Target Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December 2016:

Description	Fair value measurements using: Level 1	Level 2	Level 3	Total 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements:				
Available-for-sale financial assets				
Securities in Hong Kong	3,558	—	—	3,558
Investment properties				
Commercial — PRC	—	941,659	—	941,659
Total recurring fair value measurements	3,558	941,659	—	945,217

Disclosures of level in fair value hierarchy at 31 December 2015:

Description	Fair value measurements using: Level 1	Level 2	Level 3	Total 2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements:				
Available-for-sale financial assets				
Securities in Hong Kong	3,971	—	—	3,971
Investment properties				
Commercial — PRC	—	920,670	—	920,670
Total recurring fair value measurements	3,971	920,670	—	924,641

Disclosures of level in fair value hierarchy at 31 December 2014:

Description	Fair value measurements using: Level 1	Level 2	Level 3	Total 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements:				
Investment properties				
Commercial — The PRC	—	121,094	—	121,094
Total recurring fair value measurements	—	121,094	—	121,094

(b) Disclosure of valuation techniques and inputs used in fair value measurements as at 31 December 2016, 2015 and 2014:

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value 2016
			RMB'000
Commercial investment properties — The PRC	Market comparable approach	Price per square metre	941,659
Description	**Valuation technique**	**Inputs**	**2015**
			RMB'000
Commercial investment properties — The PRC	Market comparable approach	Price per square metre	920,670
Description	**Valuation technique**	**Inputs**	**2014**
			RMB'000
Commercial investment properties — The PRC	Market comparable approach	Price per square metre	121,094

During the three years, there were no changes in the valuation techniques used.

8. REVENUE

The Target Group's revenue which represents sales of goods to customers is as follows:

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Military products	1,575,285	953,738	490,956
Ultra high frequency (UHF) products	4,758,101	4,281,278	3,682,764
Other communication products	614,518	1,337,158	913,873
Chemical fiber products	24,895	230,277	—
Rental income	23,704	2,008	—
Other businesses	22,301	41,754	4,360
	7,018,804	6,846,213	5,091,953
Less: Taxes and surcharges	(29,541)	(32,365)	(9,338)
	6,989,263	6,813,848	5,082,615

9. OTHER INCOME AND GAIN OR (LOSSES)

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Government subsidies	114,525	137,578	5,293
Interest income	61,358	48,013	18,605
Interest income form pledged bank deposit	49,017	36,804	—
Net foreign exchange gain/(loss)	47,853	(113,981)	8,181
Fair value gain/(loss) on investment properties	20,989	468,869	(78,421)
Other	—	3,538	—
	293,742	580,821	(46,342)

10. SEGMENT INFORMATION

The Target Group has two reportable segments as follows:

Military Communication Products

Satellite Communication Products

Segment results represent the profit earned by each segment without allocation of other income and gain or (losses), selling expenses, administrative expenses and finance cost and items not directly related to the core business of the segment.

(a) The accounting policies of the operating segments are the same as those described in note 4 to the Historical Financial Information.

Information about reportable segment profit or loss is summarised as follow:

	Military Communication Products	Satellite Communication Products	Other Products	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2016				
Revenue before taxes and surcharges from external customers	1,575,285	5,372,619	70,900	7,018,804
Segment result	411,091	1,593,792	33,850	2,038,733
Unallocated income				2,187,403
Unallocated expenses				(646,898)
Finance cost				(379,158)
Profit before tax				3,200,080

	Military Communication Products	Satellite Communication Products	Other Products	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2015				
Revenue before taxes and surcharges from external customers	953,738	5,618,436	274,039	6,846,213
Segment result	184,622	1,368,916	45,588	1,599,126
Unallocated income				580,821
Unallocated expenses				(928,017)
Finance cost				(321,487)
Profit before tax				930,443

	Military Communication Products	Satellite Communication Products	Other Products	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2014				
Revenue before taxes and surcharges from external customers	490,956	4,596,637	4,360	5,091,953
Segment result	178,752	955,071	4,351	1,138,174
Unallocated income				990
Unallocated expenses				(1,182,417)
Finance cost				(129,231)
Loss before tax				(172,484)

(b) Geographical information:

All the Target Group's non-current assets are located in the PRC based on the location of the relevant entities' operation. Revenue from external customers by geographic information is analysed below.

	Revenue Year ended 31 December		
	2016	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Overseas	4,751,125	4,348,389	3,679,701
The PRC	2,238,138	2,465,459	1,402,914
	6,989,263	6,813,848	5,082,615

In presenting the geographical information, revenue is based on the locations of the customers.

(c) Information about major customers

Revenue from customers of the Reporting Periods contributing over 10% of the total revenue of the Target Group are as follows:

	2016	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	3,066,716	4,281,279	2,862,757
Customer B	1,049,529	—	—
Customer C	—	—	652,102
Customer D	525,882#	710,936	197,446#

Revenue from this customer did not exceed 10% of total revenue in the respective years. This amounts was shown for comparative purpose.

11. FINANCE COST

	2016	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Interest expenses on borrowings and bond	379,158	321,487	129,231

12. INCOME TAX EXPENSE

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Current tax - the PRC Enterprise Income Tax			
Provision for the year	337,648	225,562	88,425
Deferred tax (Note 24)	1,238	127,708	(36,958)
	338,886	353,270	51,467

Hong Kong profits tax is calculated at 16.5% (2015: 16.5%; 2014:16.5%) of the estimated assessable profits for the year. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Target Group companies in the PRC is 25% except as follows:

Company name	Preferential tax rate applicable for the year			Category of the tax incentives
	2016	2015	2014	
China Communication Technology Co., Ltd* (華訊方舟科技有限公司)	15%	15%	12.5%	New high-tech enterprises
Shenzhen Qianhai Huaxun Fangzhou Technology Co., Ltd* (深圳市前海華訊方舟科技有限公司)	15%	15%	15%	Qianhai free trade zone
Chengdu Guorong Technology Co., Ltd* (成都國蓉科技有限公司)	15%	15%	25%	New high-tech enterprises

According to the approval from taxation authorities, China Communication Technology Co., Ltd* (華訊方舟科技有限公司) is entitled for tax incentive from 2011 according to two exemptions and three half reductions policy, namely being exempted from tax for the period between 2011 to 2012 and thereafter subject to taxation at 50% of the prevailing tax rate for the following three years from 2013 to 2015. Meanwhile, it has obtained the new high-tech enterprise certificate with certificate number of GF201344200006 since 14 August 2013, valid for three years.

According to the Notice on Further Specifying Issues Concerning the Implementation Standards of Corporate Income Tax Incentives in Transitional Period (《國家稅務總局關於進一步明確企業所得稅過渡期優惠政策執行口徑問題的通知》) (Guo Shui Han [2010] No. 57), where a resident enterprise is recognized as the new high-tech enterprise and in the transitional period of the preferential regular reduction of taxation such as "two exemptions and three half reductions" and "five exemptions and five half reductions" of corporate income tax as provided in Item 3, Article 1 of the Notice of the State Council on the Implementation of the Transitional Preferential Policy on Corporate income Tax《國務院關於實施企業所得稅過渡優惠政策的通知》(Guo Fa [2007] No. 39), the applicable tax rate for such resident enterprise may be chosen in accordance with the applicable tax rate for transitional period and may adopt the "half reduction" taxation collection until the expiry of the same or choose to adopt the 15% tax rate for new high-tech enterprises without enjoyment of the half reduction of the 15% tax rate for tax collection.

China Communication Technology Co., Ltd* (華訊方舟科技有限公司) is exempted form corporate income tax from 2011 to 2012, and is subject to taxation at 50% of the prevailing tax rate from 2013 to 2014 and 15% of the applicable tax rate from 2015 onward.

According to the approval from competent taxation authorities, Shenzhen Qianhai Huaxun Fangzhou Technology Co., Ltd* (深圳市前海華訊方舟科技有限公司) is entitled for corporate income tax incentive at the tax rate of 15% since its establishment.

According to the approval from taxation authorities, Huaxun Fangzhou (Hubei) Technology Co., Ltd* (華訊方舟科技(湖北)有限公司) is entitled for national corporate income tax incentives according to two exemptions and three half reductions policy as enterprise with two software certificates from the first profitable year, which means it is exempted from corporate income tax for the first two years and thereafter is subject to corporate income tax at 50% of the prevailing tax rate for the following three years. Huaxun Fangzhou (Hubei) Technology Co., Ltd* (華訊方舟科技(湖北)有限公司) is exempted from corporate income tax from 2014 to 2015 as it gains profits form 2014.

According to the approval from taxation authorities, Shenzhen Huaxun Fangzhou Software Technology Co., Ltd* (深圳市華訊方舟軟件技術有限公司) is entitled for national corporate income tax incentives according to two exemptions and three half reductions policy as enterprise with two software certificates from 2014, namely being exempted from corporate income tax from 2014 to 2015 and subject to corporate income tax at 50% of the prevailing tax rate from 2016 to 2018.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Target Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the product of profit/(loss) before tax multiplied by the PRC enterprise income tax rate is as follows:

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before tax	3,200,080	930,443	(172,484)
PRC enterprise income tax at 25% (2015: 25%, 2014: 25%)	800,020	232,611	(43,121)
Tax effect of income that is not taxable and expenses that are not deductible	473,901	(28,283)	(241,828)
Effect of preferential tax rates of certain subsidiaries	(935,035)	148,942	336,416
	338,886	353,270	51,467

13. PROFIT/(LOSS) FOR THE YEAR

The Target Group's profit/(loss) for the year is stated after charging the following:

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales	4,950,530	5,214,722	3,944,441
Depreciation	31,574	81,968	5,913
Amortisation of intangible assets	21,777	8,537	1,660
Amortisation of prepaid land lease payments	2,572	2,926	1,405
Impairment on goodwill	—	—	817,321
Impairment on inventories	599	1,194	827
Impairment on doubtful debt of trade and other receivables	49,971	19,280	10,278
Staff costs (including Directors' remuneration):			
- salaries, bonuses and allowances	83,703	88,064	23,149
- retirement benefits scheme contributions	4,602	5,090	3,296
Research and development expenses	149,500	115,276	150,878
Auditor's remuneration	—	—	—
Operating lease charges on land and buildings	9,223	10,045	5,067

14. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of each of the three years ended 31 December 2014, 2015 and 2016.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Office equipment *RMB'000*	Motor vehicle *RMB'000*	Plant and Machinery *RMB'000*	Electronic equipment and other *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:								
At 1 January 2014	—	448	631	13,820	3,151	—	4,363	22,413
Additions	4,557	1,463	911	3,364	3,101	8,713	44,126	66,235
Business combination	340,598	—	4,320	801,386	97,952	—	—	1,244,256
Transfer	25	—	—	—	—	—	(25)	—
Disposals	—	(4)	—	(1,182)	(52)	—	(6,234)	(7,472)
At 31 December 2014 and 1 January 2015	345,180	1,907	5,862	817,388	104,152	8,713	42,230	1,325,432
Additions	320	1,405	2,291	107,516	8,385	4,814	118,372	243,103
Transfer	69,861	—	—	8,905	—	—	(78,766)	—
Disposals	—	(108)	(592)	(32,157)	(1,440)	—	(32,183)	(66,480)
Disposals of subsidiaries	(350,215)	—	(1,671)	(755,876)	(97,166)	—	—	(1,204,928)
At 31 December 2015 and 1 January 2016	65,146	3,204	5,890	145,776	13,931	13,527	49,653	297,127
Additions	584	339	9,288	5,869	16,172	12,671	1,014,382	1,059,305
Transfer	—	—	—	—	1,154	—	(1,154)	—
Transfer to disposal company classified as held for sales	—	—	—	(20,186)	—	—	—	(20,186)
Disposals	(21,188)	(2,346)	(1,997)	(3,863)	(3,703)	—	(4,802)	(37,899)
Disposals of subsidiaries	—	—	—	—	—	—	(848,588)	(848,588)
At 31 December 2016	44,542	1,197	13,181	127,596	27,554	26,198	209,491	449,759
Accumulated depreciation:								
At 1 January 2014	—	106	107	2,912	469	—	—	3,594
Charge for the year	30	188	207	3,371	1,156	961	—	5,913
Disposals	—	(1)	—	(428)	(11)	—	—	(440)
At 31 December 2014 and 1 January 2015	30	293	314	5,855	1,614	961	—	9,067
Charge for the year	4,743	657	1,206	53,378	19,405	2,579	—	81,968
Disposals	—	(104)	(574)	(120)	(552)	—	—	(1,350)
Disposals of subsidiaries	—	—	—	(31,254)	(16,877)	—	—	(48,131)
At 31 December 2015 and 1 January 2016	4,773	846	946	27,859	3,590	3,540	—	41,554
Charge for the year	2,888	259	7,660	10,576	5,266	4,925	—	31,574
Transfer to disposal company classified as held for sales	—	—	—	(12,690)	—	—	—	(12,690)
Disposals	(4,365)	(584)	(1,897)	(2,429)	(1,499)	—	—	(10,774)
At 31 December 2016	3,296	521	6,709	23,316	7,357	8,465	—	49,664
Carrying amount:								
At 31 December 2016	41,246	676	6,472	104,280	20,197	17,733	209,491	400,095
At 31 December 2015	60,373	2,358	4,944	117,917	10,341	9,987	49,653	255,573
At 31 December 2014	345,150	1,614	5,548	811,533	102,538	7,752	42,230	1,316,365

At 31 December 2014, 2015 and 2016, the Target Group was in the process of applying for the title certificate of certain land acquired by the Target Group with an aggregate carrying amount of approximately RMB3,126,000, RMB3,058,000 and RMB2,992,000 respectively. The Directors are of the view that the Target Group is entitled to lawfully and validly occupy and use the above-mentioned land in due course, and therefore the aforesaid matter did not have any significant impact on the Target Group's financial position as at 31 December 2014, 2015 and 2016.

16. PREPAID LAND LEASE PAYMENTS

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	106,259	147,111	51,428
Additions	9,083	13,161	93,987
Business combination	—	—	3,101
Amortisation of prepaid land lease payments	(2,572)	(2,926)	(1,405)
Transfer to disposal company classified as held for sales	(4,024)	—	—
Disposal of a subsidiary	—	(51,087)	—
Disposal	(10,847)	—	—
At 31 December	97,899	106,259	147,111
Current portion	(2,226)	(2,325)	(3,261)
Non-current portion	95,673	103,934	143,850

The Target Group's prepaid land lease payments related to land use rights are located in Mainland China.

At 31 December 2014, 2015 and 2016, the carrying amount of prepaid land lease payments pledged as security for the Target Group's borrowings amounted to approximately RMB44,365,000, RMB43,338,000 and RMB42,298,000 respectively.

17. INVESTMENT PROPERTIES

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	920,670	121,094	—
Additions	—	330,707	199,515
Fair value gains/(losses)	20,989	468,869	(78,421)
At 31 December	941,659	920,670	121,094

Investment properties were revalued at 31 December 2014, 2015 and 2016 on the open market value basis by reference to market evidence of recent transactions for similar properties by Shenzhen Pengchen Real Estate (Land) Assessment Company Limited* (深圳市鵬晨房地產土地資產評估有限公司), Shenzhen Pengchen Real Estate (Land) Assessment Company Limited* (深圳市鵬晨房地產土地資產評估有限公司), Pengxin Assets Assessment Land Real Estate Gujia Limited Company* (鵬信資產評估土地房地產估價有限公司), respectively, who are the independent firms of certified surveyors.

At 31 December 2014, 2015 and 2016, the carrying amount of investment properties pledged as security for the Target Group's borrowings amounted to RMB121,094,000, RMB891,990,000 and RMB941,659,000 respectively.

