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## **RENTIAN TECHNOLOGY HOLDINGS LIMITED**

**仁天科技控股有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 00885)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016**

#### **FINANCIAL HIGHLIGHTS**

- Revenue for the six month ended 30 June 2016 was approximately HK\$356.65 million (30 June 2015: HK\$287.77 million), representing an increase of approximately 23.94% when compared with the corresponding period in 2015;
- The Group's revenue from the Internet-of-things ("IoT") business amounted to approximately HK\$393.46 million (30 June 2015: HK\$285.33 million), representing approximately 110.32% of the Group's revenue and an increase of approximately 37.89% when compared with the corresponding period in 2015;
- The Group's segment results generated from the IoT business amounted to approximately HK\$98.47 million (30 June 2015: HK\$37.38 million), representing an increase of approximately 163.42% when compared with the corresponding period in 2015;
- The Group's segment results generated from investing business amounted to approximately HK\$61.85 million (30 June 2015: HK\$344.72 million), representing a decrease of approximately 82.06% when compared with the corresponding period in 2015; and
- The profit before taxation was mainly attributable from (i) segment results generated from the IoT business of approximately HK\$98.47 million (30 June 2015: HK\$37.38 million); and (ii) segment results generated from the investing business of approximately HK\$61.85 million (30 June 2015: HK\$344.72 million), which offsetting the (i) finance costs of approximately HK\$47.16 million (30 June 2015: HK\$10.79 million); and (ii) share option expenses of approximately HK\$12.43 million (30 June 2015: HK\$9.99 million).

\* For identification purpose only

## RESULTS

The board of directors (the “Board”) of Rentian Technology Holdings Limited (the “Company”) reports the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2016 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2016*

		Unaudited	
		Six months ended 30 June	
		2016	2015
	Note	HK\$'000	HK\$'000
<b>Revenue</b>	3	<b>356,649</b>	287,771
Cost of sales		<u>(232,252)</u>	<u>(196,544)</u>
<b>Gross profit</b>		<b>124,397</b>	91,227
Other income	4	<b>16,146</b>	6,941
Selling and distribution expenses		<b>(28,778)</b>	(27,653)
General and administrative expenses		<b>(105,066)</b>	(76,117)
Changes in fair value of financial assets at fair value through profit or loss		<u><b>126,221</b></u>	<u>314,477</u>
<b>Profit from operation</b>		<b>132,920</b>	308,875
Finance costs	5(a)	<b>(47,156)</b>	(10,785)
Share of result of associates		<b>7,408</b>	46,141
Loss on disposal of available-for-sale financial assets	11(a)	<b>(414)</b>	–
Gain on bargain purchase on acquisition of an associate		<u>–</u>	<u>8,740</u>
<b>Profit before taxation</b>	5	<b>92,758</b>	352,971
Taxation	6	<u><b>(16,668)</b></u>	<u>(1,574)</u>

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
<i>Note</i>		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>Profit for the period</b>	<b>76,090</b>	351,397
	<b>Other comprehensive loss:</b>		
	<i>Items that are or may be reclassified to profit or loss:</i>		
	Changes in fair value of		
	available-for-sale financial assets	–	(19,092)
	Exchange differences arising from		
	translation of foreign operations	<b>(13,354)</b>	538
	Share of other comprehensive (loss) income		
	of associates	<b>(2,788)</b>	40
	<b>Other comprehensive loss for the period</b>	<b>(16,142)</b>	(18,514)
	<b>Total comprehensive income for the period</b>	<b>59,948</b>	332,883
	<b>Profit attributable to:</b>		
	Owners of the Company	<b>54,222</b>	347,012
	Non-controlling interests	<b>21,868</b>	4,385
		<b>76,090</b>	351,397
	<b>Total comprehensive income attributable to:</b>		
	Owners of the Company	<b>40,517</b>	328,430
	Non-controlling interests	<b>19,431</b>	4,453
		<b>59,948</b>	332,883
		<b><i>HK cents</i></b>	<b><i>HK cents</i></b>
	<b>Basic earnings per share</b>	<b>0.59</b>	4.80
	<b>Diluted earnings per share</b>	<b>0.58</b>	4.80

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2016*

		30 June 2016 (Unaudited) <i>HK\$'000</i>	31 December 2015 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment		34,296	32,916
Intangible assets	9	156,235	33,144
Goodwill	10	1,194,558	266,592
Interests in associates		97,764	93,144
Available-for-sale financial assets	11	357,606	493,020
Pledged bank deposits		2,313	1,634
Deferred tax assets		331	317
		<b>1,843,103</b>	920,767
<b>Current assets</b>			
Inventories		102,547	101,325
Available-for-sale financial assets	11	–	83,559
Financial assets at fair value through profit or loss	12	2,212,700	1,707,758
Contingent consideration receivables	19(c)	452	–
Loan receivables	13	32,836	30,748
Trade and other receivables	14	471,641	393,334
Pledged bank deposits		1,631	2,214
Bank balances and cash		189,892	228,247
		<b>3,011,699</b>	2,547,185
<b>Current liabilities</b>			
Trade and other payables	15	245,639	288,765
Income tax payable		15,658	6,072
Interest-bearing borrowings	16	276,155	374,019
Promissory notes	17	417,314	55,000
		<b>954,766</b>	723,856
<b>Net current assets</b>		<b>2,056,933</b>	1,823,329
<b>Total assets less current liabilities</b>		<b>3,900,036</b>	2,744,096

		<b>30 June</b>	31 December
		<b>2016</b>	2015
		<b>(Unaudited)</b>	(Audited)
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current liabilities</b>			
Interest-bearing borrowings	<i>16</i>	<b>508</b>	582
Deferred tax liabilities		<b>33,717</b>	2,867
Contingent consideration payables	<i>19(c)</i>	<b>15,916</b>	–
Promissory notes	<i>17</i>	<b>632,470</b>	476,337
		<u><b>682,611</b></u>	<u>479,786</u>
<b>NET ASSETS</b>		<u><b>3,217,425</b></u>	<u>2,264,310</u>
<b>Capital and reserves</b>			
Share capital	<i>18</i>	<b>10,148</b>	8,136
Reserves		<u><b>3,016,171</b></u>	<u>2,106,864</u>
Equity attributable to owners of the Company		<b>3,026,319</b>	2,115,000
Non-controlling interests		<u><b>191,106</b></u>	<u>149,310</u>
<b>TOTAL EQUITY</b>		<u><b>3,217,425</b></u>	<u>2,264,310</u>

# NOTES

*Six months ended 30 June 2016*

## 1. GENERAL INFORMATION

Rentian Technology Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

## 2. STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES

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

The preparation of unaudited condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2015. They have been prepared on the historical cost basis, except for contingent consideration receivables/payables, financial assets at fair value through profit or loss and certain available-for-sale financial assets, which are measured at fair value.

Except as described below, the accounting policies used in preparing these unaudited condensed consolidated financial statements are consistent with those used in the Group’s audited consolidated financial statements for the year ended 31 December 2015.

### **Contingent consideration arising from business combination**

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

The adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

At the date of authorisation of these unaudited condensed consolidated financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current period. The Group is in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but it is not yet in a position to reasonably estimate the impact on the Group’s consolidated financial statements.

### 3. SEGMENT INFORMATION

The chief operating decision makers have evaluated the performance of operating segments and to allocate resources to those segments based on the Group's internal reporting in respect of these segments. The Group's operating segments are structured and managed separately according to the nature of their businesses. The Group has two (2015: two) reportable segments as follows:

- (a) Internet-of-things ("IoT") and related businesses
- (b) Securities and other investment ("Investing")

The Group's other operating segments, which do not meet any of the quantitative thresholds for determining as reportable segments. The information of these other operating segment is included in the "Unallocated" column.

