



# YUXING INFOTECH INVESTMENT HOLDINGS LIMITED

裕興科技投資控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8005)

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

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\* For identification purposes only



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

#### HIGHLIGHTS FOR THE SIX-MONTH PERIOD

- For the six months and three months ended 30th June 2016, overall revenue of the Group was approximately HK\$314.1 million and HK\$217.3 million respectively, representing a significant increase of 19.7% and 20.3% respectively in comparison to the same periods in 2015. While the Group recorded the overall gross profit of approximately HK\$39.4 million and HK\$23.2 million for the six months and three months ended 30th June 2016 respectively, representing a decrease of 4.3% and 31.0% respectively in comparison to the same periods in 2015.
- Loss attributable to owners of the Company for the six months ended 30th June 2016 amounted to approximately HK\$84.0 million (six months ended 30th June 2015: profit attributable to owners of the Company of approximately HK\$192.3 million), while the Group recorded a profit attributable to owners of the Company of approximately HK\$7.4 million for three months ended 30th June 2016 (three months ended 30th June 2015: approximately HK\$186.7 million).
- Basic loss per share for the six months ended 30th June 2016 was HK4.7 cents (six months ended 30th June 2015: basic earnings per share HK10.7 cents) and basic earnings per share for the three months ended 30th June 2016 was HK0.4 cent (three months ended 30th June 2015: HK10.4 cents)
- Total equity attributable to owners of the Company as at 30th June 2016 was approximately HK\$1,935.9 million (31st December 2015: approximately HK\$2,122.7 million) or net assets per share of HK\$1.1 (31st December 2015: HK\$1.2).
- The Board does not recommend the payment of any interim dividend for the six months ended 30th June 2016 (six months ended 30th June 2015: Nil).

## INTERIM RESULTS (UNAUDITED)

The board of Directors of the Company (the “Board”) is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months and three months ended 30th June 2016 together with the comparative unaudited figures for the same periods in 2015, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months and three months ended 30th June 2016

		For the six months ended 30th June		For the three months ended 30th June	
		2016	2015	2016	2015
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	<b>314,116</b>	262,480	<b>217,265</b>	180,593
Cost of sales		<b>(274,717)</b>	(221,331)	<b>(194,083)</b>	(147,006)
Gross profit		<b>39,399</b>	41,149	<b>23,182</b>	33,587
Other revenue and net (loss)/income	4	<b>(32,635)</b>	414,088	<b>39,322</b>	295,496
Distribution and selling expenses		<b>(9,737)</b>	(6,948)	<b>(5,809)</b>	(3,701)
General and administrative expenses		<b>(60,447)</b>	(216,350)	<b>(33,846)</b>	(119,325)
Other operating expenses		<b>(15,940)</b>	(18,513)	<b>(13,202)</b>	(4,487)
Fair value gains on investment properties		<b>602</b>	1,100	<b>602</b>	1,100
(Loss)/Profit from operations		<b>(78,758)</b>	214,526	<b>10,249</b>	202,670
Finance costs	5	<b>(5,244)</b>	(20,146)	<b>(2,860)</b>	(12,103)
Share of results of an associate		<b>–</b>	(520)	<b>–</b>	(492)
(Loss)/Profit before tax	5	<b>(84,002)</b>	193,860	<b>7,389</b>	190,075
Income tax expenses	6	<b>(36)</b>	(2,964)	<b>(36)</b>	(2,964)
(Loss)/Profit for the period		<b>(84,038)</b>	190,896	<b>7,353</b>	187,111
<b>(Loss)/Profit attributable to:</b>					
Owners of the Company		<b>(84,026)</b>	192,267	<b>7,368</b>	186,704
Non-controlling interests		<b>(12)</b>	(1,371)	<b>(15)</b>	407
		<b>(84,038)</b>	190,896	<b>7,353</b>	187,111
(Loss)/Earnings per share	7				
– Basic		<b>(4.66) cents</b>	10.72 cents	<b>0.409 cent</b>	10.41 cents
– Diluted		<b>(4.66) cents</b>	10.30 cents	<b>0.405 cent</b>	9.48 cents

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)**

*For the six months and three months ended 30th June 2016*

	For the six months ended 30th June		For the three months ended 30th June	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
(Loss)/Profit for the period	<b>(84,038)</b>	190,896	<b>7,353</b>	187,111
Other comprehensive (loss)/income:				
Items that are reclassified or may be reclassified subsequently to profit or loss:				
Available-for-sale financial assets				
Change in fair value during the period	<b>(77,152)</b>	87,763	<b>(11,085)</b>	67,212
Less: Reclassification of net changes in fair value to profit or loss upon disposal	<b>(36,083)</b>	–	<b>(36,083)</b>	–
Exchange differences arising on translation of PRC subsidiaries	<b>(6,292)</b>	(13)	<b>(8,575)</b>	1,896
Other comprehensive (loss)/income for the period	<b>(119,527)</b>	87,750	<b>(55,743)</b>	69,108
Total comprehensive (loss)/income for the period	<b>(203,565)</b>	278,646	<b>(48,390)</b>	256,219
<b>Total comprehensive (loss)/income attributable to:</b>				
Owners of the Company	<b>(203,553)</b>	280,017	<b>(48,375)</b>	255,812
Non-controlling interests	<b>(12)</b>	(1,371)	<b>(15)</b>	407
	<b>(203,565)</b>	278,646	<b>(48,390)</b>	256,219