18. GOODWILL

	RMB'000
Cost:	
At 1 January 2014	—
Acquisition of subsidiaries	865,895
At 31 December 2014, 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	865,895
Accumulated impairment loss:	
At 1 January 2014	—
Charged to profit or loss for the year ended 31 December 2014	817,321
At 31 December 2014, 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	817,321
Carrying amount:	
At 31 December 2016	48,574
At 31 December 2015	48,574
At 31 December 2014	48,574

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2016	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Satellite Communication Products CGU			
Shenzhen Huaxun Xintiandi Technology Co., Ltd*	5,157	5,157	5,157
Huaxun International Group Co., Ltd*	400	400	400
Chemical Fiber CGU			
Huaxun Fangzhou Co., Ltd*	43,017	43,017	43,017
	48,574	48,574	48,574

Satellite Communication Products CGU

The recoverable amount of the Satellite Communication Products CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 15% (2015: 15%, 2014: 15%) and cash flows beyond the five-year-period were extrapolated using a growth rate of 3% (2015: 3%, 2014: 3%) by reference to the long-term average growth rate.

Chemical Fiber CGU

The recoverable amount of the Chemical Fiber CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 16% (2015: 17%, 2014: 13%) and cash flows beyond the five-year-period were extrapolated using a growth rate of 3% (2015: 3%, 2014: 3%) by reference to the long-term average growth rate.

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, adjusted for expected product mix, and expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to key assumptions are consistent with external information sources.

At 31 December 2014, before impairment testing, goodwill of approximately RMB860,338,000 were allocated to the Chemical Fiber CGU. Due to the shrinking business scale of the Chemical Fiber CGU and disposal of some subsidiaries which operated this chemical fiber business since 30 June 2015, the goodwill allocated to the Chemical Fiber CGU has therefore been reduced to its recoverable amount of approximately RMB43,017,000 through recognition of an impairment loss against goodwill of approximately RMB817,321,000 during the year ended 31 December 2014.

19. INTANGIBLE ASSETS

	Software	Non-patented technology	Patent right	OA Project	Research and development expense	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2014	11	—	—	—	—	11
Additions	68	16,180	—	—	79,450	95,698
Transfer	26,218	—	—	—	(26,218)	—
Business combination	2,372	49,994	65,304	235	—	117,905
At 31 December 2014 and 1 January 2015	28,669	66,174	65,304	235	53,232	213,614
Additions	7,617	—	—	—	202,790	160,113
Transfer	156	—	—	—	(156)	—
Disposals	(103)	—	—	—	(165)	(268)
Disposals of subsidiaries	(2,372)	(49,994)	(65,304)	(235)	—	(117,905)
At 31 December 2015 and 1 January 2016	33,967	16,180	—	—	255,701	305,848
Additions	128,277	—	—	—	208,065	336,342
Transfer	276,381	—	—	—	(298,901)	(22,520)
Disposals	(14)	(2,174)	—	—	—	(2,188)
At 31 December 2016	438,611	14,006	—	—	164,865	617,482

	Software	Non-patented technology	Patent right	OA Project	Research and development expense	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated amortisation and impairment:						
At 1 January 2014	1	—	—	—	—	1
Charge for the year	220	1,440	—	—	—	1,660
At 31 December 2014 and 1 January 2015	221	1,440	—	—	—	1,661
Charge for the year	2,806	4,079	1,637	15	—	8,537
Disposals	(1)	—	—	—	—	(1)
Disposals of subsidiaries	(57)	(1,610)	(1,637)	(15)	—	(3,319)
At 31 December 2015 and 1 January 2016	2,969	3,909	—	—	—	6,878
Charge for the year	20,043	1,734	—	—	—	21,777
Disposals	(2)	(2,174)	—	—	—	(2,176)
At 31 December 2016	23,010	3,469	—	—	—	26,479
Carrying amount:						
At 31 December 2016	415,601	10,537	—	—	164,865	591,003
At 31 December 2015	30,998	12,271	—	—	255,701	298,970
At 31 December 2014	28,448	64,734	65,304	235	53,232	211,953

20. SUBSIDIARIES

Details of the Target Company's subsidiaries for the Reporting Periods are set out below:

Name of subsidiaries	Notes	Date and place of incorporation/ establishment	Issued and fully paid-up share capital/registered capital	Percentage of ownership interest/ voting power/profit sharing Direct 2016	Indirect 2016	Direct 2015	Indirect 2015	Direct 2014	Indirect 2014	Principal activities
深圳市前海華訊方舟科技有限公司 Shenzhen Qianhai Huaxun Fangzhou Technology Co., Ltd*	(ii)	20 March 2012 The PRC	RMB 200,000,000/ RMB 200,000,000	55%	—	55%	—	55%	—	R & D and sales of HF & UHF communication system
深圳市智達通資訊諮詢有限公司 Shenzhen Zhitongda Information Consultancy Co., Ltd*	(i)	4 March 2014 The PRC	RMB 500,000/ RMB 500,000	—	100%	—	100%	—	100%	Property holding
深圳市惠研創科技有限公司 Shenzhen Huiyanchuang Technology Co., Ltd*	(i)	15 May 2014 The PRC	RMB30,000/ RMB30,000	—	100%	—	100%	—	—	Property holding
深圳市很發通電子有限公司 Shenzhen Henfa Electronic Co., Ltd*	(i)	22 March 2013 The PRC	RMB42,000,000/ RMB42,000,000	—	100%	—	100%	—	—	Property holding
深圳市狼翔投資有限公司 Shenzhen Langxiang Investments Co., Ltd*	(i)	17 December 2013 The PRC	RMB5,000,000/ RMB5,000,000	—	100%	—	100%	—	—	Property holding
華訊方舟科技 (湖北) 有限公司 Huaxun Fangzhou (Hubei) Technology Co., Ltd*	(i)	21 June 2013 The PRC	RMB190,000,000/ RMB190,000,000	100%	—	100%	—	100%	—	R & D, production and sales of communication system products
深圳市華訊方舟軟件技術有限公司 Shenzhen Huaxun Fangzhou Software Technology Co., Ltd*	(ii)	30 December 2013 The PRC	RMB2,000,000/ RMB20,000,000	85%	—	85%	—	100%	—	R & D and sales of computer software & hardware
西安華訊方舟信息技術有限公司 Xi'an Huaxun Fangzhou Information Technology Co., Ltd*	(i)	17 January 2014 The PRC	RMB2,473,522/ RMB10,000,000	100%	—	100%	—	100%	—	R & D and sales of computer software & hardware and communication products
深圳市華訊方舟信息技術研究院 Shenzhen Huaxun Fangzhou Communication Technology Research Institute*	(i)	27 July 2012 The PRC	RMB1,000,000/ RMB1,000,000	100%	—	100%	—	100%	—	R & D of communication system products

Name of subsidiaries	Notes	Date and place of incorporation/ establishment	Issued and fully paid-up share capital/registered capital	Percentage of ownership interest/ voting power/profit sharing Direct 2016	Indirect 2016	Direct 2015	Indirect 2015	Direct 2014	Indirect 2014	Principal activities
貴州華訊方舟信息技術有限公司 Guizhou Huaxun Fangzhou Information Technology Co., Ltd*	(i)	21 September 2012 The PRC	RMB1,000,000/ RMB1,000,000	100%	—	100%	—	100%	—	R & D and sales of computer software & hardware and communication products
貴州華訊方舟科技有限公司 Guizhou Huaxun Fangzhou Technology Co., Ltd*	(ii)	13 December 2012 The PRC	RMB1,000,000/ RMB100,000,000	—	70%	—	70%	—	70%	Sales of electronic products of communication devices
福建省華訊方舟通信技術有限公司 Fujian Huaxun Fangzhou Communication Technology Co., Ltd*	(ii)	6 January 2012 The PRC	RMB6,000,000/ RMB30,000,000	99%	—	99%	—	99%	—	Development and sales of communication products and computer software & hardware
吉林華訊軌道移動通信有限公司 Jilin Huaxun Guidao Mobile Communications Co., Ltd*	(ii)	24 May 2012 The PRC	RMB5,800,000/ RMB10,000,000	75%	—	75%	—	75%	—	Design, production and sales of wireless broadband network communication system
廣州市華訊方舟資訊科技有限公司 Guangzhou Huaxun Fangzhou Information Technology Co., Ltd*	(ii)	23 October 2013 The PRC	RMB1,000,000/ RMB1,000,000	70%	—	70%	—	70%	—	Development and sales of communication products, computer software & hardware and mobile phone
智慧方舟科技有限公司 Zhihui Fangzhou Technology Co., Ltd*	(i)	20 January 2014 The PRC	RMB36,290,000/ RMB50,000,000	65%	35%	65%	35%	65%	35%	Consultancy for technology development and transfer
深圳市華訊新天地科技有限公司 Shenzhen Huaxun Xintiandi Technology Co., Ltd*	(ii)	14 September 2011 The PRC	RMB20,200,000/ RMB20,200,000	51%	—	51%	—	51%	—	Manufacture of computer, communication and other electronic devices
上海琪仕電子科技有限公司 Shanghai Qishi Electronic Technology Co., Ltd*	(i)	17 February 2014 The PRC	RMB10,000,000/ RMB10,000,000	100%	—	100%	—	100%	—	Manufacture of computer, communication and other electronic devices
華訊國際集團有限公司 Huaxun International Group Co., Ltd*		3 April 2013 Hong Kong	HKD397,920/ HKD500,000	100%	—	100%	—	100%	—	Sales of HF & UHF communication system
CCT SATCOM LIMITED		22 May 2015 Hong Kong	HKD100/ HKD100	—	68%	—	68%	—	—	Trading of communication devices

Name of subsidiaries	Notes	Date and place of incorporation/ establishment	Issued and fully paid-up share capital/registered capital	Percentage of ownership interest/ voting power/profit sharing Direct 2016	Indirect 2016	Direct 2015	Indirect 2015	Direct 2014	Indirect 2014	Principal activities
深圳市華訊方舟系統工程設備有限公司 Shenzhen Huaxun Fangzhou System Engineering Equipment Co., Ltd*	(i)	19 September 2014 The PRC	RMB 30,000,000/ RMB 100,000,000	100%	—	100%	—	100%	—	Manufacture of computer, communication and other electronic devices
河南華訊方舟電子有限公司 Henan Huaxun Fangzhou Electronics Co., Ltd.*	(ii)	29 November 2016 The PRC	—/ RMB 10,000,000	—	35%	—	—	—	—	Trading business of goods and technology
成都國訊聯合科技有限公司 Chengdu Guoxun United Technology Co., Ltd*	(i)	23 October 2014 The PRC	RMB50,000,000/ RMB50,000,000	100%	—	100%	—	100%	—	Manufacture of computer, communication and other electronic devices
無錫華訊方舟科技有限公司 Wuxi Huaxun Fangzhou Technology Co., Ltd*	(ii)	26 December 2014 The PRC	RMB35,970,000/ RMB100,000,000	75%	—	75%	—	75%	—	Online logistics and big data cloud platform
南京華訊方舟智慧城市信息科技有限公司 Nanjing Huaxun Fangzhou Intelligent City Information Technology Co., Ltd*	(i)	10 April 2015 The PRC	RMB1,660,000/ RMB10,000,000	100%	—	100%	—	—	—	Network technology services and information consultation
深圳市華訊方舟微電子科技有限公司 Shenzhen Huaxun Fangzhou Microelectronics Technology Co., Ltd*	(ii)	8 April 2015 The PRC	RMB45,000,000/ RMB66,666,666	70%	—	70%	—	—	—	R & D, production and sales of semiconductor, microwave, THz component devices
華訊方舟股份有限公司 Huaxun Fangzhou Company Limited*	(ii)	1 February 1997 The PRC	RMB757,368,462/ RMB757,368,462	29.8%	—	29.8%	—	29.8%	—	Manufacture of computer, communication and other electronic devices
吉林市吉研高科技纖維有限責任公司 Jilin Jiyan High-Tech Fiber Co., Ltd*	(ii)	12 February 2004 The PRC	RMB20,000,000/ RMB20,000,000	—	17.8%	—	17.8%	—	17.8%	Manufacture of PAN-based carbon fibers & products, rayon-based carbon fibers and bike & components of carbon fiber composite materials
南京華訊方舟通信設備有限公司 Nanjing Huaxun Fangzhou Communication Equipment Co., Ltd*	(ii)	23 July 2013 The PRC	RMB100,000,000/ RMB418,000,000	—	29.8%	—	29.8%	100%	—	R & D, production and sales of communication system products

Name of subsidiaries	Notes	Date and place of incorporation/ establishment	Issued and fully paid-up share capital/registered capital	Percentage of ownership interest/ voting power/profit sharing						Principal activities
				Direct 2016	Indirect 2016	Direct 2015	Indirect 2015	Direct 2014	Indirect 2014	
成都國蓉科技有限公司 Chengdu Guorong Technology Co., Ltd*	(ii)	1 November 2011 The PRC	RMB100,000,000/ RMB100,000,000	—	29.8%	—	29.8%	100%	—	Manufacture of computer, communication and other electronic devices
成都華訊天穀科技有限公司 Chengdu Huaxun Tiangu Technology Co., Ltd*	(ii)	26 August 2015 The PRC	—/ RMB50,000,000	—	29.8%	—	29.8%	—	—	Military electronic products
武漢華訊國蓉科技有限公司 Wuhan Huaxun Guorong Technology Co., Ltd.*	(ii)	26 February 2016 The PRC	—/ RMB50,000,000	—	29.8%	—	—	—	—	Maintenance of communications equipment, trading of goods
北京華鑫方舟科技有限公司 Beijing Huaxun Fangzhou Technology Co., Ltd*	(ii)	27 May 2015 The PRC	RMB20,000,000/ RMB20,000,000	—	15.19%	—	15.19%	—	—	Technical services
深圳市華訊方舟投資發展有限公司 Shenzhen Huaxun Ark Investment and Development Co., Ltd*	(ii)	29 September 2015 The PRC	RMB15,010,000/ RMB100,000,000	—	29.8%	—	29.8%	—	—	Funds for shareholding investment and entrusted shareholding investment
深圳市華訊方德投資管理有限公司 Shenzhen Huaxun Fangde Investment Management Co., Ltd.*	(ii)	18 January 2016 The PRC	—/ RMB60,000,000	—	15.19%	—	—	—	—	Consultation services for corporate listing, financial information and information
華研方舟 (北京) 信息科技研究院有限公司 Huayan Fangzhou (Beijing) Information Technology Research Institute Limited*		25 September 2015 The PRC	RMB3,720,000/ RMB10,000,000	—	29.8%	—	29.8%	—	—	Engineering and technical research and tentative development
深圳市華訊方舟系統技術有限公司 Shenzhen Huaxun Fangzhou System Technology Co., Ltd.*	(ii)	16 March 2016 The PRC	RMB25,000,000/ RMB100,000,000	—	15.19%	—	—	—	—	Domestic trading business, import and export business
深圳市華訊方舟裝備技術有限公司 Shenzhen Huaxun Fangzhou Equipment Technology Co., Ltd.*	(ii)	28 June 2016 The PRC	—/ RMB100,000,000	—	29.8%	—	—	—	—	Domestic trading business, import and export business
華訊方舟 (香港) 控股有限公司 Huaxun Fangzhou (Hong Kong) Holdings Co., Ltd.*		15 January 2016 Hong Kong	—/ HKD1,000,000	—	29.8%	—	—	—	—	Research, manufacture and trading of electrical products