Segment results represent the results from each reportable segment without allocation of finance costs. The following analysis is the measure reported to executive directors, being the chief operating decision makers, for the purposes of resources allocation and assessment of segment performance.

#### By business segments

An analysis of the Group's revenue and results by reportable segment is set out below:

	<b>Six months ended 30 June 2016 (Unaudited)</b>			
	<b>IoT</b>	<b>Investing</b>	<b>Unallocated</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>				
Sales of products in IoT business	280,985	–	–	280,985
Services income in IoT business	112,471	–	–	112,471
Dividend income from listed securities	–	12	–	12
Net realised loss on disposal of financial assets at fair value through profit or loss	–	(40,152)	–	(40,152)
Interest income from loan receivables	–	–	3,333	3,333
<b>Total revenue</b>	<b>393,456</b>	<b>(40,140)</b>	<b>3,333</b>	<b>356,649</b>
<b>Operating results</b>				
Segment results	98,472	61,853	(20,411)	139,914
Finance costs				(47,156)
<b>Profit before taxation</b>				<b>92,758</b>

	Six months ended 30 June 2015 (Unaudited)			
	IoT	Investing	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>				
Sales of products in IoT business	228,839	–	–	228,839
Services income in IoT business	56,492	–	–	56,492
Net realised gain on disposal of financial assets at fair value through profit or loss	–	1,591	–	1,591
Interest income from loan receivables	–	–	849	849
	<u>–</u>	<u>–</u>	<u>849</u>	<u>849</u>
Total Revenue	<u>285,331</u>	<u>1,591</u>	<u>849</u>	<u>287,771</u>
<b>Operating results</b>				
Segment results	<u>37,382</u>	<u>344,719</u>	<u>(18,345)</u>	363,756
Finance costs				<u>(10,785)</u>
<b>Profit before taxation</b>				<u>352,971</u>

An analysis of the Group's assets and liabilities by reportable segment is set out below:

	As at 30 June 2016 (Unaudited)			
	IoT	Investing	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	<u>2,269,984</u>	<u>2,516,015</u>	<u>68,803</u>	<u>4,854,802</u>
Segment liabilities	<u>(614,651)</u>	<u>(332,065)</u>	<u>(690,661)</u>	<u>(1,637,377)</u>

	As at 31 December 2015 (Audited)			
	IoT	Investing	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	<u>1,162,665</u>	<u>2,222,372</u>	<u>82,915</u>	<u>3,467,952</u>
Segment liabilities	<u>(305,774)</u>	<u>(407,383)</u>	<u>(490,485)</u>	<u>(1,203,642)</u>



#### 4. OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of deferred day-one gain ( <i>note 17</i> )	11,376	3,290
Interest income from financial institutions	1,550	1,260
Reversal of allowance for doubtful debts on trade receivables	–	98
Government grants	2,276	2,293
Others	944	–
	<u>16,146</u>	<u>6,941</u>

#### 5. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging (crediting):

	Unaudited	
	Six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>(a) Finance costs</b>		
Interest on interest-bearing borrowings	13,635	3,618
Interest on promissory notes ( <i>note 17</i> )	33,511	7,167
Finance charges on obligations under finance leases	10	–
	<u>47,156</u>	<u>10,785</u>
<b>(b) Other items</b>		
Amortisation of intangible assets	4,265	–
Allowance for doubtful debts on trade receivables	254	–
Cost of inventories ( <i>Note</i> )	187,914	154,790
Depreciation of property, plant and equipment	5,473	4,228
Exchange gain, net	(637)	–
Operating lease charges on premises	9,186	6,807
Staff cost and related expenses	67,366	62,739
– includes share-based payment in respect of share options	12,430	9,986
	<u>12,430</u>	<u>9,986</u>

*Note:* Cost of inventories includes HK\$15,537,000 (six months ended 30 June 2015: HK\$15,531,000) relating to staff costs, depreciation and operating lease charges, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

## 6. TAXATION

Hong Kong Profits Tax has not been provided as the Group's entities either have no assessable profit or their assessable profits for the period are wholly absorbed by unrelieved tax losses brought forward from previous years.

The Group's PRC subsidiaries are subject to the PRC Enterprises Income Tax ("EIT") at a rate of 25% (six months ended 30 June 2015: 25%) based on its taxable profit. However, four (six months ended 30 June 2015: three) PRC subsidiaries of the Company have been officially designated by the local tax authority as "High and New Technology Enterprises". A reduced tax rate of 15% (six months ended 30 June 2015: 15%) for the period of three years was granted as long as those PRC subsidiaries meet the high-tech enterprise qualification. One (six months ended 30 June 2015: Nil) PRC subsidiary of the Company is subject to EIT at a rate of 25% based on its deemed profit (i.e. 10% of its revenue in accordance with the authorised taxation method).

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Current tax		
PRC EIT		
Current period	<b>17,953</b>	1,269
Over provision in prior period	<b>(197)</b>	–
	<b><u>17,756</u></b>	<u>1,269</u>
Deferred tax	<b><u>(1,088)</u></b>	<u>305</u>
Tax expenses for the period	<b><u><u>16,668</u></u></b>	<u><u>1,574</u></u>

## 7. DIVIDEND

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$Nil).

## **8. EARNINGS PER SHARE**

### **Basic earnings per share**

The calculation of basic earnings per share attributable to owners of the Company is based on profit attributable to owners of the Company of HK\$54,222,000 (six months ended 30 June 2015: HK\$347,012,000) and the weighted average number of ordinary shares of 9,249,137,783 shares (six months ended 30 June 2015: 7,236,390,530 shares) in issue during the period.

### **Diluted earnings per share**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's potentially dilutive ordinary shares comprise share options and consideration shares to be issued under the arrangement of profit guarantee which are subject to certain specific conditions and are treated as contingently issuable shares. Contingently issuable shares are considered outstanding and where applicable, included in the calculation of diluted earnings per share as if the condition of the contingency is deemed to have been met, based on the information available, at the end of reporting period.

As at 30 June 2016, certain specific conditions of the share options were met and therefore 50% of the share options outstanding were assumed to have exercised during the six months period ended 30 June 2016 and included in the calculation of diluted earnings per share. The conditions under the profit guarantee were not fully met and therefore potential dilutive ordinary shares in this regard are not included in the calculation of diluted earnings per share.

Diluted earnings per share was the same as the basic earnings per share for the six months ended 30 June 2015 as none of the specific conditions of the share options was fully met, and thus the potentially dilutive ordinary shares are not included in the calculation of diluted earnings per share.

## 9. INTANGIBLE ASSETS

	Customer relationships <i>HK\$'000</i>	Computer software copyright <i>HK\$'000</i>	Trademarks <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2015				
Carrying amount as at 1 January 2015 (Audited)	–	–	33,968	33,968
Exchange realignment	–	–	(824)	(824)
	<u>–</u>	<u>–</u>	<u>(824)</u>	<u>(824)</u>
Carrying amount as at 31 December 2015 (Audited)	<u>–</u>	<u>–</u>	<u>33,144</u>	<u>33,144</u>
<b>Six months ended 30 June 2016</b>				
Carrying amount as at 1 January 2016 (Audited)	–	–	33,144	33,144
Acquisition of subsidiaries ( <i>note 19</i> )	124,703	2,961	–	127,664
Amortisation	(4,157)	(108)	–	(4,265)
Exchange realignment	–	–	(308)	(308)
	<u>–</u>	<u>–</u>	<u>(308)</u>	<u>(308)</u>
Carrying amount as at 30 June 2016 (Unaudited)	<u>120,546</u>	<u>2,853</u>	<u>32,836</u>	<u>156,235</u>

The customer relationships and computer software copyright acquired in a business combination are recognised at fair value at the acquisition date. Amortisation is provided on the straight-line basis over their estimated useful lives of 5 years.