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June 2016

		(Unaudited) As at 30th June 2016 HK\$'000	(Audited) As at 31st December 2015 HK\$'000
	<i>Note</i>		
<b>NON-CURRENT ASSETS</b>			
Investment properties		113,507	114,109
Property, plant and equipment	8	46,613	45,683
Prepaid lease payments		11,193	11,603
Available-for-sale financial assets	9	566,883	562,795
Investment in an insurance contract		11,094	11,019
Other receivables	10	1,992	1,271
Pledged bank deposits		351,000	358,081
		<u>1,102,282</u>	<u>1,104,561</u>
<b>CURRENT ASSETS</b>			
Inventories		108,332	63,583
Trade and other receivables	10	181,710	300,313
Prepaid lease payments		362	369
Financial assets at fair value through profit or loss	11	663,923	816,151
Income tax recoverable		593	605
Pledged bank deposits		–	2,030
Cash and bank balances		446,023	433,842
		<u>1,400,943</u>	<u>1,616,893</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	214,194	220,053
Dividend payables		31	31
Bank and other loans	13	339,659	359,442
Income tax payable		–	5,473
		<u>553,884</u>	<u>584,999</u>
<b>NET CURRENT ASSETS</b>		<u>847,059</u>	<u>1,031,894</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,949,341</u>	<u>2,136,455</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		12,413	12,663
<b>NET ASSETS</b>		<u>1,936,928</u>	<u>2,123,792</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	45,057	45,036
Reserves		1,890,810	2,077,683
Equity attributable to owners of the Company		<u>1,935,867</u>	<u>2,122,719</u>
Non-controlling interests		1,061	1,073
<b>TOTAL EQUITY</b>		<u>1,936,928</u>	<u>2,123,792</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th June 2016

	Attributable to owners of the Company															
	Share capital HK\$'000	Share premium HK\$'000	Shares held for share award scheme HK\$'000	Statutory reserves HK\$'000	Contributed surplus HK\$'000	Share-based compensation reserves HK\$'000	Share option reserves HK\$'000	Investment revaluation reserves HK\$'000	Convertible bond reserves HK\$'000	Property revaluation reserves HK\$'000	Translation reserves HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
As at 1st January 2016	45,036	128,416	-	8,668	234,621	-	57,655	190,041	-	16,023	54,348	(1,113)	1,389,024	2,122,719	1,073	2,123,792
<b>Loss for the period</b>	-	-	-	-	-	-	-	-	-	-	-	-	(84,026)	(84,026)	(12)	(84,038)
<b>Other comprehensive loss:</b>																
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	(77,152)	-	-	-	-	-	(77,152)	-	(77,152)
Reclassification of net changes in fair value of available-for-sale financial assets to profit or loss upon disposal	-	-	-	-	-	-	-	(36,083)	-	-	-	-	-	(36,083)	-	(36,083)
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	-	-	-	(6,292)	-	-	-	(6,292)	-	(6,292)
<b>Total other comprehensive loss</b>	-	-	-	-	-	-	-	(113,235)	-	-	(6,292)	-	-	(119,527)	-	(119,527)
<b>Total comprehensive loss for the period</b>	-	-	-	-	-	-	-	(113,235)	-	-	(6,292)	-	(84,026)	(203,553)	(12)	(203,565)
<b>Transactions with owners:</b>																
<i>Contributions and distributions</i>																
Issue of shares upon exercise of share options	21	2,528	-	-	-	-	(636)	-	-	-	-	-	-	1,913	-	1,913
Equity-settled share based payment	-	-	-	-	-	-	14,788	-	-	-	-	-	-	14,788	-	14,788
Share options cancelled	-	-	-	-	-	-	(280)	-	-	-	-	-	280	-	-	-
<b>Total transactions with owners</b>	21	2,528	-	-	-	-	13,872	-	-	-	-	-	280	16,701	-	16,701
<b>As at 30th June 2016</b>	<b>45,057</b>	<b>130,944</b>	<b>-</b>	<b>8,668</b>	<b>234,621</b>	<b>-</b>	<b>71,527</b>	<b>76,806</b>	<b>-</b>	<b>16,023</b>	<b>48,056</b>	<b>(1,113)</b>	<b>1,305,278</b>	<b>1,935,867</b>	<b>1,061</b>	<b>1,936,928</b>
As at 1st January 2015	44,803	57,265	(28,459)	8,668	234,621	-	-	242,950	-	16,023	78,393	(1,113)	1,662,757	2,315,908	10,786	2,326,694
<b>Profit for the period</b>	-	-	-	-	-	-	-	-	-	-	-	-	192,267	192,267	(1,371)	190,896
<b>Other comprehensive income:</b>																
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	87,763	-	-	-	-	-	87,763	-	87,763
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	-	-	-	(13)	-	-	(13)	(13)	-	(13)
<b>Total other comprehensive income</b>	-	-	-	-	-	-	-	87,763	-	-	(13)	-	-	87,750	-	87,750
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	87,763	-	-	(13)	-	192,267	280,017	(1,371)	278,646
<b>Transactions with owners:</b>																
<i>Contributions and distributions</i>																
Final dividend paid in respect of the financial year ended 31st December 2014	-	-	-	-	-	-	-	-	-	-	-	-	(89,233)	(89,233)	-	(89,233)
Issue of shares upon exercise of share options	138	15,962	-	-	-	-	(3,978)	-	-	-	-	-	-	12,122	-	12,122
Shares purchased for share award scheme	-	-	(436)	-	-	-	-	-	-	-	-	-	-	(436)	-	(436)
Equity-settled share based payment	-	-	-	-	-	63,976	45,780	-	-	-	-	-	-	109,756	-	109,756
Vesting of shares of share award scheme	-	28,206	17,032	-	-	(45,238)	-	-	-	-	-	-	-	-	-	-
Issue of convertible bonds	-	-	-	-	-	-	-	-	9,558	-	-	-	-	9,558	-	9,558
<b>Total transactions with owners</b>	138	44,168	16,596	-	-	18,738	41,802	-	9,558	-	-	-	(89,233)	41,767	-	41,767
<b>As at 30th June 2015</b>	<b>44,941</b>	<b>101,433</b>	<b>(11,863)</b>	<b>8,668</b>	<b>234,621</b>	<b>18,738</b>	<b>41,802</b>	<b>330,713</b>	<b>9,558</b>	<b>16,023</b>	<b>78,380</b>	<b>(1,113)</b>	<b>1,765,791</b>	<b>2,637,692</b>	<b>9,415</b>	<b>2,647,107</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)***For the six months ended 30th June 2016*