Name of subsidiaries	Notes	Date and place of incorporation/ establishment	Issued and fully paid-up share capital/registered capital	Percentage of ownership interest/ voting power/profit sharing						Principal activities
				Direct 2016	Indirect 2016	Direct 2015	Indirect 2015	Direct 2014	Indirect 2014	
華訊方舟智慧信息科技 (深圳) 有限公司 Huaxun Fangzhou Zhihui Information Technology (Shenzhen) Co., Ltd*	(i)	3 July 2015 The PRC	—/ RMB10,000,000	10%	—	100%	—	—	—	Development and sales of computer software & hardware and communication products
深圳市華訊方舟衛星通信有限公司 Shenzhen Huaxun Fangzhou Satellite Communication Co., Ltd*	(ii)	16 July 2015 The PRC	RMB170,000/ RMB115,000,000	60.87%	—	70%	—	—	—	Development and sales of system for satellite broadband communication devices
深圳市華訊方舟軟件信息有限公司 Shenzhen Huaxun Fangzhou Software Information Co., Ltd*	(i)	11 September 2015 The PRC	RMB6,500,000/ RMB11,250,000	100%	—	100%	—	—	—	Development and sales of computer software & hardware and communication products
深圳市華訊方舟進出口有限公司 Shenzhen Huaxun Fangzhou Import and Export Co., Ltd*	(ii)	18 September 2015 The PRC	RMB10,000/ RMB50,000,000	51%	—	51%	—	—	—	Trading of goods and technology
深圳市太赫茲科技創新研究院 Shenzhen Huaxun Fangzhou Terahertz Technology Innovation Research Institute*	(i)	11 December 2015 The PRC	RMB10,000,000/ RMB10,000,000/	100%	—	100%	—	—	—	Domestic trading business, import and export business
深圳市無牙太赫茲科技有限公司 Shenzhen No Tooth Terahertz Technology Co., Ltd.*	(i)	11 January 2016 The PRC	RMB50,000,000/ RMB50,000,000	100%	—	—	—	—	—	Domestic trading business, import and export business
深圳市華訊教育科技有限公司 Shenzhen Huaxun Education Technology Co., Ltd.*	(i)	2 February 2016 The PRC	RMB4,050,000/ RMB10,000,000	100%	—	—	—	—	—	Sales of electronic products
深圳華訊鑫根投資基金管理有限公司 Shenzhen Huaxun Xingen Investment Fund Management Co., Ltd.*	(ii)	3 November 2014 The PRC	—/ RMB5,000,000	51%	—	51%	—	51%	—	Investment management
荊州市華垣置業有限公司 Jingzhou Huayuan Property Co., Ltd.*	(i)	17 March 2016 The PRC	—/ RMB10,000,000	100%	—	—	—	—	—	Development and sales of properties
深圳市華訊方舟基金管理有限公司 Shenzhen Huaxun Fangzhou Fund Management Co., Ltd.*	(i)	4 March 2016 The PRC	RMB5,000/ RMB20,000,000	100%	—	—	—	—	—	Equity interest investment

Name of subsidiaries	Notes	Date and place of incorporation/ establishment	Issued and fully paid-up share capital/registered capital	Percentage of ownership interest/ voting power/profit sharing Direct 2016	Indirect 2016	Direct 2015	Indirect 2015	Direct 2014	Indirect 2014	Principal activities
深圳市華訊合創投資有限公司 Shenzhen Huaxun Hezhuang Investment Co., Ltd.*	(ii)	2 November 2016 The PRC	—/ RMB10,000,000	—	51%	—	—	—	—	Investment in setting up industrial business
深圳市太赫茲科技創新研究院有限公司 Shenzhen Huaxun Fangzhou Terahertz Technology Innovation Research Institute Co., Ltd.*	(ii)	15 March 2016 The PRC	RMB50,000,000/ RMB50,000,000	67%	33%	—	—	—	—	Domestic trading business, import and export business
深圳市太赫茲系統設備有限公司 Shenzhen Huaxun Fangzhou Terahertz System Equipment Co., Ltd.*	(i)	31 March 2016 The PRC	RMB5,000,000/ RMB5,000,000	—	100%	—	—	—	—	Domestic trading business, import and export business
深圳市華訊方舟物業管理有限公司 Shenzhen Huaxun Fangzhou Property Management Co., Ltd.*	(i)	21 April 2016 The PRC	RMB750,000/ RMB10,000,000	85%	—	—	—	—	—	Property management, residential leasing
深圳市華訊星通訊有限公司 Shenzhen Huaxun Satellite Communications Co., Ltd.*	(i)	12 May 2016 The PRC	RMB870,000,000/ RMB1,360,000,000	62.5%	—	—	—	—	—	Satellite broadband communications equipment system for domestic trading, trading of goods and technology
湖北典倫進出口貿易有限公司 Hubei Dianlun Import and Export Trading Co., Ltd.*	(i)	19 September 2016 The PRC	—/ RMB20,000,000	—	100%	—	—	—	—	Self-produced and distributed goods and technology trading
中山市華訊方舟投資有限公司 Zhongshan Huaxun Fangzhou Investment Co., Ltd.*	(i)	18 September 2016 The PRC	—/ RMB100,000,000	100%	—	—	—	—	—	Property investment and development, goods and technology trading
中山市華訊方舟技術開發有限公司 Zhongshan Huaxun Fangzhou Technology Development Co., Ltd.*	(i)	18 September 2016 The PRC	—/ RMB100,000,000	100%	—	—	—	—	—	Trading of goods and technology

Notes:

(i) The subsidiary is a wholly owned domestic limited company incorporated in the PRC.

(ii) The subsidiary is a non-wholly owned domestic limited company incorporated in the PRC.

The following table shows information of subsidiaries that have non-controlling interests ("**NCI**") material to the Target Group. The summarised financial information represents amounts before inter-company eliminations.

(a) Huaxun Fangzhou Company Limited

	2016	2015	2014
Principal place of business / country of incorporation		The PRC/The PRC	
% of ownership interests / voting rights held by NCI	70.2%/ 70.2%	70.2%/ 70.2%	70.2%/ 70.2%
	RMB'000	*RMB'000*	*RMB'000*
At 31 December:			
Non-current assets	171,823	79,326	1,449,173
Current assets	2,567,240	1,343,466	1,095,174
Non-current liabilities	(1,009,633)	(5,059)	(340,624)
Current liabilities	(1,554,814)	(1,478,350)	(591,994)
Net assets/(liabilities)	174,616	(60,617)	1,611,729
Accumulated NCI	122,580	(42,553)	1,131,434
Year ended 31 December:			
Revenue	1,603,067	877,868	—
Profit	157,377	(1,113)	—
Total comprehensive income	157,377	(1,425)	—
Profit allocated to NCI	110,479	(1,000)	—
Dividends paid to NCI	—	—	—
Net cash generated from/(used in) operating activities	5,971	(338,398)	—
Net cash used in investing activities	(84,114)	(395,317)	—
Net cash generated from financing activities	786,882	1,259,784	—
Net increase in cash and cash equivalents	708,739	526,069	—

As at 31 December 2014, 2015 and 2016, the bank and cash balances of the Target Company's subsidiaries in the PRC denominated in Renminbi ("**RMB**") amounted to approximately RMB303,360,000, RMB321,115,000 and RMB1,258,941,000 respectively. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

21. INVESTMENTS IN ASSOCIATES

	2016	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investments in the PRC:			
Share of net assets	88,425	2,672	55,382
Goodwill	824,311	—	—
	912,736	2,672	55,382

Details of the associates of the Target Group is as follow:

Name of associates	Place of incorporation/ operations	Registered/ paid-up capital	Percentage of equity interest attributable to the Target Group Direct 2016	Indirect 2016	Direct 2015	Indirect 2015	Direct 2014	Indirect 2014	Principal activities
深圳鑫衛訊投資基金管理有限公司 Shenzhen Xinweixun Investment Fund Management Co., Ltd*	The PRC	RMB10,000,000/ RMB10,000,000	—	—	20%	—	20%	—	Investment
西安華訊天基通信技術有限公司 Xi'an Huaxun Tianji Communication Technology Co., Ltd*	The PRC	RMB5,000,000/ RMB5,000,000	33.75%	—	35%	—	35%	—	Manufacture of computer, communication and other electronic devices
保定裡奇天鵝化工有限公司 Baoding Liqi Tian'e Chemical Co., Ltd*	The PRC	EUR930,000/ EUR930,000	—	—	—	—	—	27%	Production and sales of assistant & oil agent for textile fibers
安徽豐創生物技術產業創業投資有限公司 Anhui Fengchuang Biotechnology Industry Venture-capital Co., Ltd*	The PRC	RMB255,000,000/ RMB255,000,000	—	—	—	—	—	19.608%	Venture Capital
蕪湖市融捷方舟智慧科技有限公司 Wuhu Rongjie Fangzhou Intelligent Technology Co., Ltd*	The PRC	—/ RMB50,000,000	49%	—	49%	—	—	—	Research and Development and manufacturing of new display screen and electronic ink screen
藍帕 (北京) 科技股份有限公司 Lanpa (Beijing) Technology Co., Ltd*	The PRC	RMB22,684,200/ RMB28,655,000	4.41%	17.19%	39%	10%	—	—	Professional contracting, technology transfer, technology development
南京企友資訊科技有限公司 Nanjing Qiyou Information Technology Co., Ltd*	The PRC	RMB9,956,670/ RMB21,000,000	45%	—	—	—	—	—	Development and sales of computer software & hardware and communication products
深圳市華訊方舟投資有限公司 Shenzhen Huaxun Fangzhou Investment Co., Ltd*	The PRC	RMB49,000,000/ RMB100,000,000	49%	—	100%	—	100%	—	Manufacturer of computer, communication and other electronic devices

The following table shows information of associates that are material to the Target Group. These associates are accounted for in the Historical Financial Information using the equity method. The summarised financial information presented is based on the IFRS financial statements of the associates.

(a) 深圳市華訊方舟投資有限公司
Shenzhen Huaxun Fangzhou Investment Co., Ltd*

	2016
Principal place of business/ country of incorporation	The PRC/ The PRC
Principal activities	Property Development
% of ownership interests/ voting rights held by the Target Group	49%
	RMB'000
At 31 December:	
Non-current assets	893,989
Current assets	16,923
Non-current liabilities	(3,263)
Current liabilities	(801,905)
Net assets	105,744
Target Group's share of net assets	51,815
Goodwill	824,311
Target Group's share of carrying amount of interests	876,126
Year ended 31 December:	
Revenue	—
Loss from continuing operations	(4,873)
Profit after tax from discontinued operations	—
Other comprehensive income	—
Total comprehensive income	—
Dividends received from associates	—

The following table shows, in aggregate, the Target Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
At 31 December:			
Carrying amounts of interests	36,610	2,672	55,382
Year ended 31 December:			
Profit/(loss) from continuing operations	3,210	(7,204)	(224)
Profit after tax from discontinued operations	—	—	—
Other comprehensive income	—	—	—
Total comprehensive income	—	—	—

The Target Group's share of associates' profit for the years 2014, 2015 and 2016 includes share of associates' taxation of approximately RMB114,000, RMB Nil and RMB Nil respectively.

As at 31 December 2014, 2015 and 2016, the bank and cash balances of the Target Group's associates in the PRC denominated in RMB amounted to approximately RMB218,079,000, RMB12,691,000 and RMB12,587,000 respectively. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Equity securities, at fair value			
Listed in Hong Kong	3,558	3,971	—
Market value of listed securities	3,558	3,971	—
Investment in the PRC, at cost	1,000	—	—
	4,558	3,971	—

Unlisted investment with carrying amount of RMB1,000,000 was carried at cost it does not have a quoted market price in an active market and whose fair value cannot be reliably measured.

23. OTHER FINANCIAL ASSETS

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Fund for Fangdexin Dongfang Qinghui No.1 Private Equity Fund (Note a)	7,000	—	—
Current:			
Wealth management products (Note b)	—	20,000	230,417
	7,000	20,000	230,417

Notes:

(a) During the year ended 31 December 2016, the Target Company has signed an agreement with a shareholder of the Target Company at a total contract amount of RMB7,000,000, representing an interest in the right of a Chinese TV drama <向天傾訴>.

(b) As at 31 December 2014, this balance represented investments in certain wealth management products with expected returns from 3.15% to 5.10% per annum. The investments were settled during the year ended 31 December 2015.

24. DEFERRED TAX ASSETS AND LIABILITIES

The followings are the major deferred tax liabilities and assets recognised by the Target Group.

	Changes in fair value of available-for-sale financial assets	Changes in fair value of investment properties	Deferred income	Non-deductible losses	Non-deductible cost which can be carried forward in subsequent years	Provision for impairment of assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	—	—	571	—	—	—	571
(Charge)/credit to profit or loss for the year (note 12)	(104)	19,605	2,592	—	—	14,865	36,958
At 31 December 2014 and 1 January 2015	(104)	19,605	3,163	—	—	14,865	37,529
(Charge)/credit to profit or loss for the year (note 12)	104	(117,217)	(1,269)	3,510	9	(12,845)	(127,708)
At 31 December 2015 and 1 January 2016	—	(97,612)	1,894	3,510	9	2,020	(90,179)
(Charge)/credit to profit or loss for the year (note 12)	—	(5,247)	1,819	(3,275)	2,061	3,404	(1,238)
At 31 December 2016	—	(102,859)	3,713	235	2,070	5,424	(91,417)

The following is the analysis of the deferred tax balances (after offset) for consolidated statement of financial position purposes:

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	11,442	7,433	37,633
Deferred tax liabilities	(102,859)	(97,612)	(104)
	(91,417)	(90,179)	37,529

25. INVENTORIES

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Raw materials*	1,950,919	2,704,501	1,532,665
Work in progress	335,443	760,070	336,223
Goods in transit	99,773	23,450	201,573
Finished goods	93,578	66,497	309,255
Land use right held-for-sale	138,499	—	—
	2,618,212	3,554,518	2,379,716

* Raw materials included high-valued microprocessor imported overseas for satellite businesses.

26. TRADE AND BILL RECEIVABLES

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	3,733,939	3,271,379	1,881,081
Less: allowance for doubtful receivables	(38,165)	(14,337)	(6,345)
	3,695,774	3,257,042	1,874,736
Bills receivables	7,818	340,597	258,015
	3,703,592	3,597,639	2,132,751

Other than cash sales, invoices are normally payable within 30 to 90 days of issuance. Trade receivables are recognised and carried at their original invoiced amounts less allowance for impairment when collection of the full amount is no longer probable. Bad debts are written off as incurred.

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2016	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
1-30 days	1,557,681	1,732,752	1,514,375
31-90 days	1,986,923	1,188,706	79,668
91-180 days	111,085	291,776	119,985
181-365 days	14,161	25,012	77,870
1 - 2 years	25,922	17,652	82,051
2 - 3 years	2	842	724
Over 3 years	—	302	63
	3,695,774	3,257,042	1,874,736

As at 31 December 2014, 2015 and 2016, approximately RMB431,390,000, RMB927,700,000 and RMB Nil respectively of trade and bill receivables were pledged to a bank to secure borrowings as set out in note 34 to the Historical Financial Information.