## 10. GOODWILL

	30 June 2016 (Unaudited) <i>HK\$'000</i>	31 December 2015 (Audited) <i>HK\$'000</i>
<i>Reconciliation of carrying amount</i>		
At beginning of the reporting period	266,592	114,786
Acquisition of subsidiaries ( <i>note 19</i> )	<u>927,966</u>	<u>151,806</u>
At end of the reporting period	<u>1,194,558</u>	<u>266,592</u>
Cost	1,194,558	266,592
Accumulated impairment losses	<u>–</u>	<u>–</u>
	<u>1,194,558</u>	<u>266,592</u>

## 11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Listed equity securities in Hong Kong, at fair value	<u>110,106</u>	<u>110,106</u>
Wealth management products, at fair value	<u>–</u>	<u>83,559</u>
Unlisted equity securities in private limited companies incorporated outside Hong Kong, at cost	<b>247,500</b>	395,450
Impairment loss recognised	<u>–</u>	<u>(12,536)</u>
<i>(a)</i>	<u><b>247,500</b></u>	<u>382,914</u>
	<u><b>357,606</b></u>	<u>576,579</u>
Analysed as:		
Non-current portion	<b>357,606</b>	493,020
Current portion	<u>–</u>	<u>83,559</u>
	<u><b>357,606</b></u>	<u>576,579</u>

### Notes:

- (a) At 31 December 2015, the Group held 6.4% equity interests in Joint Global Limited (“JGL”) and 1.56% equity interests in Cordoba Homes Limited (“CHL”) with carrying value of HK\$95,464,000 (net of impairment loss of HK\$12,536,000) and HK\$39,950,000 respectively. During the six months ended 30 June 2016, the Group disposed of its entire equity interests in JGL and CHL to independent third parties at sales proceeds of HK\$95,000,000 and HK\$40,000,000 respectively in exchange for acquisition of listed equity securities in Hong Kong and classified as financial assets at fair value through profit or loss and in cash, resulted in a net loss on disposal of available-for-sale financial assets of approximately HK\$414,000 in aggregate and recognised in profit or loss.

The remaining balance represents the Group’s 15.81% (31 December 2015: 15.92%) equity interests in Co-Lead Holdings Limited, a company incorporated in the British Virgin Islands with limited liability.

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

		<b>30 June</b>	31 December
		<b>2016</b>	2015
		<b>(Unaudited)</b>	(Audited)
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Held for trading			
Equity securities listed in Hong Kong		<b>1,340,369</b>	1,172,929
Designated upon initial recognition			
Equity-linked notes		<b>520,117</b>	475,123
Unlisted funds	<i>(a)</i>	<b>217,728</b>	–
Wealth management products		<b>74,720</b>	–
Derivative financial instruments			
Derivative contracts		<b>59,766</b>	59,706
		<b>2,212,700</b>	1,707,758

*Note:*

- (a) During the period, the Group entered into two subscription agreements with a private fund manager, an independent third party, which is a company registered and approved by the Asset Management Association of China in the PRC, pursuant to which the Group agreed to subscribe for an aggregate amount of HK\$210,000,000 of the fund units of an unlisted fund. The fund units may be redeemable at any time upon giving a written notice of not less than 5 days in advance of the redemption.

### 13. LOAN RECEIVABLES

Loans granted to borrowers are repayable according to repayment schedules. The balance comprises loan receivables from:

		<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
	<i>Note</i>		
Third parties		<b>53,126</b>	51,038
Allowance for doubtful debts	<i>(a)</i>	<u><b>(20,290)</b></u>	<u>(20,290)</u>
Balances due within one year and included in current assets		<u><b>32,836</b></u>	<u>30,748</u>

*Note:*

- (a) At the end of the reporting period, (i) loan receivables of HK\$32,836,000 (31 December 2015: HK\$30,748,000) carry at fixed interest rate of 14% (31 December 2015: 14%) per annum, unsecured and within respective maturity dates; and (ii) loan balances of HK\$20,290,000 (31 December 2015: HK\$20,290,000) were overdue and fully impaired.

## 14. TRADE AND OTHER RECEIVABLES

		<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
	<i>Note</i>		
<b>Trade receivables</b>			
From a related party	(a)	<b>1,600</b>	2,268
From third parties		<b>328,371</b>	294,960
Allowance for doubtful debts		<b>(269)</b>	(20)
		<u>          </u>	<u>          </u>
	(b)	<b>329,702</b>	297,208
		<u>          </u>	<u>          </u>
<b>Notes receivables</b>		<b>4,155</b>	2,832
		<u>          </u>	<u>          </u>
<b>Other receivables</b>			
Prepayments		<b>73,456</b>	63,693
Deposits and other debtors		<b>64,328</b>	29,601
		<u>          </u>	<u>          </u>
		<b>137,784</b>	93,294
		<u>          </u>	<u>          </u>
		<b>471,641</b>	393,334
		<u>          </u>	<u>          </u>

*Note:*

- (a) The trade receivables from a related party is unsecured, interest-free and with credit period of 60 days.
- (b) The ageing analysis of trade receivables, net of allowance for doubtful debts, based on the invoice date is as follows:

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Within 90 days	<b>218,119</b>	223,774
91 – 180 days	<b>17,339</b>	6,041
181 – 365 days	<b>65,016</b>	31,525
Over 365 days	<b>29,228</b>	35,868
	<u>          </u>	<u>          </u>
	<b>329,702</b>	297,208
	<u>          </u>	<u>          </u>

The Group allows a credit period of 30 – 90 days to its customers.



## 15. TRADE AND OTHER PAYABLES

		<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
	<i>Note</i>		
<b>Trade payables</b>	<i>(a)</i>	<u>127,422</u>	<u>152,500</u>
<b>Other payables</b>			
Accrued charges		44,280	86,465
Interest payables		19,952	14,216
Other creditors		13,147	11,917
Trade deposits received		<u>40,838</u>	<u>23,667</u>
		<u>118,217</u>	<u>136,265</u>
		<u><b>245,639</b></u>	<u><b>288,765</b></u>

*Note:*

- (a) The credit period of trade payables is normally within 90 days. The ageing analysis of trade payables, based on the invoice date is as follows:

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Within 90 days	98,856	124,885
91 – 180 days	8,369	8,143
181 – 365 days	6,892	2,835
Over 365 days	<u>13,305</u>	<u>16,637</u>
	<u><b>127,422</b></u>	<u><b>152,500</b></u>

## 16. INTEREST-BEARING BORROWINGS

		<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
	<i>Note</i>		
Bank borrowings, unsecured and guaranteed		–	23,874
Margin loan, secured and guaranteed	<i>(a)</i>	<b>125,022</b>	350,000
Margin loan, secured	<i>(b)</i>	<b>150,986</b>	–
Obligations under finance leases		<b>655</b>	727
		<b><u>276,663</u></b>	<b><u>374,601</u></b>
Analysed as:			
Non-current portion		<b>508</b>	582
Current portion		<b><u>276,155</u></b>	<u>374,019</u>
		<b><u>276,663</u></b>	<b><u>374,601</u></b>

*Note:*

### (a) Margin loan, secured and guaranteed

The margin loan was secured by certain listed equity securities held under the securities margin account, with a total market value of approximately HK\$571,475,000 as at 30 June 2016 (31 December 2015: HK\$600,000,000) and guaranteed by the controlling shareholder of the Company. The margin loan carried at prime rate plus 3% (31 December 2015: The Hong Kong and Shanghai Banking Corporation Limited's HK\$ best lending rate plus 3%) per annum and repayable on demand.