	<b>For the six months ended 30th June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>OPERATING ACTIVITIES</b>		
(Loss)/Profit before tax	<b>(84,002)</b>	193,860
Adjustments for:		
Exchange differences	<b>1,156</b>	1,098
Impairment loss on other receivables	<b>–</b>	3,722
Write-down of inventories	<b>2,584</b>	1,280
Reversal of impairment loss on other receivables	<b>(93)</b>	(1)
Interest income from bank deposits	<b>(1,301)</b>	(4,533)
Interest income from investment in an insurance contract	<b>(75)</b>	–
Interest expenses	<b>5,244</b>	20,146
Dividend income from listed equity securities	<b>(877)</b>	(772)
Share-based compensation expenses		
– Share option scheme	<b>14,788</b>	45,780
– Share award scheme	<b>–</b>	63,976
Amortisation of prepaid lease payments	<b>184</b>	196
Depreciation of property, plant and equipment	<b>2,769</b>	2,801
Fair value gains on investment properties	<b>(602)</b>	(1,100)
Loss on disposal of property, plant and equipment	<b>406</b>	2
Gain on disposal of available-for-sale financial assets	<b>(34,892)</b>	–
Share of results of an associate	<b>–</b>	520
Impairment loss on interest in an associate	<b>–</b>	2,991
	<hr/>	<hr/>
<b>OPERATING (LOSS)/PROFIT BEFORE CHANGES IN WORKING CAPITAL</b>	<b>(94,711)</b>	329,966
Increase in inventories	<b>(48,547)</b>	(30,056)
Decrease/(Increase) in trade and other receivables	<b>115,881</b>	(111,700)
Decrease in financial assets at fair value through profit or loss	<b>143,992</b>	299,047
(Decrease)/Increase in trade and other payables	<b>(3,480)</b>	95,925
	<hr/>	<hr/>
<b>CASH GENERATED FROM OPERATIONS</b>	<b>113,135</b>	583,182
Income tax paid	<b>(5,504)</b>	(5,166)
	<hr/>	<hr/>
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>107,631</b>	578,016

	<b>For the six months ended 30th June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of available-for-sale financial assets	(177,823)	(138,000)
Purchase of property, plant and equipment	(4,908)	(952)
Decrease/(Increase) in pledged bank deposits with original maturities over three months	1,990	(380,421)
Proceeds from disposal of available-for-sale financial assets	95,392	–
Interest received	580	4,533
Dividend received from listed equity securities	877	772
Proceeds from disposal of property, plant and equipment	17	1
Investment in an associate	–	(6,340)
	<u>–</u>	<u>(6,340)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(83,875)</b>	<b>(520,407)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of shares upon exercise of share options	1,913	12,122
New bank and other loans raised	11,901	770,246
Repayment of bank loans	(24,742)	(481,751)
Payments for purchase of shares for share award scheme	–	(436)
Proceeds from issue of convertible bonds	–	465,576
Interest paid	(5,244)	(4,837)
Dividend paid	–	(88,991)
	<u>–</u>	<u>(88,991)</u>
<b>NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES</b>	<b>(16,172)</b>	<b>671,929</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>7,584</b>	<b>729,538</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>433,842</b>	<b>349,207</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>4,597</b>	<b>25</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>446,023</b>	<b>1,078,770</b>
	<u><u>446,023</u></u>	<u><u>1,078,770</u></u>



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1 Basis of preparation

The Group's unaudited condensed consolidated interim financial statements for the six months ended 30th June 2016 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure provisions of the Rules Governing The Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. These condensed consolidated interim financial statements are unaudited but have been reviewed by the Company's audit committee.