Reconciliation of allowance for trade receivables:

	2016	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	14,337	6,345	97
Allowance for the year	23,828	7,992	6,248
At 31 December	38,165	14,337	6,345

As of 31 December 2014, 2015 and 2016, trade receivables of RMB278,310,000, RMB1,523,247,000 and RMB2,483,921,000 respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2016	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
1-30 days	778,372	307,134	751
31-90 days	564,036	4,545	127,840
91-180 days	62,383	563,729	84,320
181-365 days	123,543	382,857	64,612
1 - 2 years	605,336	263,838	724
Over 3 years	251	1,144	63
	2,133,921	1,523,247	278,310

The carrying amounts of the Target Group's trade receivables were denominated in the following currencies:

	2016	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
RMB	1,311,771	991,743	538,198
US$	2,384,003	2,265,299	1,336,538
	3,695,774	3,257,042	1,874,736

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Deposit paid	1,235,788	1,481,184	228,026
Interest receivables	15,610	2,019	255
Other receivables	243,840	451,618	154,203
Other asset	2,741	—	—
Valued added tax receivables	21,966	3,626	3,343
Prepayments	3,309	1,956	3,148
Prepaid land lease payments	2,226	2,325	3,261
Outstanding balance regarding disposal of a subsidiary	150,000	—	—
	1,675,480	1,942,728	392,236

28. DUE FROM/(TO) SHAREHOLDERS

All the advances are unsecured, interest-free and have no fixed repayment terms.

29. DUE FROM ASSOCIATES

The amount due from Lanpa (Beijing) Technology Co., Ltd* is unsecured, interest-free and has no fixed repayment terms.

The amounts due from Shenzhen Huaxun Fangzhou Investment Co., Ltd* are unsecured, interest-free to 8% per annum and have no fixed repayment terms.

30. DUE FROM A RELATED PARTY

The advance is unsecured, interest-free and has no fixed repayment terms.

31. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The Target Group's pledged bank deposits represented deposits pledged to banks to secure banking facilities and borrowings granted to the Target Group as set out in note 34 to the Historical Financial Information.

As at 31 December 2014, 2015 and 2016, the pledged bank deposits and bank and cash balances of the Target Group denominated in RMB amounted to RMB1,694,819,000, RMB979,864,000 and RMB2,249,010,000 respectively. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

	2016	**2015**	**2014**
Range of interest rate per annum	0.35%~2.75%	0.35%~3.25%	0.35%~4.75%

32. TRADE AND BILL PAYABLES

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	1,130,127	3,427,718	2,062,089
Bill payables	1,066,587	457,739	1,004,387
	2,196,714	3,885,457	3,066,476

At the end of the reporting period, the ageing analysis of the trade payables is as follows:

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
1- 90 days	998,130	3,334,476	1,717,404
91 - 180 days	2,829	2,267	283,162
181 - 365 days	40,040	1,847	36,602
1 - 2 years	88,370	89,025	24,921
2 - 3 years	740	103	—
Over 3 years	18	—	—
	1,130,127	3,427,718	2,062,089

33. ACCRUALS AND OTHER PAYABLES

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Received in advance	138,484	453,153	631,599
Accruals	22,906	24,475	36,985
Tax payable	154,023	169,081	90,134
Interest payable	36,650	18,931	3,454
Services fee payables	1,860	1,490	191,748
Other payables	180,475	375,938	522,046
Temporary proceeds for placing of Huaxun Fangzhou Company Ltd*	—	348,000	—
	534,398	1,391,068	1,475,966

34. BORROWINGS

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Unsecured bank borrowings (Note a)	1,731,334	1,231,059	1,279,876
Secured bank borrowings (Note b)	1,515,822	1,727,911	1,059,620
Secured other borrowings (Note c)	2,513,389	1,341,000	1,422,348
Total borrowings	5,760,545	4,299,970	3,761,844

Notes:

(a) At 31 December 2014, the bank borrowings with the balances amounting to approximately RMB1,279,876,000 were guaranteed by Wu Guangsheng, Sun Rongjun (孫榮軍), Shen Meili (沈妹利), Xiang Junhui (項俊暉), Huang Yongjiang (黃永江), Rongjie Investment Holding Group Limited* (融捷投資控股集團有限公司), Yichang Sanxia Taipingxi Newport Logistics Co., Ltd* (宜昌三峽太平溪新港物流有限公司), Shenzhen Yindingdong Technology Company Limited* (深圳市銀鼎東科技有限公司), Shenzhen Huaxun Fangzhou Technology Co., Ltd* (深圳市華訊方舟科技有限公司), Huaxun Fangzhou International Group Co., Ltd.* (華訊方舟國際集團有限公司), Shenzhen Zhitongda Information Consultancy Co., Ltd* (深圳市智通達資訊諮詢有限公司).

At 31 December 2015, the bank borrowings with the balances amounting to approximately RMB1,231,059,000 were guaranteed by Wu Guangsheng, Feng Junzheng (馮軍正), Sun Rongjun (孫榮軍), Xiang Junhui (項俊暉), Huang Yongjiang (黃永江), Yichang Sanxia Taipingxi Newport Logistics Co., Ltd* (宜昌三峽太平溪新港物流有限公司), Shenzhen Yindingdong Technology Company Limited* (深圳市銀鼎東科技有限公司) and Huaxun Fangzhou (Hubei) Technology Co., Ltd.* (華訊方舟科技(湖北)有限公司).

At 31 December 2016, the bank borrowings with the balances amounting to approximately RMB1,731,334,000 were guaranteed by Wu Guangsheng, Xiang Junhui (項俊暉), Huang Yongjiang (黃永江), Feng Junzheng (馮軍正), Yichang Sanxia Taipingxi Newport Logistics Co., Ltd* (宜昌三峽太平溪新港物流有限公司), Shenzhen Yindingdong Technology Company Limited* (深圳市銀鼎東科技有限公司), Huaxun Fangzhou (Hubei) Technology Co., Ltd.* (華訊方舟科技(湖北)有限公司), Huaxun Fangzhou Company Limited* (華訊方舟股份有限公司), Shenzhen Zhitongda Information Consultancy Co., Ltd* (深圳市智通達資訊諮詢有限公司) and Shenzhen Langxiang Investments Co., Ltd.* (深圳市狼翔投資有限公司).

(b) At 31 December 2014, the bank borrowings with the balances amounting to approximately RMB1,059,620,000 were secured by pledges of of investment properties, land use rights and trade receivables, with a carrying amount of approximately RMB121,094,000, RMB44,365,000 and RMB431,390,000 respectively, bears interest at 3.4% to 7.8% per annum with maturity period of 24 months.

At 31 December 2015, the bank borrowings with the balances amounting to RMB1,727,911,000 were secured by pledges of investment properties, land use rights and trade receivables, with a carrying amount of RMB891,990,000, RMB43,338,000 and RMB927,000,000 respectively, bears interest at 2.064% to 6.42% per annum with maturity period of 24 months.

At 31 December 2016, the bank borrowings with the balances amounting to RMB1,515,822,000 were secured by a pledge of investment properties and land use rights, with a carrying amount of RMB941,659,000 and RMB42,298,000 respectively, bears interest at 2.90% to 5.22% per annum with maturity period of 24 months.

(c) On November 2014, the Target Company entered into a loan agreement with a financial institution for a RMB1,341,000,000 borrowing for the purpose of acquisition for Huaxun Fangzhou Co., Ltd*'s 29.8% share, which is secured by the pledge of Huaxun Fangzhou Co., Ltd*'s 29.8% share, bears interest at 9.35% per annum with maturity period of 36 months.

On September 2016, the Target Company entered into a loan agreement with a financial institution for a RMB1,350,000,000 borrowing, which is secured by the pledge of Huaxun Fangzhou Co., Ltd*'s 135,699,800 shares, bears interest at 5.75% per annum with maturity period of 24 months.

On January 2016, the Target Company entered into a loan agreement with a financial institution for a RMB477,645,000 borrowing , which is secured by the pledge of 65,000,000 ordinary share, bears interest at 7.5% per annum with maturity period of 27 months.

On July 2016, the Target Company entered into a loan agreement with a financial institution for a RMB650,000,000 borrowing, which is secured by the pledge of Wu Guangsheng's assets, guaranteed by Wu Guangsheng and Huaxun Fangzhou Co., Ltd*'s 10,000,000 shares, bears interest at 5.225% per annum with maturity period of 55 months.

	2016	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
The borrowings are repayable as follows:			
On demand or within one year	3,247,156	2,958,970	2,420,844
In the second year	1,350,000	1,341,000	—
In the third to fifth years, inclusive	1,163,389	—	1,341,000
	5,760,545	4,299,970	3,761,844
Less: amount due within one year shown under current liabilities	(3,247,156)	(2,958,970)	(2,420,844)
	2,513,389	1,341,000	1,341,000

All of the Target Group's borrowings are under fixed interest rates.

	2016	**2015**	**2014**
Range of the fixed interest rates	0.010%-7.500%	1.380%-6.420%	1.355%-9.350%

35. BOND

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Bond payable (Note)	981,723	—	—

Note: On 25 October 2016, Huaxun Fangzhou Co., Ltd* issued a bond with principal amounts of RMB1,000,000,000. The bond is unsecured, bearing interest at 6.38% per annum with maturity period of 3 years. The carry amounts of this bond payable as reflected in the consolidated statement of financial position approximate their respective fair values.

36. OTHER LIABILITIES

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Specific payables for LYOCELL Project (Note)	—	—	180,000
Specific payables for "Thousand-men" Quality Migrant Admission「千人計劃」人才引進 Project	500	—	—
	500	—	180,000

Note: The feasibility study report of technical renovation of short-cellulose fiber by new solvent method (in respect of LYOCELL short fiber project) prepared by a subsidiary of the Target Group, Huaxun Fangzhou Co., Ltd*(華訊方舟股份有限公司), was submitted to the State Economic and Trade Commission of the PRC through the Economic and Trade Commission of Hebei Province for approval. After obtaining the approval, LYOCELL short fiber project was included in the National Key Technology Renovation Project Plan. Meanwhile, "the Ask for Instruction on Approval for the Feasibility Study Report of Baoding Tian'e Company Limited* (保定天鵝股份有限公司) in respect of Technical Renovation of Short-cellulose Fiber by New Solvent Method《關於審批保定天鵝股份有限公司新溶劑法纖維素短纖維技術改造可行性研究報告的請示》"(the State Economic and Trade Investment [2002] No.290) was submitted to the State Council by the State Economic and Trade Commission who allocated a sum of central government bonds special fund of RMB60,000,000 after obtaining approval from the State Council which then issued the State Economic and Trade Investment [2002] No. 414. In 2002, "Notice on the Third Batch of National Government Bonds Special Fund Plan in 2002 for the National Key Technology Renovation Project Fund Plan《關於下達河北省2002年第三批國債專項資金國家重點技術改造項目資金計劃的通知》" (Ji Jing Mao Tou Zi [2002] No. 700) was jointly issued by the Economic and Trade Commission of Hebei Province, the Development Planning Commission of Hebei Province and the Department of Finance of Hebei Province who allocated to local government subsidies under National Government Bonds Special Fund of RMB120,000,000 for LYOCELL short fiber project.

37. DEFERRED INCOME

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Government grants	86,055	61,473	77,765
Deferred income arising from sales and lease back arrangement	—	—	58,115
	86,055	61,473	135,880

Note: Deferred income represents government grants to the Target Company's subsidiaries as financial incentives for the construction of high technology product for research and development purposes. The balance will be credited to profit or loss on a straight-line basis over the useful lives of the relevant facilities and buildings.

38. PAID-UP CAPITAL

	RMB'000
Paid-up capital:	
At 1 January 2014, 31 December 2014 and 1 January 2015	35,714
Capital injection	5,570
Transfer of capital reserve to share capital	358,716
At 31 December 2015, 1 January 2016 and 31 December 2016	400,000

Notes:

(a) Pursuant to the resolution of general meeting of the Target Company and the capital increase resolution by each shareholder in April 2015, Changcheng Guorong Investment Management Co., Ltd* (長城國融投資管理有限公司) has capital subscription of RMB0.2 billion, of which there is an increase of RMB1,488,096 of paid-up capital which represents 4% of total capital with the remaining included into capital reserve. The said capital increase has been registered with Shenzhen Market Supervision Administration for capital change on 29 January 2016.

(b) Pursuant to resolution of the forth general meeting of the Target Company in November 2015, it is agreed that Changcheng Guorong Investment Management Co., Ltd* (長城國融投資管理有限公司), a shareholder of the Target Company, could transfer its held 4% equity interest of the Target Company to Changcheng Xinsheng Trust Limited* (長城新盛信託有限責任公司) controlled by the same controller, and the said change has been registered with Shenzhen Market Supervision Administration for capital change on 29 January 2016.

(c) Pursuant to resolution of the fifth general meeting of the Target Company in November 2015, it is agreed that the Target Company could withdraw the capital reserve of RMB162,797,604 and increase the capital to RMB0.2 billion according to shareholding percentage of each shareholder, and the said change has been registered with Shenzhen Market Supervision Administration for capital change on 29 January 2016.

(d) Pursuant to the resolution of general meeting of the Target Company and the capital increase resolution by each shareholder in December 2015, Shenzhen Fangdexin Fund Limited* (深圳方德信基金有限公司) has capital subscription of RMB0.2 billion, of which there is an increase of RMB4,081,633 of paid-up capital which represents 2% of total capital with the remaining included into capital reserve. The said capital increase has been registered with Shenzhen Market Supervision Administration for capital change on 29 March 2016.

(e) Pursuant to the resolution of the forth extraordinary general meeting of the Target Company in December 2015, it is agreed that the Target Company could withdraw the capital reserve of RMB195,918,367 and increase the capital to RMB0.4 billion according to the shareholding percentage of each shareholder, and the said change has been registered Shenzhen Market Supervision Administration on 29 March 2016.

Capital management

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Target Group sets the amount of capital in proportion to risk. The Target Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Target Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2014, 2015 and 2016.

39. RESERVES

(a) Target Group

The amounts of the Target Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Reserves of the Target Company

	Capital reserve	Statutory reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	5,027	17,857	254,140	277,024
Total comprehensive income for the year	—	—	644,153	644,153
At 31 December 2014 and 1 January 2015	5,027	17,857	898,293	921,177
Capital injection	394,430	—	—	394,430
Transfer of capital reserve to share capital	(358,716)	—	—	(358,716)
Total comprehensive income for the year	—	—	1,697,829	1,697,829
Appropriation of statutory reserve	—	169,783	(169,783)	—
At 31 December 2015 and 1 January 2016	40,741	187,640	2,426,339	2,654,720
Total comprehensive income for the year	—	—	1,805,382	1,805,382
Appropriation of statutory reserve	—	186,807	(186,807)	—
At 31 December 2016	40,741	374,447	4,044,914	4,460,102

(c) Nature and purpose of reserves

(i) Capital reserve

The capital reserve of the Target Company represents the difference of the shares issued at premium over par value, net of share issue expenses.

(ii) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the company incorporated in the PRC now comprising the Target Group, i.e. the PRC Operational Entity, it is required to appropriate 10% of the annual net profits of the PRC Operational Entity, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserve fund before distributing any net profit. When the balance of the statutory reserve fund reaches 50% of the registered capital of the PRC Operational Entity, any further appropriation is at the discretion of shareholders. The statutory reserve fund can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory reserve fund after such issue is no less than 25% of registered capital.