### (b) Margin loan, secured

The margin loan was secured by certain listed equity securities held under the securities margin account, with a total market value of approximately HK\$550,000,000 as at 30 June 2016. The margin loan carried at prime rate plus 3% per annum and repayable on demand.

## 17. PROMISSORY NOTES

	<b>Debt component HK\$'000</b>	<b>Deferred day-one gain HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2015 (Audited)	48,144	29,741	77,885
Fair value of promissory notes issued at the inception date	434,591	–	434,591
Day-one gain of newly issued promissory notes at inception not recognised in profit or loss	–	20,409	20,409
Interest charged for the year	21,115	–	21,115
Interest payable on promissory notes included in other payables	(14,400)	–	(14,400)
Amortisation of deferred day-one gain	–	(8,263)	(8,263)
	<hr/>	<hr/>	<hr/>
At 31 December 2015 and at 1 January 2016 (Audited)	489,450	41,887	531,337
Fair value of promissory notes issued at the inception date	182,712	–	182,712
Provisional fair value of promissory notes issued at the date of acquisition of subsidiaries ( <i>note 19</i> )	317,425	–	317,425
Day-one gain of newly issued promissory notes at inception not recognised in profit or loss	–	17,288	17,288
Interest charged for the period ( <i>note 5(a)</i> )	33,511	–	33,511
Interest payable on promissory notes included in other payables	(21,113)	–	(21,113)
Amortisation of deferred day-one gain ( <i>note 4</i> )	–	(11,376)	(11,376)
	<hr/>	<hr/>	<hr/>
<b>At 30 June 2016 (Unaudited)</b>	<b><u>1,001,985</u></b>	<b><u>47,799</u></b>	<b><u>1,049,784</u></b>
<b>At 30 June 2016</b>			
<b>Analysis as:</b>			
<b>Non-current portion</b>			<b>632,470</b>
<b>Current portion</b>			<b><u>417,314</u></b>
			<b><u>1,049,784</u></b>
At 31 December 2015			
Analysis as:			
Non-current portion			476,337
Current portion			<u>55,000</u>
			<b><u>531,337</u></b>

## 18. SHARE CAPITAL

	30 June 2016 (Unaudited)		31 December 2015 (Audited)	
	<i>No. of shares</i>		<i>No. of shares</i>	
	<i>'000</i>	<i>HK\$'000</i>	<i>'000</i>	<i>HK\$'000</i>
<b>Authorised:</b>				
At beginning of period/year and at end of the period/year				
Ordinary shares of HK\$0.001 each	<u>5,000,000,000</u>	<u>5,000,000</u>	<u>5,000,000,000</u>	<u>5,000,000</u>
<b>Issued and fully paid:</b>				
At beginning of period/year				
Ordinary shares of HK\$0.001 each	8,136,390	8,136	723,639	724
Issue of bonus issue	–	–	6,512,751	6,512
Issue of new shares	–	–	900,000	900
Issue of new shares ( <i>note (a)</i> )	500,000	500	–	–
Issue of new shares on acquisition of subsidiaries ( <i>note (b)</i> )	<u>1,512,000</u>	<u>1,512</u>	<u>–</u>	<u>–</u>
At end of the period/year				
Ordinary shares of HK\$0.001 each	<u>10,148,390</u>	<u>10,148</u>	<u>8,136,390</u>	<u>8,136</u>

### Notes:

- (a) On 4 February 2016, the Company allotted and issued an aggregate of 500,000,000 shares at a placing price of HK\$0.42 per share to an independent third party for cash.
- (b) On 7 April 2016, the Company allotted and issued an aggregate of 1,512,000,000 consideration shares as part of the consideration in acquiring 51% equity interests in Next Concept International Investment Limited (“Next Concept”). Details of the acquisition are set out in note 19(a) of this announcement.

## 19. ACQUISITION OF SUBSIDIARIES

### (a) Acquisition of 51% equity interests in Next Concept and its subsidiaries (“Next Concept Group”) (the “Next Concept Group Acquisition”)

On 31 March 2016, the Group and the selling shareholders of Next Concept (“Selling Shareholders A”) entered in to a sales and purchase agreement (“Next Concept S&P”), pursuant to which the Group has conditionally agreed to acquire and the Selling Shareholders A have conditionally agreed to sell 51% equity interests in Next Concept by issuing 1,512,000,000 ordinary shares of the Company at HK\$0.51 per share with lock-up period of 1.06 to 2.06 years from the date of issue and promissory notes of HK\$330,480,000 at the interest rate of 3% per annum to the Selling Shareholders A. The provisional fair value of the consideration shares and promissory notes issued were determined by an independent valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”).

After the completion of transaction on 7 April 2016, the Group held 51% equity interests in Next Concept and Next Concept became an indirect non-wholly owned subsidiary of the Group.

As part and parcel of the transactions contemplated under the Next Concept S&P, the Selling Shareholders A have jointly and severally, unconditionally and irrevocably guaranteed to compensate the Group, not more than HK\$440,640,000 and HK\$660,960,000 for the years ending 31 December 2016 and 2017 respectively, if the profit after taxation of Next Concept Group, is less than HK\$144,000,000 and HK\$216,000,000 respectively.

The compensation shall be deducted from the promissory notes issued together with the relevant interest; and any remaining balance will be settled in cash. Contingent consideration receivables were resulted under this arrangement.

Details of Next Concept Group Acquisition are set out in the Company’s announcement dated 31 March 2016.

At the end of the reporting period, the provisional fair value of contingent consideration receivables is HK\$452,000.

**(b) Acquisition of 75% equity interests in Hangzhou Lepei Telecommunication Company Limited\* (“Lepei”) and its subsidiary (“Lepei Group”) (the “Lepei Group Acquisition”)**

On 15 April 2016, the Group and the selling shareholders of Lepei (“Selling Shareholders B”) entered into an investment agreement (the “Investment Agreement”) in relation to the acquisition of 75% equity interests in Lepei by the Group, pursuant to which (i) the Group agreed to purchase and the Selling Shareholder B agreed to sell, 67.5% equity interests in Lepei, at a consideration of RMB8,000,000 (equivalent to approximately HK\$9,586,000); and (ii) the Group agreed to contribute RMB5,000,000 (equivalent to approximately HK\$5,991,000) to Lepei, out of which RMB300,000 (equivalent to approximately HK\$359,000) were attributed to the increase in the registered capital of Lepei and the remaining RMB4,700,000 (equivalent to approximately HK\$5,632,000) were attributed to the capital reserve of Lepei. After the completion of transaction on 27 April 2016, the Group held 75% equity interests in Lepei and Lepei became an indirect non-wholly owned subsidiary of the Group.

As part and parcel of the transactions contemplated under the Investment Agreement, the Group entered into a profit guarantee agreement (“Profit Guarantee Agreement”) with the Selling Shareholders B, pursuant to which the Group shall pay cash up to the value of RMB4,898,000 (equivalent to approximately HK\$5,718,000) and RMB9,477,000 (equivalent to approximately HK\$11,064,000) for the years ending 31 December 2017 and 2018 respectively, to the Selling Shareholders B if the profits after taxation of Lepei for the years ending 31 December 2016, 2017 and 2018 reached RMB4,500,000 (equivalent to approximately HK\$5,346,000), RMB5,850,000 (equivalent to approximately HK\$6,950,000) and RMB7,605,000 (equivalent to approximately HK\$9,036,000) respectively.

At the same time, the Selling Shareholders B have jointly and severally, unconditionally and irrevocably guaranteed to compensate the Group, not more than RMB5,608,000 (equivalent to approximately HK\$6,663,000), RMB7,290,000 (equivalent to approximately HK\$8,661,000) and RMB9,477,000 (equivalent to approximately HK\$11,260,000) for the years ending 31 December 2016, 2017 and 2018 respectively if the profits after taxation of Lepei for the years ending 31 December 2016, 2017 and 2018 do not reach the guarantee level. The additional consideration or compensation shall be settled in cash.