These unaudited condensed consolidated interim 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 31st December 2015. They have been prepared on the historical cost basis, except for investment properties, financial assets at fair value through profit or loss and available-for-sale financial assets, except for unlisted equity securities outside Hong Kong, which are measured at fair value.

The accounting policies used in preparing these unaudited condensed consolidated interim financial statements are consistent with those used in the Group's audited consolidated financial statements for the year ended 31st December 2015. 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.

### 2 Fair value measurements

In the opinion of the Directors, the carrying amounts of financial assets and liabilities approximate their fair values.

The following presents the assets measured at fair value or required to disclose their fair value in these unaudited condensed consolidated interim financial statements on a recurring basis at 30th June 2016 across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets, either directly or indirectly; and
- Level 3 (lowest level): unobservable inputs for the assets.

*Assets measured at fair value on a recurring basis*

	<i>Note</i>	<b>Carrying amount HK\$'000</b>	<b>Level 1 HK\$'000</b>	<b>Level 2 HK\$'000</b>	<b>Level 3 HK\$'000</b>
<b>As at 30th June 2016</b>					
Investment properties		113,507	–	113,507	–
Available-for-sale financial assets	9	488,883	383,175	29,588	76,120
Financial assets at fair value through profit or loss	11	<u>663,923</u>	<u>628,176</u>	<u>35,747</u>	<u>–</u>
	<i>Note</i>	<b>Carrying amount HK\$'000</b>	<b>Level 1 HK\$'000</b>	<b>Level 2 HK\$'000</b>	<b>Level 3 HK\$'000</b>
<b>As at 31st December 2015</b>					
Investment properties		114,109	–	114,109	–
Available-for-sale financial assets	9	562,795	433,506	52,005	77,284
Financial assets at fair value through profit or loss	11	<u>816,151</u>	<u>798,454</u>	<u>17,697</u>	<u>–</u>

During the six months ended 30th June 2016 and the year ended 31st December 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 fair value measurements.

***Valuation techniques and inputs in Level 2 fair value measurement***

*(a) Investment properties*

As at 30th June 2016, the investment properties were revalued by Roma Appraisals Limited, an independent professional qualified valuers, on the market value basis using direct comparison approach. Sales prices of comparable properties in close proximity adjusted for differences in key valuation attributes, such as size/age etc. were used to value the properties. The most significant input into this valuation approach is market price per square foot of similar properties.

*(b) Available-for-sale financial assets: Private investment fund*

The fair value of a private investment fund invested in listed equity securities in Level 2 is valued based on the net asset value of each fund unit quoted by the investment manager based on quoted prices of underlying investments i.e. listed equity in an active market with insignificant adjustments.

*(c) Financial assets at fair value through profit or loss: Private equity fund*

The private equity fund with principal amount of RMB30,000,000 (equivalent to approximately HK\$35,100,000), guaranteed annualised return of 6.8% and six months maturity day is issued by an investment company in the People's Republic of China (other than Hong Kong, Taiwan and Macau) (the "PRC"). The fair value of which is valued by the discounted cash flow of the fund upon its maturity.

### *Financial instruments measured at fair value based on Level 3*

The details of the movements of the recurring fair value measurements categorised as Level 3 for the six months ended 30 June 2016 and 2015 are shown as follows:

	2016		2015	
	Private investment fund HK\$'000 (Note)	Derivative financial instrument HK\$'000	Private investment fund HK\$'000 (Note)	Derivative financial instrument HK\$'000
As at 1st January	77,284	–	–	623
Purchases	–	–	78,000	–
Net (losses)/gains on change in fair value recognised in:				
– profit or loss*	–	–	–	11,403
– other comprehensive (loss)/income	(1,164)	–	359	–
Settled by other receivables	–	–	–	(12,026)
As at 30th June	<u>76,120</u>	<u>–</u>	<u>78,359</u>	<u>–</u>

\* Gains included in profit or loss are presented in other revenue and net (loss)/income.

*Note:*

#### *Available-for-sale financial assets: Private investment fund*

The fair value of the private investment fund in Level 3 is based on the fair value of the unlisted equity securities of a company invested by the fund. The fair values of unlisted equity securities which are valued by the investment managers are estimated by valuation techniques, using discounted cash flows model. In determining the fair value of unlisted equity securities, it includes assumptions that are not supported by observable market data. As at 30th June 2016, a discount rate of unquoted company invested by the fund of 11.7% (30th June 2015: 12.5%) is used.

As at 30th June 2016, if the expected discount rate of the investment fund had been 1% (30th June 2015: 1%) higher/lower while all other variables were held constant, the Group's other comprehensive loss would be increased by approximately HK\$10,631,000 or decreased by approximately HK\$8,497,000 respectively (30th June 2015: other comprehensive income would be decreased by approximately HK\$9,681,000 or remain unchanged respectively).

### 3 **Revenue and segment information**

For management purposes, the current major operating segments of the Group are information home appliances, investing and trading.