40. BUSINESS COMBINATION AND DISPOSALS OF SUBSIDIARIES

The following tables summarised the major business combination and disposals of subsidiaries during the Reporting Periods:

	Notes	Purchase (disposal) Consideration	Goodwill from acquisition of subsidiaries	(Loss)/ gain on disposal of subsidiaries
		RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2014:				
Acquisition through business combination				
Huaxun Fangzhou Technology Company Ltd* 華訊方舟科技股份有限公司	(a)	1,340,633	860,338	N/A
For the year ended 31 December 2015:				
Disposal of subsidiaries				
Baoding Tian'e New Fiber Manufacturing Co., Ltd* 保定天鵝新型纖維製造有限公司	(b)	(408,597)	N/A	(482,304)
- Xinjiang Tian'e Pulp Company Limited* 新疆天鵝漿粕有限責任公司				
- Xinjiang Tian'e Special Fiber Co., Ltd* 新疆天鵝特種纖維有限公司				
- Hengtian Jinhuan New Material Co., Ltd* 恒天金環新材料有限公司				
For the year ended 31 December 2016:				
Disposal of subsidiaries				
Shenzhen Huaxun Fangzhou Investment Co., Ltd* 深圳市華訊方舟投資有限公司	(c)	(1,065,000)	N/A	1,844,244

Notes:

(a) On 31 December 2014, the Target Group acquired 29.8% equity interest of Huaxun Fangzhou Technology Company Limited*, at a consideration of RMB1,340,633,000. Huaxun Fangzhou Technology Company Limited* was engaged in manufacture of computer, communication and other electronic devices. The acquisition will allow the Target Group to diversify the Target Group's business portfolio and also provide a new source of income of the Target Group.

The fair value of the identifiable assets and liabilities of Huaxun Fangzhou Technology Company Limited* acquired as at its date of acquisition is as follows:

	RMB'000
Property, plant and equipment	1,241,493
Prepaid land lease payments	3,101
Intangible assets	117,905
Investments in associates	51,856
Deferred tax assets	32,818
Inventories	267,614
Trade and bill receivables	279,124
Prepayments, deposits and other receivables	245,276
Bank and cash balances	305,159
Trade and bill payables	(219,973)
Accruals and other payables	(581,030)
Borrowings	(45,850)
Current tax liabilities	(6,490)
Deferred income	(79,172)
Deferred tax liabilities	(104)
Total identifiable net assets	1,611,727
Non-controlling interests	(1,131,432)
Goodwill	860,338
	1,340,633
Satisfied by:	
Cash	1,340,633
Net cash outflow arising from the acquisition:	
Cash consideration paid	1,340,633
Cash and cash equivalents acquired	(305,159)
Net cash outflow	1,035,474

The fair value of the acquired identifiable assets and liabilities were valued by Roma Appraisals Limited, an independent qualified professional valuer.

If the acquisition had been completed on 1 January 2014, total Target Group revenue for the year would have been RMB794,356,000, and profit for the year would have been RMB19,889,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Target Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is intended to be a projection of future results.

(b) During 2015, the Target Group acquired 100% equity interest of Baoding Tian'e New Fiber Manufacturing Co., Ltd* and cash of approximately RMB627,353,000 which previously were held by a 29.98% subsidiary from the non-controlling shareholder by exchanging its 100% equity interests of Nanjing Huaxun Fangzhou Communication Equipment Co., Ltd* and Chengdu Guorong Technology Co., Ltd*.

	RMB'000
Share of net assets in the subsidiary acquired (including cash received)	1,217,125
Share of net assets in the subsidiaries exchanged	(183,751)
Gain on acquisition recognised directly in equity	1,033,374

Subsequent to the above transaction, on 30 June 2015, the 100% equity interest of Baoding Tian'e New Fiber Manufacturing Co., Ltd* was disposed of by the Target Group to an independent third party at a total cash consideration of approximately RMB408,597,000.

Net assets of Baoding Tian'e New Fiber Manufacturing Co., Ltd* at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	1,156,797
Prepaid land lease payments	51,087
Intangible assets	117,905
Deferred tax assets	32,500
Inventories	197,200
Trade and bill receivables	149,248
Prepayments, deposits and other receivables	451,872
Bank and cash balances	27,810
Trade and bill payables	(139,420)
Accruals and other payables	(864,287)
Borrowings	(55,926)
Current tax liabilities	(5,615)
Other liabilities	(180,000)
Deferred tax liabilities	(48,270)
Net assets disposed of	890,901
Loss on disposal of subsidiaries	(482,304)
Total consideration - satisfied by cash	408,597
Net cash inflow arising on disposal:	
Cash consideration received	408,597
Cash and cash equivalents disposed of	(27,810)
Net cash inflow	380,787

(c) On 31 October 2016, the Target Group disposed of its entire 51% equity interest in Shenzhen Huaxun Fangzhou Investment Co., Ltd* at a total cash consideration of RMB1,065,000,000.

Net assets at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	848,588
Prepayments, deposits and other receivables	68,672
Bank and cash balances	3,032
Accruals and other payables	(822,521)
Net assets disposed of	97,771
Fair value of investment in subsidiary retained	(877,015)
Gain on disposal of subsidiary	1,844,244
Total consideration - satisfied by cash	1,065,000

The gain on disposal of subsidiary be analysed as follows:

Gain on disposal	
Consideration	1,065,000
Net assets disposal of	(49,863)
	1,015,137
Gain on revaluation of retained interest	
Fair value of retained interest	877,015
Net assets retained	(47,908)
	829,107
Gain on disposal of subsidiary	1,844,244
Net cash inflow arising on disposal:	
Cash consideration received	1,065,000
Cash and cash equivalents disposed of	(3,032)
Net cash inflow	1,061,968

41. DISPOSAL COMPANY CLASSIFIED AS HELD FOR SALES

In December 2016, a subsidiary of the Target Company entered into two sale and purchase agreements to dispose of the entire equity interest in the Jilin Jiyan High-Tech Fiber Co., Ltd*. Therefore the assets and liabilities of the Jilin Jiyan High-Tech Fiber Co., Ltd*, were classified as disposal company classified as held for sale and are presented separately in the consolidated statement of financial position.

	RMB'000
Property, plant and equipment	7,496
Prepaid land lease payments	4,024
Inventories	20,722
Trade receivables	15,911
Prepayments, deposits and other receivables	27,217
Bank and cash balances	872
Total assets associated with the disposal company	76,242
Trade and other payables, and total for liabilities associated with the disposal company	(43,885)
Net assets of the disposal company classified as held for sale	32,357

42. PLEDGE OF ASSETS

The following assets were pledged to secure certain borrowings granted to the Target Group at the end of the reporting period:

	2016	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Pledged bank deposits	2,046,243	939,253	1,791,768
Trade and bill receivables	—	927,700	431,390
Investment properties	941,659	891,990	121,094
Prepaid land lease payments	42,298	43,338	44,365
	3,030,200	2,802,281	2,388,617

43. CONTINGENT LIABILITIES

As at 31 December 2014, 2015 and 2016, the Target Group and the Target Company did not have any significant contingent liabilities.

44. COMMITMENTS

Capital commitments

The Target Group's capital commitments at the end of the reporting period are as follows:

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditure in respect purchase of satellite broadband communication devices Contracted for but not provided in the consolidated financial statements	305,530	—	—

Lease commitments

As lessor

At 31 December 2016, the total future minimum lease receivable under non-cancellable operating leases with its tenant falling due as follows:

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Within one year	7,050	4,153	—
In the second to fifth years inclusive	14,698	2,769	—
After five years	26,193	—	—
	47,941	6,922	—

As lessee

At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Within one year	4,291	3,406	2,032
In the second to fifth years inclusive	6,708	6,259	3,493
	10,999	9,665	5,525

Operating lease payments represent rentals payable by the Target Group for certain of its offices. Leases are negotiated for an average term of 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

45. RELATED PARTY TRANSACTIONS

(a) Related parties of the Target Group

The Director consider that the following entities are related parties of the Target Group:

Name of related party	Relationship with the Target Company
Lanpa (Beijing) Technology Co., Ltd.*	An associate of the Target Company
Shenzhen Tiangu Fangzhou Investment Holding Co., Ltd*	A company controlled by a controlling shareholder of the Target Company
Rongjie Investment Holding Group Limited*	A shareholder of the Target Company
WU Guangsheng	A shareholder of the Target Company

In addition to those related party transactions and balances disclosed elsewhere in notes 28, 29, 30 and 34 to the Historical Financial Information, the Target Group had the following transactions with its related parties during the years:

(b) Significant related party transactions

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Purchase from Rongjie Investment Holding Group Limited*	—	2,000	—
Sales to Lanpa (Beijing) Technology Co., Ltd.*	60,380	1,458	—

(c) Balances with related parties

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Amount due from Lanpa (Beijing) Technology Co., Ltd.*	47,167	10,260	—
Amount due from Shenzhen Tiangu Fangzhou Investment Holding Co., Ltd*	632	600	—
Amount due (to)/from Rongjie Investment Holding Group Ltd*	(17,600)	2,400	6,720
Amount due from/(to) WU Guangsheng	34,109	(4,487)	(43,207)

(d) Borrowings from related parties

	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*
Rongjie Investment Holding Group Ltd*	17,600	175,793	77,761

46. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the board resolution of a non-wholly owned subsidiary date 28 December 2016, the 60% equity interest of Jilin Jiyan High-Tech Fiber Co., Ltd* would be disposed of at the consideration of RMB24,820,000 to an independent third party.

The disposal was completed in the first quarter of 2017. The Target Group no long holds any equity interest in this company.

47. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or any of its subsidiaries in respect of any period subsequent to 31 December 2016.

* *The English name is a translation of its Chinese name and included herein for identification purpose only*

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The unaudited pro forma financial information of the Group (the "**Unaudited Pro Forma Financial Information**") presented below is prepared to illustrate the financial position of the Group as if the Proposed Capital Injection had been completed on 31 December 2016. This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position of the Group as at 31 December 2016 or at any future date had the Proposed Capital Injection completed on 31 December 2016.

The Unaudited Pro Forma Financial Information is prepared by the Directors of the Company based on the audited consolidated statement of financial position of the Group as at 31 December 2016 which has been extracted from the Company's published annual report for the year ended 31 December 2016, and adjusted for the effects of the Proposed Capital Injection to illustrate how the Proposed Capital Injection might have affected the historical financial information of the Group as if the Proposed Capital Injection had been completed on 31 December 2016. The Unaudited Pro Forma Financial Information should be read in conjunction with the other financial information included elsewhere in this circular.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP

	The Group as at 31 December 2016	Pro forma adjustment	Notes	Pro forma of the Group
	(Audited)	*(Unaudited)*		*(Unaudited)*
	RMB'000	*RMB'000*		*RMB'000*
	(Note 1)			
NON-CURRENT ASSETS				
Property, plant and equipment	1,218			1,218
Goodwill	207,580			207,580
Other intangible assets	179,885			179,885
Available-for-sale investment	—	600,000	(2)	600,000
Deferred tax assets	2,254			2,254
Total non-current assets	390,937	600,000		990,937
CURRENT ASSETS				
Inventories	6,031			6,031
Trade and bills receivables	182,154			182,154
Prepayments, deposits and other receivables	350,079			350,079
Available-for-sale investment	15,000			15,000
Pledged deposits	4,918			4,918
Cash and cash equivalents	533,491	(507,884)	(2) and (3)	25,607
	1,091,673	(507,884)		583,789
Assets classified as held for sale	95,014			95,014
Total current assets	1,186,687	(507,884)		678,803
CURRENT LIABILITIES				
Trade and bills payables	102,455			102,455
Other payables and accruals	166,908			166,908
Interest-bearing bank and other borrowings	48,413			48,413
Tax payable	41,522			41,522
Total current liabilities	359,298			359,298

	The Group as at 31 December 2016	Pro forma adjustment	Notes	Pro forma of the Group
	(Audited)	*(Unaudited)*		*(Unaudited)*
	RMB'000	*RMB'000*		*RMB'000*
	(Note 1)			
NET CURRENT ASSETS	827,389	(507,884)		319,505
TOTAL ASSETS LESS CURRENT LIABILITIES	1,218,326	92,116		1,310,442
NON-CURRENT LIABILITIES				
Deferred tax liabilities	26,990			26,990
Coupon notes	130,338	92,116	(3)	222,454
Government grants	6,588			6,588
Total non-current liabilities	163,916	92,116		256,032
Net assets	1,054,410	—		1,054,410
EQUITY				
Equity attributable to owners of the parent				
Issued capital	109,951			109,951
Reserves	878,032			878,032
	987,983			987,983
Non-controlling interests	66,427			66,427
Total equity	1,054,410			1,054,410

Notes:

(1) The consolidated statement of financial position of the Group as at 31 December 2016 is extracted from the Company's published annual report for the year ended 31 December 2016.

(2) The adjustment reflects the Capital Injection to the Target Company in form of cash. The Directors estimated that the Target Group would achieve the Guaranteed Profit, thus no provision in relation to the profit guarantee compensation had been made.

Capital Injection to the Target Company is accounted for as an available-for-sale financial investment in accordance with the Group's accounting policy as if the Proposal Capital Injection had been completed on 31 December 2016, assuming that there will be no further capital injection to the Target Company by third party investor(s) or transfer of equity interest in the Target Company by the Target Company Shareholders upon Capital Injection Completion. The valuation report of the Target Company is set out in Appendix V to this circular.

(3) The Capital Injection will be funded by the Group's internal resources and net cash proceeds from issuance of coupon notes of the Company subsequent to 31 December 2016. In preparing the unaudited pro forma consolidated statement of financial position, the Directors had assumed that the Group will settle approximately 85% of the consideration by internal resources and approximately 15% of the consideration (approximately RMB92,116,000) by issuance of coupon notes.

The Company issued 8.5% coupon notes and 8% coupon notes of the Company (collectively the "Coupon Notes") with an aggregate principal amount of HK$109,400,000 (equivalent to approximately RMB98,011,000) on 24 January 2017, 30 March 2017 and 11 May 2017, after deducting the related transaction costs, amounted to approximately HK$102,819,000 (equivalent to approximately RMB92,116,000). The Coupon Notes will mature in 2 years from the issue date and are classified as non-current liabilities on the Unaudited Pro Forma Financial Information.

(4) No adjustment has been made to reflect the transaction costs of the Capital Injection since the Directors considered that the amount involved will not be significant. The total transaction costs including legal, accounting and other professional parties are estimated to be approximately RMB5.3 million.

(5) Apart from note 3 above, no other adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2016.

(6) Exchange rate of HK$1 to RMB0.8959, being the closing rate on 31 December 2016 adopted for the preparation of the audited consolidated statement of financial position of the Group, is used in the pro forma adjustments for illustrative purpose only.

C. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants of the Company, Ernst & Young, in respect of the unaudited pro forma financial information of the Group.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

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To the Directors of InvesTech Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of InvesTech Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information (the "Pro Forma Financial Information") consists of the unaudited pro forma consolidated statement of financial position of the Group as at 31 December 2016 and related notes as set out in Appendix III of the circular of the Company dated 23 June 2017 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on pages III-1 to III-4 in Appendix III of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed capital injection into China Communication Technology Company Limited (the "Capital Injection") on the Group's financial position as at 31 December 2016 as if the transaction had taken place at 31 December 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's audited consolidated financial statements for the year ended 31 December 2016, on which an annual report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Capital Injection on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

23 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

Set out below is the management discussion and analysis on the Target Group for the three years ended 31 December 2016. The following financial information are based on the audited consolidated financial statements of the Target Group as set out in Appendix II to this circular.

Business and financial review

The Target Company is a company incorporated in PRC with limited liability on 21 August 2007. It 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 included high-frequency satellite communication systems, military communication and provision of related supporting services.

As at the date of the Capital Injection Agreement, the Target Company has a fully-paid registered capital of RMB400,000,000. Pursuant to the Capital Injection Agreement, the Company has conditionally agreed to inject an amount of RMB600,000,000, among which RMB18,453,813 represents payment for the additional registered capital of the Target Company and RMB581,546,187 represents the increase in capital reserve of the Target Company.