Lepei profit guarantee resulted to a contingent consideration payables and measured at fair value at the date of acquisition by an independent valuer, APAC Asset Valuation and Consulting Limited.

At the end of the reporting period, the fair value of contingent consideration payables is HK\$15,916,000.

\* *The official name is in Chinese and the English name is translated for identification purpose only.*

- (c) The following summarises the consideration paid and the provisional fair value of the identifiable assets acquired and liabilities assumed, as well as the amount of non-controlling interest recognised at the respective date of acquisition:

	<b>Next Concept Group Acquisition</b>	<b>Lepei Group Acquisition</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(note (i))</i>		
<b>Initial consideration</b>			
Paid in cash	–	9,586	9,586
Paid by issuance of consideration shares	665,732	–	665,732
Paid by issuance of promissory notes <i>(note 17)</i>	317,425	–	317,425
Capital contribution	–	5,991	5,991
	<u>983,157</u>	<u>15,577</u>	<u>998,734</u>
<b>Contingent consideration (receivables) payables</b>	<u>(452)</u>	<u>15,916</u>	<u>15,464</u>
<b>Total consideration</b>	<u><u>982,705</u></u>	<u><u>31,493</u></u>	<u><u>1,014,198</u></u>

	<b>Next Concept Group Acquisition</b> <i>HK\$'000</i> <i>(note(i))</i>	<b>Lepei Group Acquisition</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed:</b>			
Property, plant and equipment	2,209	144	2,353
Intangible assets ( <i>note 9</i> )	127,664	–	127,664
Inventories	–	307	307
Trade and other receivables <sup>^</sup>	54,073	8,925	62,998
Bank balances and cash	29,522	1,223	30,745
Tax payable	(11,806)	–	(11,806)
Trade and other payables	(11,942)	(2,930)	(14,872)
Deferred tax liabilities	(31,916)	–	(31,916)
	<u>157,804</u>	<u>7,669</u>	<u>165,473</u>
<b>Total identifiable net assets</b>	<b>157,804</b>	<b>7,669</b>	<b>165,473</b>
Non-controlling interests <sup>#</sup>	(77,324)	(1,917)	(79,241)
Goodwill arising on acquisition ( <i>note 10</i> )	902,225	25,741	927,966
	<u>982,705</u>	<u>31,493</u>	<u>1,014,198</u>
<b>Net cash inflow on acquisition of subsidiaries<sup>^</sup></b>			
Consideration paid in cash	–	(9,586)	(9,586)
Bank balances and cash acquired from the subsidiaries	29,522	1,223	30,745
	<u>29,522</u>	<u>(8,363)</u>	<u>21,159</u>
<b>Acquisition-related costs</b>	<u>409</u>	<u>63</u>	<u>472</u>

*Notes:*

- (i) The amounts of assets and liabilities arising from the Next Concept Group Acquisition and the related consideration are currently determined provisionally by JLL. At the date of this announcement, the necessary valuations and other calculations for the net assets acquired and liabilities assumed had not been finalised and therefore have been provisionally determined based on the latest information available to the management. Any adjustments to these provisional values upon finalisation will be recognised within 12 months of the acquisition date. The adjustments will be calculated as if the fair values had been recognised on the acquisition date. Goodwill will also be adjusted to the amount that would have been recognised if the fair value had been used at the acquisition date.

<sup>^</sup> *The fair value of trade and other receivables at the date of acquisition amounted to HK\$62,998,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK\$62,998,000 at the date of acquisition, of which no balance is expected to be uncollectible. The capital contribution was also included in other receivables of Lepei Group and as there is no cash flow effect to the Group, the capital contribution is excluded from the calculation of net cash outflow on acquisition of subsidiaries.*

<sup>#</sup> *The non-controlling interests are measured at the non-controlling interests' proportionate share of fair value of the identifiable net assets of Next Concept Group and Lepei Group.*



(d) The goodwill is attributable to the synergies of the acquired businesses expected to arise after the Group's acquisitions. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

Acquisition-related costs have been excluded from the consideration transferred and have been recognised as "general and administrative expenses" in the unaudited condensed consolidated statement of comprehensive income.

## 20. ACQUISITION OF NON-CONTROLLING INTERESTS OF A SUBSIDIARY WITHOUT A CHANGE IN CONTROL

	<b>30 June 2016 (Unaudited) HK\$'000</b>	31 December 2015 (Audited) HK\$'000
Consideration paid in cash	<b>63,022</b>	–
Acquisition of additional equity interests in a subsidiary	<b>50,994</b>	–
Difference recognised in condensed consolidated statement of changes in equity	<b>12,028</b>	–

As at 31 December 2015, the Group held 83% equity interests in Fujian Start Computer Equipment Company Limited\* ("FSCE"). The Group has further acquired the remaining 17% equity interests in FSCE from a related company of which is incorporated in the PRC with limited liability and is owned as to 90% by the controlling shareholder of the Company, at a consideration of RMB52,372,200 (equivalent to approximately HK\$63,022,000) and settled in cash.

Such acquisition was completed in April 2016 and FSCE was then became an indirect wholly-owned subsidiary of the Company.

Details of the acquisition of 17% equity interests in FSCE are set out in the Company's announcements dated 6 November 2015 and 13 January 2016 and circular dated 26 November 2015.

\* *The official name is in Chinese and the English name is translated for identification purpose only.*

## 21. EVENTS AFTER THE REPORTING PERIOD

Other than disclosed elsewhere in this announcement, a summary of events transacted after the end of reporting period is set out below:

### (a) The memorandum of understanding (“MOU”) in relation to a proposed acquisition

On 9 May 2016, the Company entered into a non-legally binding MOU with Advanced Investment Holdings Limited\* (“Advanced Investment”), a company incorporated in the PRC with limited liability which is owned as to 90% by the controlling shareholder of the Company, in relation to a proposed acquisition of approximately 30% equity interests in Fujian Start Group Company Limited\* (“Fujian Start Group”), a company incorporated under the laws of the PRC and the shares of which are listed on the Shanghai Stock Exchange in the PRC (“Proposed Acquisition”).

As at the date of this announcement, no legally-binding agreement has been entered into. Details of the MOU are set out in the Company’s announcement dated 9 May 2016.

### (b) Grant of share options

On 14 July 2016, the Company announced that a total of 595,800,000 share options, of which 80,000,000 share options were granted to the directors of the Company, have been granted to certain eligible participants, under the share option scheme adopted by the Company on 6 August 2007. Details of the share option granted are set out in the Company’s announcement dated 14 July 2016.

\* *The official names are in Chinese and the English names are translated for identification purpose only.*

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group has the following major business activities during the period under review:

#### **Internet-of-Things (“IoT”) Business**

During the period under review, the Group has made 3 additional acquisitions to strengthen the IoT business.

In April 2016, the Group completed the acquisition of 51% equity interests in Next Concept International Investment Limited (“Next Concept”) and its subsidiaries (“Next Concept Group”). Next Concept Group is principally engaged in providing one-stop solution, including but not limited to marketing research, software design, IT solution and strategic business consultation and development, to companies in the commodities industry in the People’s Republic of China (the “PRC”).

In April 2016, the Group completed the acquisition of the remaining 17% equity interests in Fujian Start Computer Equipment Company Limited\* (“FSCE”) and its subsidiaries (“FSCE Group”). FSCE Group is principally engaged in design, manufacturing and distribution of printers, terminals and computers and point-of-sales electronic products and providing information technology services to institutional clients under its own brand name “Start” in the PRC.