The information home appliances segment is principally engaged in manufacture, sales and distribution of information home appliances and complementary products to consumer markets.

The investing segment comprises trading of securities and investing in financial instruments.

The trading segment is principally engaged in selling electronic components, plastic and miscellaneous products.

Other operations of the Group mainly comprise leasing out of properties.

For the purpose of assessing the performance of the operating segments and allocating resources between segments, the executive Directors assess segment profit or loss before tax without allocation of share of results of an associate, finance costs, Directors' emoluments, head office staff salaries, legal and professional fees and other corporate administrative costs and the basis of preparing such information is consistent with that of the unaudited condensed consolidated interim financial statements.

All assets are allocated to reportable segments other than head office bank balances and other unallocated financial and corporate assets which are managed on a group basis. All liabilities are allocated to reportable segments other than unallocated head office and corporate liabilities which are managed on a group basis.

Inter-segment sales transactions are charged at prevailing market rates.

### **Business segments**

Revenue represents net invoiced value of goods sold to customers less returns and allowance. An analysis of the Group's revenue, other revenue and net (loss)/income, changes in fair value of investment properties, segment results and segment assets and liabilities by business segments is as follows:

	For the six months ended 30th June 2016					Consolidated HK\$'000
	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Elimination HK\$'000	
<b>REVENUE</b>						
External sales	314,070	-	46	-	-	314,116
Inter-segment sales	-	-	902	-	(902)	-
<b>OTHER REVENUE AND NET LOSS</b>	<b>2,387</b>	<b>(40,096)</b>	<b>93</b>	<b>4,824</b>	<b>(1,278)</b>	<b>(34,070)</b>
<b>FAIR VALUE GAINS ON INVESTMENT PROPERTIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>602</b>	<b>-</b>	<b>602</b>
Segment revenue	<u>316,457</u>	<u>(40,096)</u>	<u>1,041</u>	<u>5,426</u>	<u>(2,180)</u>	<u>280,648</u>
<b>RESULTS</b>						
Segment results	<u>9,554</u>	<u>(58,368)</u>	<u>(2,465)</u>	<u>2,094</u>	<u>-</u>	(49,185)
Unallocated corporate income						134
Interest income from bank deposits						1,301
Other unallocated corporate expenses						<u>(31,008)</u>
Finance costs						<u>(78,758)</u> <u>(5,244)</u>
Loss before tax						(84,002)
Income tax expenses						<u>(36)</u>
Loss for the period						<u><u>(84,038)</u></u>

For the six months ended 30th June 2015

	Information home appliances <i>HK\$'000</i>	Investing <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>REVENUE</b>						
External sales	261,231	–	1,249	–	–	262,480
Inter-segment sales	–	–	1,642	–	(1,642)	–
<b>OTHER REVENUE AND NET INCOME</b>	675	405,043	41	5,162	(1,368)	409,553
<b>FAIR VALUE GAINS ON INVESTMENT PROPERTIES</b>	–	–	–	1,100	–	1,100
Segment revenue	<u>261,906</u>	<u>405,043</u>	<u>2,932</u>	<u>6,262</u>	<u>(3,010)</u>	<u>673,133</u>
<b>RESULTS</b>						
Segment results	<u>11,837</u>	<u>376,450</u>	<u>(5,390)</u>	<u>2,225</u>	<u>–</u>	385,122
Unallocated corporate income						2
Interest income from bank deposits						4,533
Share of results of an associate	–	–	(520)	–	–	(520)
Other unallocated corporate expenses						<u>(175,131)</u>
Finance costs						<u>214,006</u> <u>(20,146)</u>
Profit before tax						193,860
Income tax expenses						<u>(2,964)</u>
Profit for the period						<u>190,896</u>

### Segment assets and liabilities

The following table presents segment assets and liabilities of the Group's business segments as at 30th June 2016 and 31st December 2015:

	As at 30th June 2016					
	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>						
Segment assets	365,909	1,943,642	4,058	121,142	–	2,434,751
Unallocated corporate assets					68,474	68,474
Consolidated total assets						<u>2,503,225</u>
<b>LIABILITIES</b>						
Segment liabilities	193,987	332,732	2,223	20,827	–	549,769
Unallocated corporate liabilities					16,528	16,528
Consolidated total liabilities						<u>566,297</u>
	As at 31st December 2015					
	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>						
Segment assets	332,969	2,227,546	4,848	122,721	–	2,688,084
Unallocated corporate assets					33,370	33,370
Consolidated total assets						<u>2,721,454</u>
<b>LIABILITIES</b>						
Segment liabilities	189,039	349,498	2,372	21,698	–	562,607
Unallocated corporate liabilities					35,055	35,055
Consolidated total liabilities						<u>597,662</u>

## Geographical information

The Group operates in the following principal geographical areas: the PRC, Hong Kong, Australia and other overseas markets (30th June 2015: the PRC, Hong Kong, Australia and other overseas markets).