(i) Comparison for the year ended 31 December 2016 to the year ended 31 December 2015

For the year ended 31 December 2016, the Target Group recorded operating revenue of approximately RMB6,989.3 million, representing an increase of approximately 2.6% as compared with that of approximately RMB 6,813.8 million for the year ended 31 December 2015. A total revenue of approximately RMB1,575.3 million was derived from the military products segment for the year ended 31 December 2016, which represented an increase of approximately 65.2% from that of approximately RMB953.7 million for the year ended 31 December 2015. Revenue derived from the ultra high frequency products segment increased from approximately RMB4,281.3 million for the year ended 31 December 2015 to approximately RMB4,758.1 million for the year ended 31 December 2016. The increase was approximately 11.1%. For the year ended 31 December 2015, the revenue derived from other communication products amounted to approximately RMB1,337.2 million, which represent a decrease of approximately 54.1% to that for the year ended 31 December 2016, which was approximately RMB614.5 million. For the year ended 31 December 2016, the revenue derived from chemical fiber manufacture segment was approximately RMB24.9 million. It represented a decrease of approximately 89.2% to that for the year ended 31 December 2015, which was amounted to approximately RMB230.3 million. Revenue derived from other business segments for the year ended 31 December 2016 was approximately RMB46.0 million, which was 5.0% higher than those for the year ended 31 December 2015 amounting to approximately RMB43.8 million.

The Target Group recorded an profit before taxation of approximately RMB3,200 million for the year ended 31 December 2016, as compared with approximately RMB930.4 million for the year ended 31 December 2015. It was mainly because of the improvement of the gross profit margin from approximately 23.5% for the year ended 31 December 2015 to approximately 29.2% for the year ended 31 December 2016 and gain on disposal of subsidiaries of approximately RMB1,842.1 million for the year ended 31 December 2016 as compared with the loss on disposal of subsidiaries of approximately RMB482.3 million for the year ended 31 December 2015.

The net profit after taxation of the Target Group for the year ended 31 December 2016 was approximately RMB2,861.2 million as compared with the net profit after taxation of approximately RMB577.2 million for the year ended 31 December 2015. It was mainly because of the gain on disposal of subsidiaries of approximately RMB1,842.1 million in 2016.

For the year ended 31 December 2016, net cash outflow from operating activities was approximately RMB485.5 million, while it was approximately RMB1,516.6 million for the year ended 31 December 2015.

(ii) Comparison for the year ended 31 December 2015 to the year ended 31 December 2014

For the year ended 31 December 2015, the Target Group recorded an operating revenue of approximately RMB6,813.8 million, representing an increase of approximately 34.1% as compared with that of approximately RMB5,082.6 million for the year ended 31 December 2014. A total revenue of approximately RMB953.7 million was achieved from the military products segment for the year ended 31 December 2015, and represented an increase of approximately 94.2% from approximately RMB491.0 million during the year ended 31 December 2014. Revenue from the Target Group's ultra high frequency products segment increased from approximately RMB3,682.8 million during the year ended 31 December 2014 to approximately RMB4,281.3 million during the year ended 31 December 2015 which represented an increase of approximately 16.3%. Revenue derived from other communication products segment was approximately RMB1,337.2 million for the year ended 31 December 2015, which represented an increase of approximately 46.3% from approximately RMB913.9 million during the year ended 31 December 2014. Revenue derived from chemical fiber manufacture segment was approximately RMB230.3 million during the year ended 31 December 2015 and revenue derived from other segment amounted to approximately RMB41.8 million in the same year.

The Target Group recorded an profit before taxation of RMB930.4 million for the year ended 31 December 2015, representing a significant increase of approximately 639.4% as compared with the loss before taxation of approximately RMB172.5 million for the year ended 31 December 2014. The increase was primarily due to overall increase in sales of all product segments of the Group which led to an increase in the annual turnover of the Group by approximately RMB1731.2 million and an increase in fair value gain on investment properties of approximately RMB468.9 million which was partially offset by the loss incurred on disposal of subsidiaries of approximately RMB482.3 million for the year ended 31 December 2015. During the year ended 31 December 2014, the Target Company acquired 29.8% equity interest of Huaxun Fangzhou Co., Ltd* (華訊方舟股份有限公司) whose shares is listed in the Shenzhen Stock Exchange (Stock Code: 000687.SZ), formerly known as Hengtian Tian'e Co., Ltd.* (恒天天鵝股份有限公司) and goodwill of approximately RMB860.3 million were recognized and allocated to the Chemical Fiber CGU. The Target Group recorded a loss before taxation for the year ended 31 December 2014 which was mainly attributable to the impairment of goodwill of approximately RMB817.3 million arisen from the disposal of some subsidiaries which operated the chemical fiber business of the Target Group as a result of the shrinking business scale of the Chemical Fiber CGU during the year.

The net profit after taxation of the Target Group for the year ended 31 December 2015 was approximately RMB577.2 million. It represents a significant increase of approximately 357.7% as compared with the net loss of approximately RMB224.0 million for the year ended 31 December 2014. It was mainly because of the increase in the operating profit.

During the year ended 31 December 2015, a net cash outflow from operating activities of approximately RMB1,516.6 million was recorded, while a net cash outflow from operating activities of approximately RMB97.9 million was recorded for the year ended 31 December 2014.

Liquidity and financial resources

As at 31 December 2014, 2015 and 2016, the Target Group had (i) trade and bill payables of approximately RMB3,066.5 million, RMB3,885.5 million and RMB2,196.7 million respectively; (ii) other payables of approximately RMB1,476.0 million, RMB1,391.1 million and RMB534.4 million respectively; and (iii) monetary fund of approximately RMB500.2 million, RMB481.6 million and RMB1,283.7 million respectively.

As at 31 December 2014, 2015 and 2016, the equity attributable to the Target Group's equity holders was approximately RMB86.2 million, RMB2,105.2 million and RMB4,990.2 million, respectively. The current ratio of the Target Group (calculated by current assets dividing current liabilities) was approximately 1.0 times, 1.2 times and 1.9 times respectively.

As at 31 December 2016, all of the borrowings and cash and cash equivalents held by the Target Company were denominated in RMB. As at 31 December 2016, borrowings of the Target Company amounted to approximately RMB5,760.5 million, all of which were at fixed interest rates.

Funding and treasury policy

The Target Group adopts a prudent funding and treasury policy towards its overall business operation with an aim to minimize financial risks. Future development opportunities will be financed by cash flows from operations or capital raised by means of equity financing.

Hedging instrument

The Target Group had no hedging instruments as at 31 December 2014, 2015 and 2016. The Target Group had no foreign currency net investments hedged by currency borrowings and other hedging instruments as at 31 December 2014, 2015 and 2016.

Charge on the Target Group's Assets

(i) For the year ended 31 December 2014

As at 31 December 2014, the Target Group had borrowings amounting to approximately RMB3,761.8 million which included secured bank and other borrowings of approximately RMB2,482.0 million, which are secured by land use rights, investment properties, account receivables and shares of the Target Group.

(ii) For the year ended 31 December 2015

As at 31 December 2015, the Target Group had borrowings amounting to approximately RMB4,300.0 million which included secured bank and other borrowings of approximately RMB3,068.9 million, which are secured by land use rights, investment properties, account receivables and shares of the Target Group.

(iii) For the year ended 31 December 2016

As at year ended 31 December 2016, the Target Group had borrowings amounting to approximately RMB5,760.5 million which included secured bank and other borrowings of approximately RMB4,029.2 million, which are secured by land use rights, investment properties, account receivables and shares of the Target Group.

Capital commitment

As at 31 December 2014 and 2015, the Target Group did not have any material capital commitment. As at 31 December 2016, the Target Group had capital commitment of approximately RMB305.5 million arisen from capital expenditure in respect purchase of satellite broadband communication devices contracted for but not provided in the consolidated financial statements.

Significant investment, material acquisition and disposal

For the year ended 31 December 2014

On 31 July 2014, the Target Company acquired 100% equity interest of Shenzhen Zhitongda Information Consultancy Co., Ltd* (深圳市智通達信息諮詢有限公司) with a total consideration of RMB200.0 million. On 31 December 2014, the Target Company acquired (1) 51% equity interest of Shenzhen Huaxun Xintiandi Technology Co., Ltd* (深圳市華訊新天地科技有限公司) with a total consideration of RMB10.2 million; (2) 100% equity interest of Chengdu Guorong Technology Co., Ltd* (成都國蓉科技有限公司) at a total consideration of approximately RMB60.9 million; and (3)

29.8% equity interest in its wholly-owned subsidiary, Huaxun Fangzhou Co., Ltd* (華訊方舟股份有限公司), whose shares is listed in the Shenzhen Stock Exchange (Stock Code: 000687.SZ) at a total consideration of approximately RMB1,340.6 million.

Significant Investments	**Fair value/balance as of 31 December 2014** *(RMB)*
Long term equity investment	55,382,000
Investment properties	121,094,000

For the year ended 31 December 2015

On 31 May 2015, the Target Company acquired 100% equity interest of Shenzhen Henfa Electronic Co., Ltd.* (深圳市很發通電子有限公司) with a total consideration of RMB42.5 million. In 30 September 2015, the Target Company acquired 100% equity interest of Shenzhen Huiyanchuang Technology Co., Ltd.* (深圳市惠研創科技有限公司) with a total consideration of RMB95.0 million. On 30 June 2015, the Target Company disposed 100% equity interest of Baoding Tian'e New Fiber Manufacturing Co., Ltd* (保定天鵝新型纖維製造有限公司) to an independent third party at a total consideration of approximately RMB 408.6 million. During the same year, the Target Company acquired 100% equity interest of Shenzhen Langxiang Investments Co., Ltd.* (深圳市狼翔投資有限公司) with a total consideration of RMB110.0 million.

Significant Investments	**Book value/balance as of 31 December 2015** *(RMB)*
Long term equity investment	2,672,000
Investment properties	920,670,000

For the year ended 31 December 2016

On 30 September 2016, the Target Group disposed of its entire 51% equity interest in Shenzhen Huaxun Fangzhou Investment Co., Ltd.* (深圳市華訊方舟投資有限公司) at a total consideration of RMB1,065.0 million.

Significant Investments	**Book value/balance as of 31 December 2016** *(RMB)*
Long term equity investment	912,736,000
Investment properties	941,659,000

Pledge of assets

As at 31 December 2014, 2015 and 2016, the Target Company pledged its trade and bill receivables of approximately RMB431.4 million, RMB927.7 million and nil respectively.

As at 31 December 2014, 2015 and 2016, the Target Company had pledged bank deposits of approximately RMB1,791.8 million, RMB939.3 million and 2,046.2 respectively.

As at 31 December 2014, 2015 and 2016, the Target Company pledged its investment properties of approximately RMB121.1 million, RMB892.0 million and RMB941.7 million, respectively.

As at 31 December 2014, 2015 and 2016, the Target Company pledged its prepaid land lease payments of approximately RMB44.4 million, RMB43.3 million and RMB42.3 million, respectively.

Gearing ratio

As at 31 December 2014, 2015 and 2016, the Target Group had gearing ratio (calculated by sum of short-term loans and long-term loans dividing total assets) of approximately 37.8%, 34.8% and 36.0% respectively.

Exposure to fluctuations in exchange rates and any related hedges

The Target Group has certain assets and liabilities, including trade and bill receivables, Prepayments, deposits and other receivables, pledged bank deposits and bank and cash balances, trade and bill payables, accruals and other payables and borrowings denominated in foreign currencies. Hence, it exposes to foreign currency risk. The Target Group has not entered into any foreign currency forward contract to hedge against these foreign currencies risk exposure. However, the management of the Target Group will consider to hedge these balances should the need arise. The carrying amounts of the Target Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting periods are as follows:

	31 December 2014	**31 December 2015**	**31 December 2016**
	RMB'000	*RMB'000*	*RMB'000*
US$ assets	1,681,724	2,505,076	4,692,773
US$ liabilities	(2,406,118)	(3,501,712)	(2,504,329)

The table below summarises the impact on the Company's profit before tax for a 1% strengthening/weakening in of RMB against US$ with all other variables held constant. Details of which please refer to subsection "Foreign currency sensitivity" as set out in Appendix II to this Circular.

	31 December 2014	31 December 2015	31 December 2016
	RMB'000	*RMB'000*	*RMB'000*
If RMB weakens 1% against foreign currencies	16,413	(7,475)	(5,433)
If RMB strengthen 1% against foreign currencies	(16,413)	7,475	5,433

Contingent liabilities

The Target Group did not have any significant contingent liabilities for the three years ended 31 December 2016.

Employee information

As at 31 December 2016, the Target Group had 1,336 employees (including directors).

The total remuneration paid to the employees of the Target Group is disclosed in Appendix II headed "Financial information of the Target Group" of this circular.

Remuneration policy

The Target Group recruits, employs, promotes and remunerates its employees based on their qualification, experience, skills, performances and contributions. Remuneration is also determined with reference to, among others, the market trend. Other benefits include social insurance and allowance. Bonus to the employees of the Target Group was determined after taking into accounts the results of the Target Group and the performance of the employees. During the three years ended 31 December 2016, the Target Group did not have any share option scheme. However, the Group may grant options to any employee (whether full time or part time) of the Target Group pursuant to the share option scheme as adopted by the Company after the Completion.

The remuneration policy of the senior management of the Target Group is also regularly monitored by the remuneration committee of the Target Company.

The Target Group provide training (whether in-house or out-sourced) to their employees when necessary.

JLL
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The Board of Directors
InvesTech Holdings Limited
33rd Floor, Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

In accordance with the instructions received from InvesTech Holdings Limited ("InvesTech" or the "Company"), we have undertaken a valuation exercise which requires us to express an independent opinion on the market value of 100 per cent Equity Interest at minority basis in China Communication Technology Co., Ltd. ("CCT" or the "Target") as at 31 March 2017 (the "Valuation Date"). This letter summarizes the principal conclusions stated in our valuation report.

This valuation is to express an independent opinion of the market value of the equity interest in the Target at minority basis as at 31 March 2017 for public disclosure purpose. Our valuation was carried out on a market value basis. Market value is defined as "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

INTRODUCTION

China Communication Technology Co., Ltd. was founded in 2007. It is a high-tech enterprise dedicated to R&D networking solution and manufacture of networking and communication equipment. CCT is mainly engaged in the provision of ground receiving equipment to the world's largest satellite communication operators. The main product, AirMobi Microwave Down Converter, can simultaneously receive the signals from the common television satellite and ultra HD television satellite. CCT holds 29.8% equity interest of Huaxun Fangzhou Co., Ltd ("Huaxun" or the "Public Company"), which is listed in the Shenzhen Stock Exchange (Stock Code: 00687.SZ).

According to our understanding, currently CCT can be mainly divided into three segments: (1) military communication and auxiliary products ("Military Communication Products"), which are operated by its non-wholly-owned subsidiary, Huaxun; (2) property development business ("Property Development Business"), which is operated under its 49%-owned company named "深圳市華訊方舟投資有限公司"; and (3) ground receiving equipment for satellite communication operators ("Satellite Communication Products"), operated by other subsidiaries. Most of the Satellite Communication Products are sold overseas.

CCT also holds 13 properties in Shenzhen properties for investment purpose ("Investment Properties").

On 17 November 2016, the Company entered into a non-legally binding MOU with the Target that the Company intends to inject capital in the amount of not more than RMB600,000,000 to the Target.

VALUATION METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely market approach, cost approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

In this valuation exercise, the market value of the 100% equity interest at minority basis of the Target was developed through the valuation of CCT's different segments individually. We adopted appropriate valuation methodology for each different segment presented below.

Segment	**Valuation Approach and Methodology**
Military Communication Products	Market Approach
Property Development Business	Market Approach
Satellite Communication Products	Market Approach
Investment Properties	Based on the book value of the Target's 2016 audited consolidated financial statements

In our opinion, the income approach and cost approach are inappropriate for valuing the Military Communication Products segment, Property Development Business segment and Satellite Communication Products segment.