In April 2016, Shenzhen Hexicom Technologies Company Limited\* (“Hexicom”) completed the acquisition of 75% equity interests in Hangzhou Lepei Telecommunication Company Ltd\* (“Lepei”) and its subsidiaries (“Lepei Group”), which is principally engaged in the research and development, design and manufacturing of optical transmission network equipment and software products for Gigabit-Capable Passive Optical Network (“GPON”) and Ethernet Passive Optical Network (“EPON”) communication and has years of experience in the research and development of GPON/EPON products and an extensive market and clientele.

\* *The official names are in Chinese and the English names are translated for identification purpose only.*

During the period under review, the Group's revenue from the IoT business amounted to approximately HK\$393.46 million, representing approximately 110.32% of the Group's revenue and an increase of approximately 37.89% when compared with the corresponding period in 2015. The net profit before taxation and finance costs generated from the IoT business amounted to approximately HK\$98.47 million, representing an increase of approximately 163.42% when compared with the corresponding period in 2015. The significant increase in revenue and net profit was mainly due to the acquisitions of Shenzhen CNEOP Technology Company Limited\* ("CNEOP"), Guangzhou Wealth-Depot Logistics Technology Company Limited\* ("Wealth-Depot") and Hexicom in the second half year of 2015 and the acquisitions of Next Concept Group and Lepei Group in April 2016.

### **Securities Investment**

The Group invested in Hong Kong's listed securities as both short-term and long-term investments. During the period under review, the Group recorded realised loss of approximately HK\$40.15 million from the disposal of certain securities and recognized unrealised gains of approximately HK\$126.22 million in profit or loss for the short-term investments. There is no change in fair value on available-for-sale financial assets for long-term investments.

Global financial markets underwent a period of turbulence amid a re-pricing of global economic growth prospects triggered by concerns over a slowdown in the PRC economy. The equity market has been volatile so far in the first half year of 2016 as compared with the same period of 2015, with the Hang Sang Index ("HSI") and the Hang Seng China Enterprises Index dropped approximately 2% (30 June 2015: increased approximately 11%) and approximately 6% (30 June 2015: increased approximately 6%) respectively as at 30 June 2016 when compared to the beginning of the period under review.

\* *The official names are in Chinese and the English names are translated for identification purpose only.*

The Group's significant investments (i.e. investment with carrying amount exceeding 10% of the total assets of the Group) held as at 30 June 2016 stated were as follows: –

Type of securities		% of shareholding represented by the shares/underlying shares held by the Company		Classification of financial assets at fair value through profit or loss (FVTPL)/for-sale (AFS)	Unrealised gain or increase in fair value as at 30 June 2016 <i>HK\$'000</i>	Unrealised gain/(loss) or increase/(decrease) in fair value as at 31 December 2015 <i>HK\$'000</i>	Fair value as at 30 June 2016 <i>HK\$'000</i>	Fair value as at 31 December 2015 <i>HK\$'000</i>
		as at 30 June 2016	as at 31 December 2015					
Hang Seng Mid-Cap Index Constituent Stock A (Note 1)	Ordinary shares	0.71%	0.74%	AFS	-	(41,114)	110,106	110,106
		6.44%	6.76%	FVTPL	-	(110,855)	1,005,824	1,005,824
	Warrant and Put Option (Note 2)	N/A	N/A	FVTPL	60	59,706	59,766	59,706
Hang Seng China – H Financials Index Constituent Stock B (Note 4)	Equity-linked notes (Note 3)	N/A	N/A	FVTPL	44,994	17,123	520,117	475,123

*Notes:*

- The Hang Seng Mid-Cap Index Constituent Stock A is Carnival Group International Holdings Limited (stock code: 996) (“Carnival”), information published by Carnival regarding its performance and prospects can be found at the HKEXNews website. Based on published research reports, a strong management team has been assembled by Carnival and it aims (i) to be the first large scale integrated tourism project in the PRC; (ii) to promote the “Carnival” brand to the Asia; and (iii) to promote the “Carnival” brand to the world through their business model. Based on published research reports, Carnival’s project in Qingdao is expected to benefit from the rapid growth of the PRC’s tourism market, however, (i) Carnival faces tough competition from the number of commercial mall operations in the Qingdao area may affect Carnival’s ability to reach its forecast visits; and (ii) it is in the early stage to build out integrated tourism project across China, and a wide variety of outcomes are possible.
- 150,000,000 shares of Carnival are subject to a forward arrangement whereby the Group is required to sell such shares to an independent third party at a strike price of HK\$1.4 per share on 30 December 2016. The Warrant gives the right to an independent third party to purchase Carnival shares at any time from 30 December 2016 to 30 June 2017 and the Put Option gives the Group the right to require that independent third party to purchase Carnival shares during the 30 December 2016 to 30 December 2017.
- The equity-linked notes are redeemable at the discretion of the Group from time to time after May 2016 based on the net proceeds to be obtained from the disposal of the underlying shares at the time of redemption.

4. The Hang Seng China – H Financials Index Constituent Stock B, which cannot be identified due to confidentiality obligations, was a bank listed on the Main Board of the Stock Exchange in 2015. Based on published research reports, the bank is considered a fast-growing bank with improving retail franchise, relatively prudent risk management and flexible loan mix. The bank had stated that it will proactively gather momentum on traditional businesses of wholesale, retail and asset management as well as on innovative businesses of “Internet +” and “Commerical Bank +”, strengthen its risk management and control and seek to achieve steady growth of its market value. Based on published research reports, the PRC banking sector may face a more challenging operating environment in achieving significant growth against potential asset quality deterioration due to macroeconomic downward pressures, less certain domestic liquidity conditions and increasing competition in conjunction with continued interest rate liberalisation.

The Group will continue to focus more on and raise its exposure to, indices constituent stocks (including without limitation, MSCI, HSI, Hang Seng Composite LargeCap & MidCap Index, Hang Seng Composite MidCap & SmallCap Index and Hang Seng China H-Financials Index) that have solid growth potential. In addition, the market price of each stock will also be affected by the financial performance and development plans of the relevant company, as well as the outlook of the industry in which such company operates.

### **Money lending business**

The Group provides short-term loans to various borrowers. Those short-term loans carried interest rates ranging from 10% to 18% per annum. During the period under review, the money lending business contributed a loan interest income of HK\$3.33 million to the Group.

## **OUTLOOK**

### **IoT Business**

Following the acquisition of 51% equity interests in Next Concept Group by the Group, the software development of the Group is strengthened and the Group’s business is diversified into Internet finance and related sectors, including trading management and hosting services for bulk commodities supply chain, information broadcasting, IoT storage and logistics facilitation, and transaction settlement and electronic payment system.

Looking forward to the second half of 2016, the Group will edge towards the goal of becoming a one-stop IoT solution provider by providing one-stop data management services and “smart total IoT solution for modern centralised industrial supply chains” for enterprise clients through its subsidiaries. The Group will strive to considerably shorten the time of technological development with the synergy created within the Group and by eliminating the barriers of internal technological transfer, and speed up the acquisition of ancillary equipment to boost the efficiency of research and development, with the ultimate aim of offering comprehensive IoT solutions to clients. On the other hand, it will also reduce purchasing cost, speed up product supply, enhance the quality of its products and expand its client base, so as to improve the overall profitability.