The following table sets out information about the geographical location of the Group's revenue from external customers and other revenue and net (loss)/income. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

### (a) Revenue from external customers

	For the six months ended 30th June	
	2016 HK\$'000	2015 HK\$'000
The PRC	84,696	83,576
Hong Kong	76,967	15,275
Australia	144,877	157,469
Other overseas markets	7,576	6,160
	<u>314,116</u>	<u>262,480</u>

### (b) Other revenue and net (loss)/income

	For the six months ended 30th June 2016				
	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
The PRC	2,387	216	93	2,646	5,342
Hong Kong	–	(40,312)	–	900	(39,412)
	<u>2,387</u>	<u>(40,096)</u>	<u>93</u>	<u>3,546</u>	<u>(34,070)</u>
	For the six months ended 30th June 2015				
	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
The PRC	675	275,624	41	2,894	279,234
Hong Kong	–	129,419	–	900	130,319
	<u>675</u>	<u>405,043</u>	<u>41</u>	<u>3,794</u>	<u>409,553</u>

4 **Other revenue and net (loss)/income**

	For the six months ended 30th June		For the three months ended 30th June	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>Other revenue</b>				
Dividend income from listed securities	877	772	867	687
Interest income from bank deposits	1,301	4,533	559	3,213
Imputed interest income from investment in an insurance contract	75	–	42	–
Rental income from investment properties	3,546	3,794	1,793	1,899
Sundry income	2,295	536	1,090	58
	<u>8,094</u>	<u>9,635</u>	<u>4,351</u>	<u>5,857</u>
<b>Other net (loss)/income</b>				
Net unrealised (losses)/gains on financial assets at fair value through profit or loss				
– held for trading	(33,254)	91,401	1,074	15,719
– designated upon initial recognition	670	–	(1,752)	(3,128)
– derivative financial instrument	–	–	(147)	–
(Losses)/Gains on disposal of financial assets at fair value through profit or loss				
– held for trading	(47,877)	291,457	(2,856)	260,657
– designated upon initial recognition	4,196	10,191	3,758	4,988
– derivative financial instrument	551	–	–	–
Gain on disposal of available-for-sale financial assets	34,892	–	34,892	–
Fair value change on derivative financial instrument	–	11,403	–	11,403
Reversal of impairment loss on other receivables	93	1	2	–
	<u>(40,729)</u>	<u>404,453</u>	<u>34,971</u>	<u>289,639</u>
	<u>(32,635)</u>	<u>414,088</u>	<u>39,322</u>	<u>295,496</u>



5 **(Loss)/Profit before tax**

(Loss)/Profit before tax has been arrived at after charging/(crediting) the following items:

	For the six months ended 30th June		For the three months ended 30th June	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>Finance costs</b>				
Borrowing costs	5,244	4,837	2,860	2,817
Imputed interest expenses on convertible bonds	–	15,309	–	9,286
	<u>5,244</u>	<u>20,146</u>	<u>2,860</u>	<u>12,103</u>
<b>Other items</b>				
Write-down/(Reversal of write-down) of inventories	2,584	1,280	952	(2,085)
Amortisation of prepaid lease payments	184	196	92	98
Depreciation of property, plant and equipment	2,769	2,801	1,439	1,359
	<u>2,769</u>	<u>2,801</u>	<u>1,439</u>	<u>1,359</u>

6 **Income tax expenses**

The taxation charged to profit or loss represents:

	For the six months ended 30th June		For the three months ended 30th June	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
PRC enterprise income tax	<u>36</u>	<u>2,964</u>	<u>36</u>	<u>2,964</u>

The income tax provision in respect of operations in the PRC is calculated at the applicable tax rate of 25% on the estimated assessable profits for the six months and three months ended 30th June 2016 and 2015 based on existing legislation, interpretations and practices in respect thereof. One operating subsidiary (six months and three months ended 30th June 2015: two) of the Company has been officially designated by the local tax authority as “New and High Technology Enterprise” which is exempted for part of PRC enterprise income tax. As a result, the effective tax rate for the subsidiary is 15% for the six months and three months ended 30th June 2016 (six months and three months ended 30th June 2015: 15%). Another operating subsidiary (six months and three months ended 30th June 2015: one) of the Company has been officially designated by the local tax authority as “Participant of Development in Western China” which is exempted for part of PRC enterprise income tax starting from 1st January 2015 to 31st December 2017. As a result, the effective tax rate for the subsidiary is 9% for the six months and three months ended 30th June 2016 (six months and three months ended 30th June 2015: 9%).

No Hong Kong Profits Tax has been provided for the six months and three months ended 30th June 2016 and 2015 as the Group did not have any assessable profit from Hong Kong for both periods.