Firstly, the income approach requires subjective assumptions to which the valuation is highly sensitive. Detailed operational information and longer term of financial projections are also needed to arrive at an indication of value but such information is not available as at the Report Date.

Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by the subject business. We have therefore relied solely on the market approach in determining our opinion of value of these three segments.

In this valuation exercise, the market value of the Satellite Communication Products segment was developed through application of the market approach technique known as the guideline public company method.

The method requires the research of comparable companies' benchmark multiples and proper selection of a suitable multiple to derive the market value of the Satellite Communication Products segment. In order to reflect the Satellite Communication Products segment's latest financial performance, it is considered that the suitable multiple in this valuation is the price to earnings ratio ("PE Ratio"), which is defined as the current market price to net profit attributable to owners of the Target in 2016 in this case.

For Military Communication Products segment and Property Development Business segment, the prior transaction method under the Market Approach was applied. This method is used by marking reference to the actual price paid or the multiples implied from the historical transactions of the subject.

As the Military Communication Products segment is operated under Huaxun, a listed company, the market price of this segment is easily obtainable in the relevant market as at the Valuation Date.

The Property Development Business segment is operated under its 49%-owned subsidiary Shenzhen Huaxun Fangzhou Investment Limited ("深圳市華訊方舟投資有限公司" or "SHFIL"). SHFIL was originally wholly owned by CCT and 51% of the equity interest was sold at the consideration of RMB1,065,000,000 in late 2016. As the completion is close to the Valuation Date, the price paid from this transaction can be made as a reference in valuing the Property Development Business segment.

Under the relevant accounting standard, we understand that the investment properties would be recognized as its fair value. The book value recognized in the Target's 2016 audited consolidated financial statement is thus adopted for the Investment Properties as its proxy of the market value.

BASIS OF OPINION

We have conducted our valuation in accordance with international valuation standards issued by International Valuation Standards Committee ("IVSC"). The valuation procedures employed include a review of legal status and economic condition of the Target and an assessment of key assumptions, estimates, and representations made by the proprietor. All matters essential to the proper understanding of the valuation are disclosed in this valuation report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The nature of business and history of the operation concerned;
- The financial condition of the Target;
- Projected operating costs and management expenses;
- Market-driven investment returns of companies engaged in similar lines of business;
- Financial and business risk of the business including continuity of income and the projected future results;
- Consideration and analysis on the micro and macro economy affecting the subject asset;
- Analysis on tactical planning, management standard and synergy of the subject asset; and
- Assessment of the leverage and liquidity of the subject asset.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the Target.

VALUATION ASSUMPTIONS

In determining the value of the equity interest in the Target, we make the following key assumptions:

- We have assumed that the projected business can be achieved with the effort of the management of the Target and the Company.
- In order to realize the growth potential of the business and maintain a competitive edge, additional manpower, equipment and facilities are necessary to be employed. For this valuation exercise, we have assumed that the facilities and systems proposed are sufficient for future expansion;
- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target;
- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;

- We have been provided with copies of the operating licenses and company incorporation documents. We have assumed such information to be reliable and legitimate. We have relied to a considerable extent on such information provided in arriving at our opinion of value;

- We have assumed the accuracy of the financial and operational information provided to us by the Target and the Company and relied to a considerable extent on such information in arriving at our opinion of value;

- We have assumed the capital structure of the Target will not change; and

- We have assumed that there are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

Major Assumptions

Assumptions which have significant effect on the calculation of the market value of the 100 per cent equity interest at minority basis in the Target are listed as follows:

Military Communication Products segment

As mentioned previously in the report, the Military Communication Products segment is operating under its 29.8%-owned subsidiary Huaxun, which is public company listed in Shenzhen stock exchange.

Based on the stock price of the Huaxun on 31 March 2017, the market capitalization of Huaxun as at the Valuation Date is at RMB 12.685 billion. This equivalents to approximately RMB3,780 million for 29.8% equity interest.

Property Development Business segment

Based on the Share Purchase Agreement between CCT and Shenzhen Xin Heng Fu Property Limited ("Xin Heng Fu") dated 22 September 2016, CCT sold 51% equity interest of Shenzhen Huaxun Fangzhou Investment Limited ("SHFIL") to Xin Heng Fu for RMB1,065 million. This transaction has been adopted as a reference to the segment's market value.

Satellite Communication Products segment

Based on our understanding, it is noted that the net profit of the Target for the year ended 31 December 2016 was RMB2,861,194,000. After excluding the one-off, non-recurring and non-operating profit or loss, the adjusted normalized profit was approximately RMB818,000,000 ("Adjusted Profit"), as derived below.

	RMB '000
Reported pre-tax income	3,200,080
Less: rental income	(23,704)
Less: other income and gain or (loss)	(293,742)
Less: gain or (loss) on disposal of subsidiaries	(1,842,084)
Add: Impairment on assets	50,570
Adjusted pre-tax income	1,091,120
Less: taxation (25%)	(272,780)
Adjusted net income	818,340

We understand that currently the Target is generating revenue from two main segments: (1) Military Communication Products segment, which is operating under Huaxun and is consolidated into Target's financial statement; and (2) Satellite Communication Products segment.

We noted that the 2016 net profit of Huaxun was approximately RMB157 million. The 2016 net profit of Satellite Communication Products segment adopted in this valuation is thus to be the Adjusted Profit net of the 2016 net profit of Huaxun, which is approximately RMB660,623,000 ("Satellite Communication Products Profit").

Investment Properties segment

Based on the balance sheet of the Target, the investment properties held by the Target is recognized at RMB 941.66 million.

MARKET MULTIPLE

In determining the financial multiple for the Satellite Communication Products segment, a list of comparable companies were identified. The selection criteria include the followings:

1. As the Satellite Communication Products segment (1) is engaging in manufacturing and sales of satellite telecommunications products; (2) is proactively engaged in satellite operation service business to develop a more comprehensive satellite business; the companies derive over 70% of their revenues from the same industry of the Satellite Communication Products segment, i.e. satellite telecommunications equipment and satellite telecommunications (excluding TV) under Bloomberg classification will be selected;

2. As the Satellite Communication Products segment is selling its products mostly to overseas market, the worldwide comparable companies under criteria one and searchable in Bloomberg will be selected;

3. Based on the first two criteria, the lowest implied equity value of this segment would be approximately RMB1,000 million, comparable companies are publicly listed with the market capitalization of more than RMB1,000 million will be selected;

Based on the criteria listed above, 14 comparable companies ("Comparable Companies") have been identified. Details including the Comparable Companies' name, listing location, market capitalization as at 31 March 2017 as well as the PE Ratio are listed below,

Ticker	Name	Listing Location	Market Capitalization	PE Ratio
			(RMB million)	
SESG FP Equity	SES SA	France	73,817	12.34
SATS US Equity	EchoStar Corporation	U.S.A.	37,154	30.74
ETL FP Equity	Eutelsat Communications SA	France	35,843	13.81
INTUCH TB Equity	Intouch Holdings PCL	Thailand	35,807	10.91
ISAT LN Equity	Inmarsat PLC	U.K.	33,238	19.75
DGI US Equity	DigitalGlobe Inc	U.S.A.	13,909	37.26
002792 CH Equity	Tongyu Communication Inc	China	8,521	39.31
SDA AU Equity	SpeedCast International Ltd	Australia	4,358	64.15
THCOM TB Equity	Thaicom PCL	Thailand	4,347	13.47
GAMA LN Equity	Gamma Communications PLC	U.K.	3,898	25.31
1045 HK Equity	APT Satellite Holdings Ltd	Hong Kong	3,419	7.84
I US Equity	Intelsat SA	U.S.A.	3,369	1.49

Ticker	Name	Listing Location	Market Capitalization *(RMB million)*	PE Ratio
115160 KS Equity	Humax Co Ltd	South Korea	1,751	44.07
GOMX SS Equity	GS Sweden AB	Sweden	1,052	89.92

The median of the PE Ratio of the above ratios is approximately 22.53.

The brief profile of the above Comparable Companies are quoted from Bloomberg as below,

1. SES SA through subsidiaries, offers global satellite broadband communications services. The company offers feeds for cable television networks, Internet access, corporate networks, network facilities, telecommunications services, and audiovisual broadcasting;

2. EchoStar Corporation manufactures broadcast satellite receivers and antennas and offers commercial satellite services;

3. Eutelsat Communications is a KU-band satellite operator. The company offers television and radio broadcasting, video broadcasting, corporate networks, Internet access, and mobile communications. Eutelsat serves Europe, the Middle East, Africa, Asia, eastern North America, and South America;

4. Intouch Holdings Public Company Limited is a holding company that invests in diversified telecommunication and media and advertising businesses. The company, through its subsidiaries, provides television broadcasting, cellular phone and wireless services;

5. Inmarsat plc operates a global communications satellite system. The company's satellites provide voice and high-speed data services on a worldwide basis. Inmarsat's customers include major corporations from the maritime, media, oil and gas, construction and aeronautical industries, as well as governments and aid agencies;

6. DigitalGlobe Inc. is building a constellation of high-resolution earth imaging satellites and a geo-information product store web site. The company's DigitalGlobe System facilitates the collection and archival of geospatial information data and ensures flexible distribution. DigitalGlobe also offers services for project specific requirements;

7. Tongyu Communication Incorporation develops, manufactures and sells communication antennas and RF devices used in mobile communication systems. The company produces base station antennas, microwave antennas, and RF devices;

8. SpeedCast International Limited is a provider of satellite-based communication networks and services in the Asia Pacific region and to the global maritime industry. The company designs, implements, integrates, operates and maintains communications networks;

9. Thaicom PCL operates satellite communication business. The Company operates and provides satellite transponder services. Thaicom also provides Internet, satellite uplink/downlink, and telephone network services;

10. Gamma Communications PLC supplies voice, data and mobile products and services in the United Kingdom. The Company provides fixed telephony, IP telephony, hosted phone systems, broadband and data connections, mobile services, security and unified communications solutions;

11. APT Satellite Holdings Limited, through its subsidiaries, maintains, operates, and leases satellite telecommunication systems;

12. Intelsat S.A. is a satellite services company that provides diversified communications services to the world's leading media companies, fixed and wireless telecommunications operators, data networking service providers for enterprise and mobile applications, multinational corporations and Internet service providers;

13. Humax Co., Ltd. specializes in manufacturing digital satellite receivers. The Company also produces digital cable television set top box (STB), digital terrestrial television STB, and web box. Humax exports its products to Europe, North Africa, Middle East, and Asia;

14. GS Sweden AB, through its subsidiary GomSpace ApS, develops and sells products as well as performs service and maintenance in the global nanosatellite market;

Risk Adjustment

We consider that the Satellite Communication Products segment possesses different risk profile from the Comparable Companies, including the size and other specific factors. For this reason, the market multiples are needed to be adjusted by factors which will take into account key differences between the Satellite Communication Products segment and the Comparable Companies. Such adjustment can be reflected through the discount rate. Theoretically, an entity with lower discount rate implies it possesses lower inherent risk that leads to a higher fair value. Hence, that entity should have a higher market multiple. For a comparable company with a lower discount rate compared to the Satellite Communication Products segment, the risk adjustment represents a discount on the market multiple of the comparable company as the Satellite Communication Products segment possesses a higher inherent risk, and vice versa. The magnitude of the risk adjustment is related to the difference in discount rate between the Satellite Communication Products segment and the Comparable Companies. Below is the table showing the discount rate of the Satellite Communication Products segment and Comparable Companies and the respective adjustments on the PE Ratio for the valuation of the Satellite Communication Products segment.

The Adjustment Factor is the quotient of the comparable companies' discount rate divided by that of the Satellite Communication Products segment.

Ticker	Discount Rate	Adjustment Factor	Adjusted PE Ratio
The Satellite Communication Products segment	12.73%	—	—
SESG FP Equity	6.3%	0.49	6.09
SATS US Equity	10.6%	0.83	25.57
ETL FP Equity	6.4%	0.50	6.89
INTUCH TB Equity	11.3%	0.89	9.68
ISAT LN Equity	7.4%	0.58	11.48
DGI US Equity	11.4%	0.89	33.22
002792 CH Equity	22.2%	1.74	68.47
SDA AU Equity	8.2%	0.64	41.20
THCOM TB Equity	12.2%	0.96	12.95
GAMA LN Equity	7.3%	0.58	14.58
1045 HK Equity	9.8%	0.77	6.02
I US Equity	15.0%	1.18	1.75
115160 KS Equity	10.3%	0.81	35.61
GOMX SS Equity	14.0%	1.10	98.69

The above discount rates is derived based on Capital Asset Pricing Model with input from Bloomberg and 2017 Valuation Handbook U.S. Guide to Cost of Capital published by Duff & Phelps.

The Adjusted PE Ratio derived above is ranging from 1.75 to 98.69. We considered that the wide range may not be unreasonable given that the comparable companies are operating in different geographies and are listed in different countries, where the investors may have different investment preferences. As the segment is selling its products mainly to the overseas market, we considered this list of comparable companies can represent such geographical exposures of the business. We then adopted the median of the Adjusted PE Ratio, at 13.76, to avoid the outlier effect.

ADDITIONAL CONSIDERATION

Discount for Lack of Marketability (DLOM)

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

We have assessed the DLOM of this investment using put option method. The concept is that when comparing a public share and a private share, holder of a public share has the ability to sell the shares (i.e. a put option) to the stock market right away. As the time to a liquidity event getting shorter, the degree of the DLOM becomes smaller.

We have adopted Black Scholes Option Pricing Model with the following parameters to estimate the Discount for Lack of Marketability.

Parameters	**31 March 2017**	**Remarks**
Option Type	European Put	
Spot Price	1.00	
Exercise Price	1.00	
Risk Free Rate	2.87%	Yield rate on 1-year CNY China Government BVF Curve
Volatility	30.96%	With reference to Comparable Companies
Maturity	1 Years	
Implied DLOM	**11%**	

Applying the above DLOM at 11% to the Adjusted PE Ratio at 13.76 result in an effective PE ratio at 12.25 (the "Effective PE Ratio").

The market value of Satellite Communication Products segment is then produced based on the Satellite Communication Products Profit and the Effective PE Ratio. The result is as follows:

Adjusted Profit attributable to Owners of the Satellite Communication Products segment	RMB660,623,000
Effective PE Ratio	12.25
100% Equity Value	RMB8,093 million

Discount for Lack of Control (DLOC)

A controlling ownership interest is typically more valuable than a pro-rata share of a minority interest. This is because the minority owner does not have control over important business decisions like declaring dividends, determining compensation, setting policies and deciding to sell or liquidate.

For Property Development Business segment, the previous transaction of selling 51% equity of SHFIL at RMB 1,065,000,000 is considered as the sales of controlling interest. Thus the per share value of this transaction shall be more valuable than the remaining 49% non-controlling interest.

Also, as the investment properties are wholly owned by Target, DLOC will be applied, to arrive the minority basis value.

In this valuation exercise, we have assessed the DLOC by referencing the Control Premium Study as published by Factset Mergerstat. The DLOC adopted in the valuation as at 31 March 2017 is 11%.

The market value of Property Development Business segment is then equals to the pro-rata value of its previous transaction (sales of 51%) by incorporating the DLOC, which results a value of RMB911 million.

LIMITING CONDITIONS

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the PRC Company, the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Target Company over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

Based on the results of our investigations and analyses, we are of the opinion that as at 31 March 2017 the fair value of 100% equity interest at minority basis in the Target is reasonably stated at the amount of **RMB13,622,000,000 (RENMINBI THIRTEEN THOUSAND SIX HUNDRED AND TWENTY TWO MILLION)**.