### **Results for the period**

The Group recorded a revenue of approximately HK\$356.65 million (30 June 2015: HK\$287.77 million) and a profit before taxation of approximately HK\$92.76 million (30 June 2015: HK\$352.97 million) for the six months ended 30 June 2016. The net asset value of the Group increased from HK\$2,264.31 million as at 31 December 2015 to HK\$3,217.43 million as at 30 June 2016. The profit before taxation was mainly attributable from (i) the segment results generated from the IoT business of approximately HK\$98.47 million (30 June 2015: HK\$37.38 million); and (ii) the segment results generated from the investing business of approximately HK\$61.85 million (30 June 2015: HK\$344.72 million), which offsetting (i) finance costs of approximately HK\$47.16 million (30 June 2015: HK\$10.79 million); and (ii) share option expenses of approximately HK\$12.43 million (30 June 2015: HK\$9.99 million).

### **Liquidity, financial resources, borrowing and gearing ratio**

The Group financed its operation largely through internal cash resources, interest-bearing borrowings and placing of new shares and promissory notes. As at 30 June 2016, the Group maintained its cash and bank balances (including pledged bank deposits) at approximately HK\$193.84 million (31 December 2015: HK\$232.10 million). The decrease in cash and bank balances was mainly due to the acquisitions of FSCE and Lepei. The Group’s gearing ratio, expressed as a percentage of total borrowings and long-term debts (including promissory notes) over total equity, was stated at 41.23% (31 December 2015: 40.01%). The increase in gearing ratio was mainly due to the increase in placing of promissory notes of aggregate principals of HK\$530.48 million during the period under review.

As at 30 June 2016, the Group's net assets value amounted to approximately HK\$3,217.43 million (31 December 2015: HK\$2,264.31 million) with total assets amounted to approximately HK\$4,854.80 million (31 December 2015: HK\$3,467.95 million). Net current assets were approximately HK\$2,056.93 million (31 December 2015: HK\$1,823.33 million) and the current ratio was 3.15 times (31 December 2015: 3.52 times).

### **Capital structure**

On 18 January 2016, the Company, through a placing agent, placed 500,000,000 shares to an independent investor at the placing price of HK\$0.42 per share. The placing was completed on 4 February 2016. The Company received a net proceed of approximately HK\$204.67 million from the subscription which was used for (i) approximately HK\$66.25 million was used for the general working capital of the Group; (ii) approximately HK\$17.40 million was used for repayment of loans; and (iii) approximately HK\$121.02 million was used for investment in securities up to the date of this announcement. As a result, the number of shares in issue increased from 8,136,390,530 shares to 8,636,390,530 shares on 4 February 2016.

On 7 April 2016, the Company issued 1,512,000,000 consideration shares under issue mandate at an issue price of HK\$0.51 per share to certain vendors as part of consideration to acquire 51% equity interests in Next Concept. As a result, the number of shares in issue increased from 8,636,390,530 shares to 10,148,390,530 shares on 7 April 2016.

The capital of the Company comprises only ordinary shares. As at 30 June 2016, the issued share capital of the Company was 10,148,390,530 shares.

### **Pledge of Assets**

As at 30 June 2016, the Group was granted margin facilities from certain regulated securities brokers. The facilities were secured by the Group's financial assets at fair value through profit or loss and certain available-for-sale financial assets with carrying amounts of HK\$1,340.37 million (31 December 2015: HK\$1,172.93 million) and HK\$110.11 million (31 December 2015: HK\$110.11 million) respectively. The Group utilised part of these facilities amounting to HK\$276.01 million (31 December 2015: HK\$350.00 million) as at 30 June 2016.

As at 30 June 2016, the subsidiaries in the PRC had pledged bank deposits of HK\$3.94 million (31 December 2015: HK\$3.85 million) to banks to secure guarantee issued for trade finance facilities and banking facilities granted to the subsidiaries in the PRC.



In January 2016, the Company issued the two-year 4% senior guaranteed secured notes due 2018 in an aggregate principal amount of HK\$200.00 million (the “Notes”). The Notes are guaranteed by the controlling shareholder of the Company and secured by the charges over the entire issued share capital in certain subsidiaries of the Company. Details are set out in the Company’s announcement dated 8 January 2016.

### **Exchange rate exposure**

The Group is not subject to material foreign currency exposure since its operations in Hong Kong are mainly denominated in Hong Kong dollars and the Group’s revenue and operating costs in the PRC are denominated in the functional currency of the Group’s entity making the sales or incurring the costs. Accordingly, the Directors consider that the currency risk is not significant. As such, no hedging instrument is considered necessary by the Board during the period under review. The Directors will monitor the Group’s exposure on an ongoing basis and will consider hedging the currency risk should the need arise.

### **Material Acquisitions**

During the period under review, the Group has made 3 additional acquisitions. Details of the transactions were disclosed in notes 19 and 20 of this announcement.

### **Contingent liabilities**

As at 30 June 2016, except the contingent consideration payables disclosed in note 19(c) of this announcement, the Group had no other material contingent liabilities (31 December 2015: HK\$Nil).

### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2016 (30 June 2015: HK\$Nil).

## DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITION

As at 30 June 2016, the interests and short positions of the Directors and the Company's chief executive in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") and which were required to be entered in the register required to be kept under section 352 of the SFO were as follows.

### (i) Long positions in shares of the Company

Name of Directors	Capacity	Ordinary shares (no. of shares)	Derivative shares (no. of shares)	Total number of shares held (no. of shares)	% of the Company's issued share capital	Note
Ms. Yang Xiaoying ("Ms. Yang")	Interest of controlled corporation/ Beneficial owner	210,000,000	60,000,000	270,000,000	2.66%	1
Mr. Choi Chi Fai ("Mr. Choi")	Beneficial owner	–	72,363,900	72,363,900	0.71%	2
Mr. Tsang To ("Mr. Tsang")	Beneficial owner	–	20,000,000	20,000,000	0.20%	3

*Note 1:* Toplap International Limited ("TIL"), the beneficial owner of 210,000,000 shares, is 90% owned by Ms. Yang. 60,000,000 shares are derived from the interest in 60,000,000 share options granted by the Company to Ms. Yang exercisable into 60,000,000 shares.

*Note 2:* These 72,363,900 shares are derived from the interest in 72,363,900 share options granted by the Company to Mr. Choi exercisable into 72,363,900 shares.

*Note 3:* These 20,000,000 shares are derived from the interest in 20,000,000 share options granted by the Company to Mr. Tsang exercisable into 20,000,000 shares.

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed herein, none of the Directors and their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## **EMPLOYEES**

As at 30 June 2016, the Group had approximately 17 employees including directors of the Company in Hong Kong and 1,374 employees in the PRC. Employee remuneration, bonus, share option scheme and training policies are commensurate with individual performance and experience and comparable to the market rate. The Group contributes to a Mandatory Provident Fund under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. Other employee benefits include insurance and medical cover, subsidised educational and training programmes as well as a share option scheme.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits.

## **SHARE OPTIONS**

The Company has a share option scheme which was adopted on 6 August 2007 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for ordinary shares of the Company. The purpose of the scheme is to provide an opportunity for employees of the Group to acquire an equity participation in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its Shareholders as a whole. The share option scheme shall be valid and effective for a period of ten years ending on 5 August 2017, after which no further options will be granted.

Under the share option scheme, the Company may grant options to the Directors and employees of the Group and any other persons who, in the sole discretion of the Board, have contributed or will contribute to the Group. The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the total number of shares in issue from time to time.

The total number of shares which may be issued upon exercise of all options to be granted under the share option scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the shares in issue at the date of the passing of the relevant ordinary resolution. If any option is to be granted to connected person(s), it must be approved by independent non-executive directors or independent shareholders as the case may be. The maximum number of shares in respect of which share options may be granted to a specifically identified single grantee under the share option scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. Under the share option scheme, the options granted may be accepted by a participant within 14 days from the date of such offer. A consideration of HK\$1 is payable on acceptance of the offer of grant of an option. Options may be exercised at any time no later than 10 years from the date of grant.

The exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange on the date of grant and the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of grant.

The following table discloses the movement in the Company's share options under the Scheme during the period.

Category of participant	Date of grant	Exercise price	Number of share options			As at 30 June 2016
			As at 1 January 2016	Granted during the period	Lapsed during the period	
Executive Directors:						
Ms. Yang ( <i>Note</i> )	30 March 2015	HK\$0.247	60,000,000	–	–	60,000,000
Mr. Choi	30 March 2015	HK\$0.247	72,363,900	–	–	72,363,900
Mr. Tsang	30 March 2015	HK\$0.247	20,000,000	–	–	20,000,000
Employees in aggregate	30 March 2015	HK\$0.247	551,275,150	–	100,863,900	450,411,250
Total			<u>703,639,050</u>	<u>–</u>	<u>100,863,900</u>	<u>602,775,150</u>

*Note:* These Shares are registered in the name of TIL, which is owned as to 90% by Ms. Yang, an executive director and the Chief Executive Officer of the Company. By virtue of the SFO, Ms. Yang is deemed to be interested in all shares held by TIL.

Apart from the foregoing, at no time during the period was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30 June 2016, the following person (other than the directors or chief executive of the Company) had interests or short position in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, as known by the Company or recorded in the register required to be kept under Section 336 of the SFO and in accordance with the information received by the Company.

<b>Name of Shareholders</b>	<b>Number in shares (Long position)</b>	<b>% of voting right (Long position)</b>	<b>Number of shares (Short position)</b>	<b>% of voting right (Short position)</b>
Mr. King Pak Fu ("Mr. King") <i>(Note 1)</i>	5,283,433,350	52.06%	–	–
Mr. Lee Tai Hay ("Mr. Lee") <i>(Note 2)</i>	828,022,942	8.16%	–	–
Mr. Zhao Zhen Zhong	592,941,176	5.84%	–	–

### *Notes:*

- Mr. King is interested in the share capital of the Company through his wholly-owned companies Mystery Idea Limited and Better Joint Venture Limited, being the beneficial owner of 5,116,673,350 shares and 11,260,000 shares respectively and through Carnival, being the beneficial owner of 155,500,000 shares. Carnival is 68.11% indirectly owned by Mr. King.
- Giant Profit Enterprises Limited ("Giant Profit") is wholly-owned by Mr. Lee and Giant Profit is interested in 353,670,000 shares. As such, Mr. Lee is deemed to be interested in 353,670,000 shares held by Giant Profit and will be deemed to be interested in 828,022,942 shares, being the beneficial owner of 474,352,942 shares and 353,670,000 shares respectively.

As at 30 June 2016, the Company had not been notified of any short positions being held by any substantial shareholder in the shares or underlying shares of the Company.

Save as disclosed herein, the Company has not been notified of any other person (other than a director of the Company) who has an interest or a short position in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30 June 2016.

## **PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period under review.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

Save as disclosed below, in the opinion of the directors, the Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2016.

- (a) CG Code Provision A.2.1 stipulated that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. Yang Xiaoying was appointed as the Chief Executive Officer on 1 May 2015 and is responsible for monitoring the daily operation and management of the Company. Although the responsibilities of the Chairman and the Chief Executive Officer are vested in one person, all major decisions are made in consultation with the Board members. There are three Independent Non-Executive Directors in the Board. The Board considers that there is sufficient balance of power and the current arrangement maintains a strong management position of the Company. The Board will keep reviewing its current structure and the need of appointment of a suitable candidate to perform the role of Chairman.

- (b) CG Code Provision A.4.1 stipulated that non-executive directors should be appointed for a specific term and be subject to re-election. The Company has not fixed the term of appointment for non-executive directors, which constitutes a deviation from Code Provision of A.4.1. However, all non-executive directors are also subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to Article 116 in the Articles of Association of the Company.
- (c) CG Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of shareholders. Due to other pre-arranged business commitments which must be attended by the directors, Mr. Zhang Xiaoman was not able to attend the general meeting of the Company on 14 March 2016 and while Mr. Pak William Eui Won was not able to attend the general meetings of the Company on 14 March 2016 and 31 May 2016 respectively.

## **UPDATE ON DIRECTORS INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES**

Pursuant to Rule 13.51B(1) of the Listing Rules, change in the information of directors since the date of the 2015 Annual Report of the Company required to be disclosed in this announcement is as follow:

Ms. Yang Xiaoying, an executive director and Chief Executive Officer of the Company, currently is an independent non-executive director of Digital China Information Service Company Limited, which is listed on the Shenzhen Stock Exchange (stock code: 000555.SZ) and is appointed as director of Fujian Start Group Company Limited\* (Stock Code: 600734.SH), which is listed on the Shanghai Stock Exchange on 20 May 2016.

Mr. Zhang Xiaoman, an independent non-executive director, appointed as an independent non-executive director of Chun Sing Engineering Holdings Limited (Stock Code: 2277), which is listed on the Main Board of the Stock Exchange on 24 March 2016.

\* *The official name is in Chinese and the English names is translated for identification purpose only.*

Mr. Chin Hon Siang, an independent non-executive director, appointed as an independent non-executive director of Ping Shan Tea Group Limited (Stock Code: 364), which is listed on the Main Board of the Stock Exchange on 12 July 2016.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code of the Listing Rules as the Company's code of conduct for dealing in securities of the Company by the directors. All directors confirmed that they have complied with the required standards as set out in the Model Code throughout the period.

## **REMUNERATION COMMITTEE**

The Remuneration Committee has been established in accordance with the requirements of the CG Code. The Remuneration Committee comprises three independent non-executive directors, namely Mr. Zhang Xiaoman, Mr. Pak William Eui Won and Mr. Chin Hon Siang and one executive director, namely Mr. Tsang To. The primary duties of the Remuneration Committee are to review and determinate the remuneration policy and packages of the directors and management executives. No director is involved in deciding his/her own remuneration.

## **NOMINATION COMMITTEE**

The Nomination Committee has been established in accordance with the requirements of the CG Code. The Nomination Committee comprises three independent non-executive directors, namely Mr. Chin Hon Siang, Mr. Pak William Eui Won and Mr. Zhang Xiaoman. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, and select and make recommendations to the Board on the appointment of directors and senior management.



## **AUDIT COMMITTEE**

The unaudited interim financial results of the Group for the six months ended 30 June 2016 have been reviewed by the Audit Committee of the Company. The Company has established the Audit Committee which comprises three independent non-executive directors namely Mr. Chin Hon Siang, Mr. Pak William Eui Won and Mr. Zhang Xiaoman. The Audit Committee has reviewed the accounting principles and practices adopted by the Group, the Listing Rules and statutory compliance, and has discussed internal control, risk management and financial reporting matters with senior management. In addition, the Audit Committee has also reviewed the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This results announcement is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the website of the Company at [www.rentiantech.com](http://www.rentiantech.com) under "Investor" "Announcements". An interim report of the Company will be dispatched to the shareholders and available at the same websites in due course.

## **APPRECIATION**

On behalf of the Board, I would like to extend our gratitude and sincere appreciation to all management and staff members for their diligence and dedication, the continuing support of our business partners, customers and the Company's shareholders.

By Order of the Board

**Rentian Technology Holdings Limited**

**Yang Xiaoying**

*Executive Director and Chief Executive Officer*

Hong Kong, 29 August 2016

As at the date of this announcement, the Board comprises the following members:–

### *Executive Directors*

Ms. Yang Xiaoying (*Chief Executive Officer*)

Mr. Tsang To

Mr. Choi Chi Fai

### *Independent Non-executive Directors*

Mr. Pak William Eui Won

Mr. Zhang Xiaoman

Mr. Chin Hon Siang