7 **(Loss)/Earnings per share**

**(a) Basic (loss)/earnings per share**

The calculation of the basic (loss)/earnings per share attributable to owners of the Company is based on the following data:

	<b>For the six months ended 30th June</b>		<b>For the three months ended 30th June</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
(Loss)/Profit attributable to owners of the Company	<b>(84,026)</b>	192,267	<b>7,368</b>	186,704
	<b>For the six months ended 30th June</b>		<b>For the three months ended 30th June</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
Issued ordinary shares at 1st January	<b>1,801,429</b>	1,792,117	–	–
Issued ordinary shares at 1st April	–	–	<b>1,801,429</b>	1,792,117
Effect of share options exercised	<b>91</b>	1,133	<b>181</b>	2,066
Weighted average number of ordinary shares for basic (loss)/earnings per share	<b>1,801,520</b>	1,793,250	<b>1,801,610</b>	1,794,183
Basic (loss)/earnings per share	<b>(4.66) cents</b>	10.72 cents	<b>0.409 cent</b>	10.41 cents

**(b) Diluted (loss)/earnings per share**

The calculation of the diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

	<b>For the six months ended 30th June</b>		<b>For the three months ended 30th June</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
(Loss)/Profit attributable to owners of the Company	<b>(84,026)</b>	192,267	<b>7,368</b>	186,704
Imputed interest expenses on convertible bonds	–	15,309	–	9,286
(Loss)/Profit attributable to owners of the Company for diluted (loss)/earnings per share	<b>(84,026)</b>	207,576	<b>7,368</b>	195,990

	For the six months ended 30th June		For the three months ended 30th June	
	2016	2015	2016	2015
	'000	'000	'000	'000
Weighted average number of ordinary shares for basic (loss)/earnings per share	<b>1,801,520</b>	1,793,250	<b>1,801,610</b>	1,794,183
Effects of dilutive potential ordinary shares:				
Exercise of share options	N/A	33,874	<b>17,370</b>	41,908
Conversion of convertible bonds	N/A	188,186	N/A	231,014
Weighted average number of ordinary shares for diluted (loss)/earnings per share	<b>1,801,520</b>	2,015,310	<b>1,818,980</b>	2,067,105
Diluted (loss)/earnings per share ( <i>Note</i> )	<b>(4.66) cents</b>	10.30 cents	<b>0.405 cent</b>	9.48 cents

*Note:*

Diluted loss per share is the same as the basic loss per share for the six months ended 30th June 2016 because the potential ordinary shares arising from the outstanding share options under the Company's share option scheme had an anti-dilutive effect on the basic loss per share during the period.

The calculation of diluted earnings per share for the three months ended 30th June 2016 is based on the profit attributable to owners of the Company of approximately HK\$7,368,000, and the weighted average number of ordinary shares issued during the period of approximately 1,818,980,000 shares which has been adjusted for the number of dilutive potential ordinary shares arising from the outstanding share options granted under the Company's share option scheme.

The calculation of diluted earnings per share for the six months and three months ended 30th June 2015 is based on the profit attributable to owners of the Company of approximately HK\$207,576,000 and HK\$195,990,000 respectively which has been adjusted to reflect the imputed interest expenses on the convertible bonds, and the weighted average number of ordinary shares issued during the periods of approximately 2,015,310,000 shares and 2,067,105,000 shares respectively which has been adjusted for the number of dilutive potential ordinary shares arising from the outstanding share options granted under the Company's share option scheme and convertible bonds.

## 8 Property, plant and equipment

During the period, the Group expended approximately HK\$4,908,000 (six months ended 30th June 2015: approximately HK\$952,000) on the acquisition of equipment for the expansion of the Group's operations.

9 Available-for-sale financial assets

	<i>Note</i>	<b>30th June 2016 HK\$'000</b>	31st December 2015 HK\$'000
At fair value:			
Equity securities listed in Hong Kong	<i>(a)</i>	<b>102,450</b>	–
Equity securities listed outside Hong Kong	<i>(a)</i>	<b>280,725</b>	433,506
Private investment funds	<i>(b)</i>	<b>105,708</b>	129,289
		<b>488,883</b>	562,795
At cost:			
Unlisted equity securities outside Hong Kong	<i>(c)</i>	<b>78,000</b>	–
		<b>566,883</b>	562,795

*Notes:*

- (a) The fair values of the listed equity securities are determined based on the quoted market bid price available on the relevant stock exchanges at the end of the reporting period.
- (b) Included in the private investment funds are two private investment funds, one of which invested in listed securities amounted to approximately HK\$29,588,000 (31st December 2015: approximately HK\$52,005,000) with another invested in unlisted equity securities amounted to approximately HK\$76,120,000 (31st December 2015: approximately HK\$77,284,000) as at 30th June 2016. The valuation techniques and inputs applied for fair value measurement of these private investment funds are disclosed in note 2.
- (c) The unlisted equity securities are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant and the probabilities of the various estimates within the range cannot be reasonably assessed. The Directors are of the opinion that their fair values cannot be measured reliably. No impairment has been identified by the Directors on these investments at the end of the reporting period.