Segment	**Market Value**
	(RMB million)
Military Communication Products	3,780
Property Development Business	911
Satellite Communication Products	8,093
Investment Properties	838
Total	**13,622**

It is understood that the Company is injecting RMB600 million for obtaining approximately 4.41% enlarged equity interest of the Target Company. The market value of the corresponding interest (post-money basis) is thus RMB627 million.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle
Corporate Appraisal and Advisory Limited

Simon M.K. Chan
Regional Director

Note: Simon M.K. Chan is a CPA Fellow member of the Hong Kong Institute of Certified Public Accountants, a CPA Fellow member of CPA Australia, a fellow member of Royal Institution of Chartered Surveyors and a Certified Valuation Analyst, who has extensive experience in valuation and corporate advisory business. He has provided a wide range of valuation services to numerous listed and private companies in different industries in Mainland China and Hong Kong for over 10 years.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to notified to the Company and the Stock Exchange were as follows:

Long position in Shares

Name	Capacity	Number of Shares	Approximate percentage of Shareholding
Ms. Wang Fang (Note 1)	Beneficial owner and interest of controlled corporation	224,181,839	22.99%
Mr. Chan Sek Keung, Ringo (Note 2)	Beneficial owner and interest of controlled corporation	217,701,839	22.33%
Mr. Wu Chi Luen (Note 3)	Beneficial owner	—	—

Notes:

1. Ms. Wang Fang was deemed to be interested in 216,981,839 Shares held by Smoothly Global Holdings Limited by virtue of it being owned as to 20% by Ms. Wang Fang;

2. Mr. Chan Sek Keung, Ringo was deemed to be interested in 216,981,839 Shares held by Smoothly Global Holdings Limited by virtue of it being owned as to 70% by Mr. Chan Sek Keung, Ringo.

3. Mr. Wu Chi Luen has subscribed the coupon notes in the principal amount of HK$2,000,000.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the

SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange.

Interests of substantial shareholders

So far as is known to the Directors or chief executives of the Company, as at the Latest Practicable Date, the persons other than a Director or chief executive of the Company who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or under section 336 of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any options in respect of such capital, were as follows:

Name	Capacity	Number of Shares	Approximate percentage of Shareholding
Smoothly Global Holdings Limited (Note 1)	Beneficial owner	216,981,839	22.25%
China Create Capital Limited (Note 2)	Beneficial owner	117,000,000	12.00%
Mr. Zhang Wei	Interest of controlled corporation	117,000,000	12.00%

Notes:

1. Smoothly Global Holdings Limtied is incorporated in the British Virgin Islands with limited liability and is 70% and 20% owned by Mr. Chan Sek Keung, Ringo and Ms. Wang Fang respectively.

2. China Create Capital Limited (formerly known as Sinotak Limited) is incorporated in the British Virgin Islands, the entire issued share capital of which was wholly owned by Mr. Zhang Wei. Mr. Zhang Wei serves as the sole director of China Create Capital Limited.

Save as disclosed above, the Directors and the chief executive of the Company were not aware that there was any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest of short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or had any options in respect of such capital.

Interests in contract or arrangement

As at the Latest Practicable Date, none of the Directors is materially interested in contract or arrangement subsisting which is significant in relation to the business of the Group.

Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets have been acquired or disposed of by or leased to any member of the Group since 31 December 2016, being the date to which the latest published audited accounts of the Company were made up or are proposed to be acquired or disposed of by or leased to any member of the Group.

Service contracts

There is no existing or proposed service contract between any member of the Group and any Director or proposed Director (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

Competing business

Each of the Directors has confirmed that so far as they are aware of, none of the Directors nor any proposed Director or his/her respective associates has any interest in a business, apart from the Group's business, which competes or is likely to complete, either directly or indirectly, with the Group's business.

LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors pending or threatened against the Company or any of its subsidiaries.

EXPERTS AND CONSENTS

The qualification of the experts who have given opinion in this circular is as follows:

Name	Qualification
Ernst & Young	Certified public accountants
ZHONGHUI ANDA CPA LIMITED ("**ZHONGHUI ANDA**")	Certified public accountants
Jones Lang LaSalle	Professional valuer

As at the Latest Practicable Date, each of Ernst & Young, ZHONGHUI ANDA and Jones Lang LaSalle has no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and has no direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group since 31 December 2016, being the date to which the latest published audited accounts of the Company were made up or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of Ernst & Young, ZHONGHUI ANDA and Jones Lang LaSalle has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of their letter and/or references to their name, in the form and context in which they respectively appear.

MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and are or may be material:

(a) the sale and purchase agreement entered into between the Company and Jia Ya Development Limited ("**Jia Ya Development**") and Mr. Chi Shaolin dated 28 April 2015, pursuant to which the Company disposed of the entire equity interest in Honglin International Limited to Jia Ya Developement at a final cash consideration of HK$232,804,729 as mutually agreed by the parties to the sale and purchase agreement;

(b) the entrustment loan agreement entered into between the Weihaishi Yubo Wire & Cable Technology Co., Ltd.* (威海市裕博線纜科技有限公司) ("**Weihai Yubo**"), and Weihaishi Honglin Electronic Co., Ltd.* (威海市泓淋電子有限公司) ("**Weihai Electronic**") dated 28 April 2015, both of which were wholly-owned subsidiary of the Group therein, pursuant to which Weihai Yubo had entrusted the bank in the PRC which possesses the relevant qualifications (the "**Bank**") to provide an entrustment loan in the principal amount of not more than RMB95.0 million to Weihai Electronic and the total amount of the entrustment loan, including the principal amount and the interest accrued at any time during the term of the entrustment loan agreement, were not more than RMB102.0 million for the year ended 31 December 2015. Pursuant to the entrustment loan agreement, Weihai Yubo was required to provide a pledge of land and property to the Bank to guarantee the principal amount of the entrustment loan aforesaid.

On the same date, Weihai Yubo entered into a tenancy agreement with Weihai Electronic, pursuant to which Weihai Yubo continued to lease to Weihai Electronic the land and the property erected thereon owned by Weihai Yubo. The lease term is from 28 April 2015 to 31 December 2017. The rental is RMB100.0 per square meter per year and the total rental shall not be more than RMB4.0 million in each of the three financial years ending 31 December 2017

(c) the sale and purchase agreement entered into between the Company and Meadow Bridge Limited ("**Meadow Bridge**") and Mr. Zhang Kedong* (張克東) dated 8 July 2015, pursuant to which the Company disposed of the entire equity interest in Weihai Yubo to Meadow Bridge at a cash consideration of RMB65 million (or HK$82 million);

(d) the non-legally binding memorandum of understanding dated 13 October 2015 (as supplemented by the sale and purchase agreement dated 6 November 2015) entered into between the Company, Smoothly Global Holdings Limited ("**Smoothly Global**") and Mr. Chan Sek Keung, Ringo to acquire 75% equity interest in the issued share capital of

Fortune Grace Management Limited from Smoothly Global for a total consideration of HK$450 million, of which HK$190.4 million was settled in cash and the balance of HK$259.6 million was settled by the issue of 110,000,000 new shares as consideration shares at the issue price of HK$2.36 per share;

(e) the sale and purchase agreements dated 4 December 2015 (as supplemented by the supplemental agreement dated 30 November 2016 for the disposal of Properties as defined below) entered into between Shenyang New Postcom Co., Ltd ("**Shenyang New Postcom**"), an indirect wholly owned subsidiary of the Company, and Shenyang City Liansheng Technology Co., Ltd* (沈陽市聯盛科技有限公司) ("**Shenyang Liansheng**"), pursuant to which Shenyang New Postcom disposed of: i) fourteen vehicles including sedan and minivan, and truck and forklift (the "**Motor Vehicles**") to Shenyang Liansheng at a cash consideration of RMB0.5 million; ii) various types of tools, electrical appliances, computer equipment and office network equipment (the "**Equipment**") to Shenyang Liansheng at a cash consideration of RMB1.0 million; and iii) two parcels of land with a total site area of approximately 151,132 square meters located in the PRC (the "**Properties**") to Shenyang Liansheng at a cash consideration of RMB98.5 million;

(f) the sale and purchase agreement entered into between Shenyang New Postcom and Shenzhen Ji Shi Ming Ye Technology Company Limited* (深圳吉時銘業科技有限公司) ("**Shenzhen Ji Shi Ming Ye**") dated 31 December 2015, pursuant to which Shenyang New Postcom disposed of its technology know-how of the third generation mobile telecommunications multi-media technology and certain patents relating to wireless mobile communication terminals and systems (the "**Intangible Assets**") to Shenzhen Ji Shi Ming Ye at a cash consideration of RMB150.0 million;

(g) the subscription agreement dated 20 May 2016 (as supplemented by the supplemental agreement dated 27 May 2016) entered into between the Company and Sinotak Limited, pursuant to which the Company allotted and issued an aggregate of 39,000,000 new shares to Sinotak Limited at the issue price of HK$1.55 per subscription share and issued an aggregate of 117,000,000 options at the subscription price of HK$0.20 per option with each option entitles the holder thereof to subscribe for one conversion share at the exercise price of HK$1.90 per conversion share for a period of 12 months from date of issue of the options under specific mandate;

(h) the placing agreement dated 1 December 2016 (as supplemented by the supplemental agreement dated 23 February 2017) entered into between the Company and Convoy Asset Management Limited and Jun Yang Securities Company Limited (the "**Prior Placing Agents**"), pursuant to which the Prior Placing Agents agreed to, on a best effort basis, procure independent placees who/which are not connected persons of the Company to subscribe for the unconditional, unsubordinated and unsecured notes of an aggregate principal amount of up to HK$300,000,000 (the "**Prior Notes**") during the placing period as set out in the placing agreement (the "**Prior Placing**"). The first closing and second closing of the Prior Placing took place on 22 December 2016 and 24 January 2017, respectively, and the Prior Notes with an aggregated principal amount of HK$209,000,000 have been placed in accordance with the terms of the placing agreement. The placing period under the placing agreement was expired in 23 February 2017 in accordance with the terms of the supplemental agreement. On the same day, the Company entered into the new placing agreement with Convoy Asset Management Limited (the "**New Placing Agent**"), pursuant to which the New Placing Agent agreed to, on a best effort basis, procure independent placees who/which are not connected persons of the Company to subscribe for the unconditional, unsubordinated and unsecured notes of an aggregate principal amount of up to HK$90,000,000 (the "**New Notes**") during the new placing period as set out in the new placing agreement (the "**New Placing**");

(i) the Capital Injection Agreement; and

(j) the placing agreement dated 9 May 2017 entered into between the Company and Gransing Securities Co., Limited (the "**Placing Agent**"), pursuant to which the Company appointed the Placing Agent as its placing agent to procure not less than six independent placees who/which are not connected persons of the Company to subscribe up to 156,000,000 shares of the Company (the "**Placing Shares**") at the placing price of HK$0.36 per share on a best effort basis during the placing period as set out in the placing agreement (the "Placing of New Shares"). The Placing of New Shares was completed on 18 May 2017, and an aggregate of 156,000,000 Placing Shares (representing approximately 16.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares under the general mandate as granted to the directors of the Company at the annual general meeting) had been placed.

GENERAL

(a) The company secretary of the Company is Ms. Ho Wing Yan ("**Ms. Ho**"). Ms. Ho is an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

(b) The registered office of the Company is situated at Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands

(c) The Company's headquarter situates at Room 1907-1909, 19th Floor, Tower E2, Oriental Plaza No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the PRC. The Company's head office and principal place of business in Hong Kong situates at 33rd Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

(d) The Company's branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) In the event of inconsistency, the English text shall prevail over its respective Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during 9:00 a.m. to 5:00 p.m. at the Company's principal place of business in Hong Kong at 33rd Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the three years ended 31 December 2016;

(c) the accountants' report from ZHONGHUI ANDA on the financial information of the Target Group for the three years ended 31 December 2016, the text of which is set out in Appendix II to this circular;

(d) the report from Ernst & Young on unaudited pro forma financial information of the Group, the text of which is set out in Appendix III to this circular;

(e) the letter from the Board, the text of which is set out on pages 5 to 21 of this circular;

(f) the valuation report on the Target Company prepared by Jones Lang LaSalle as set out in Appendix V to this circular;

(g) the letters of consents referred to in the section headed "Experts and consent" in this Appendix; and

(h) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(i) the Capital Injection Agreement; and

(j) this circular.

InvesTech Holdings Limited
威 訊 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1087)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “**Meeting**“) of InvesTech Holdings Limited (the “**Company**“) will be held at the Conference Room 7, 3rd Floor, Jianguo Garden Hotel, No. 17 Jianguomennei Avenue, Dongcheng District, Beijing, the People’s Republic of China on 10 July 2017 (Monday) at 11:00 a.m. (or any adjournment thereof) for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

“**THAT**

1. (a) the capital injection agreement dated 17 February 2017 (the “**Capital Injection Agreement**”) entered into between (i) the Company (“**Investor**”), (ii) Mr. Wu Guangsheng, Mr. Huang Yongjiang, Mr. Xiang Junhui, Mr. Feng Junzheng and Shenzhen Yindingdong Technology Company Limited (collectively being the existing shareholders (“**Existing Shareholders**”) of China Communication Technology Company Limited (“**Target Company**”) and currently hold in aggregate approximately 79.03% of the equity interests of the Target Company), and (iii) the Target Company, pursuant to which the Investor shall, subject to the fulfillment of the conditions precedent set out in the Capital Injection Agreement, to subscribe for an additional registered capital of RMB18,453,813 at the total consideration of RMB600,000,000 (RMB18,453,813 representing payment for the additional registered capital of the Target Company and RMB581,546,187 representing the increase in capital reserve of the Target Company), a copy of which is marked “A” and produced to the meeting and initialled by the chairman of the meeting for the purpose of identification, and the terms and conditions of the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one of the directors (the "**Directors**") of the Company be and is hereby authorised to execute all documents and to do all such things and take all such other steps which, in his/her opinion, may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated in and for completion of the Capital Injection Agreement and to agree to and make such variation, amendment or waiver in relation thereto which are, in the opinion of the Directors, in the interest of the Company.

2. To re-elect Mr. Wong Chun Sek, Edmund as an independent non-executive director of the Company."

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

Hong Kong, 23 June 2017

Principal Place of Business in Hong Kong:
33rd Floor
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Notes:

1. A shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not be a shareholder of the Company.

2. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be deposited at the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the Meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the Meeting or any adjourned meeting thereof should he so wishes.

3. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purposes seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint shareholding.

4. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting if shareholders so wish.

5. The ordinary resolution set out in this notice of extraordinary general meeting will be put to shareholders to vote taken by way of a poll.

6. The transfer books and register of members of the Company will be closed from 5 to 10 July 2017 (both dates inclusive), during which period no transfer of Shares will be effected. In order to qualify for the right to attend and vote at the EGM, 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, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 4 July 2017.

7. Please also refer to the section headed "Letter of the Board — Re-election of Retiring Director" of the circular of the Company, of which this notice forms part, for biographical details of Mr. Wong Chun Sek, Edmund.

8. As at the date of this notice, the Board comprises four executive Directors, namely Mr. Chan Sek Keung, Ringo (Chairman and Chief Executive Officer), Mr. Lu Chengye, Ms. Wang Fang and Mr. Wu Chi Luen; and three independent non-executive Directors, namely Mr. Wong Chun Sek, Edmund, Mr. Lu, Brian Yong Chen and Mr. Huang Liangkuai.