10 Trade and other receivables

	<i>Note</i>	<b>30th June 2016 HK\$'000</b>	31st December 2015 HK\$'000
Trade receivables	(a)	<b>106,252</b>	165,669
Less: Impairment loss in respect of trade receivables		<b>(2,432)</b>	(2,458)
		<b>103,820</b>	163,211
Other receivables, net of impairment loss			
– Related company	(b)	<b>32,679</b>	–
– Third parties	(c)	<b>17,338</b>	122,096
Prepayments and deposits		<b>29,865</b>	16,277
Total trade and other receivables		<b>183,702</b>	301,584
Less: Balance due within one year included in current assets		<b>(181,710)</b>	(300,313)
Non-current portion		<b>1,992</b>	1,271

Notes:

- (a) The Group grants its trade customers an average credit period from 30 days to 18 months (31st December 2015: 30 days to 18 months). The ageing analysis of trade receivables (net of impairment loss) by invoice date at the end of the reporting period is as follows:

	<b>30th June 2016 HK\$'000</b>	31st December 2015 HK\$'000
0 – 30 days	<b>67,056</b>	86,952
31 – 60 days	<b>24,902</b>	57,282
61 – 90 days	<b>9,445</b>	16,781
Over 90 days	<b>2,417</b>	2,196
	<b>103,820</b>	163,211

- (b) As at 30th June 2016, included in other receivables is receivable from a company, which became a related company of the Group since the completion of the disposal of shares in the Company by Super Dragon Co., Ltd. to Cloudrider Limited on 16th May 2016, of approximately RMB27,930,000 (equivalent to approximately HK\$32,679,000) related to potential equity investment which has no repayment term. The director, Mr. Li Qiang, has beneficial interest in this related company.
- (c) As at 31st December 2015, included in other receivables are (i) receivable from a third party of approximately RMB27,930,000 (equivalent to approximately HK\$33,338,000) related to potential equity investment which has no repayment term; and (ii) receivables from securities broker for settlement of trading of dual currency investments designated as financial assets at fair value through profit or loss upon initial recognition amounted to approximately HK\$76,660,000 with settlement terms of two business days after the transaction date.

11 **Financial assets at fair value through profit or loss**

	<i>Note</i>	<b>30th June 2016 HK\$'000</b>	31st December 2015 HK\$'000
Held for trading investments:			
Equity securities listed in Hong Kong	<i>(a)</i>	<b>203,854</b>	260,100
Equity securities listed outside Hong Kong	<i>(a)</i>	<b>126,505</b>	252,096
Debt securities listed outside Hong Kong	<i>(a)</i>	<b>87,517</b>	111,722
Private equity fund		<b>35,747</b>	–
		<b>453,623</b>	623,918
Designated upon initial recognition:			
Money market funds	<i>(a), (b)</i>	<b>210,300</b>	174,536
Equity linked notes		–	17,697
		<b>210,300</b>	192,233
At the end of the reporting period		<b>663,923</b>	816,151

*Notes:*

- (a) The fair value of listed equity securities, listed debt securities and money market funds are based on quoted market prices in active markets as at the end of the reporting period.
- (b) The investments in money market funds are designated as financial assets at fair value through profit or loss on initial recognition because they are managed together and their performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the investments are provided internally in that basis to the Board.

12 **Trade and other payables**

		<b>30th June 2016</b>	31st December 2015
	<i>Note</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trade payables	(a)	<b>155,602</b>	141,541
Other payables		<b>17,001</b>	17,131
Accruals		<b>41,591</b>	61,381
		<b>214,194</b>	220,053

*Note:*

(a) The ageing analysis of trade payables by invoice date at the end of the reporting period is as follows:

	<b>30th June 2016</b>	31st December 2015
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0 – 30 days	<b>82,080</b>	53,232
31 – 60 days	<b>31,519</b>	43,433
61 – 90 days	<b>24,044</b>	28,293
Over 90 days	<b>17,959</b>	16,583
	<b>155,602</b>	141,541

13 **Bank and other loans**

	<b>30th June 2016</b>	31st December 2015
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Current and secured</b>		
Bank loans	–	8,116
Term loans with a repayment on demand clause	<b>339,659</b>	351,326
	<b>339,659</b>	359,442

*Note:* As at 30th June 2016, the bank loans carried variable interest rates ranging from 2.45%-2.65% (31st December 2015: 1.98%-2.65%) per annum. The terms loans are secured by the assets of the Group as set out in note 14.

14 **Pledge of assets**

As at 30th June 2016, the Group had pledged the following assets to secure the loan facilities:

- (a) Investment properties of the Group with carrying value of approximately HK\$65,181,000 (31st December 2015: approximately HK\$62,037,000);
- (b) Prepaid lease payments and buildings of the Group with carrying values of approximately HK\$1,940,000 (31st December 2015: approximately HK\$2,011,000) and approximately HK\$7,345,000 (31st December 2015: approximately HK\$7,679,000) respectively;
- (c) A leasehold property of the Group with carrying value of approximately HK\$2,287,000 (31st December 2015: approximately HK\$2,336,000); and
- (d) Bank deposits of the Group with carrying value of approximately HK\$351,000,000 (31st December 2015: approximately HK\$360,111,000).

15 **Share Capital**

	Number of shares		Amount	
	30th June 2016 '000	31st December 2015 '000	30th June 2016 HK\$'000	31st December 2015 HK\$'000
<b>Authorised:</b>				
At beginning and end of period/year				
Ordinary shares of HK\$0.025 each	<u>8,000,000</u>	8,000,000	<u>200,000</u>	<u>200,000</u>
<b>Issued and fully paid:</b>				
At beginning of period/year				
Ordinary shares of HK\$0.025 each	1,801,429	1,792,117	45,036	44,803
Exercise of share options	<u>870</u>	<u>9,312</u>	<u>21</u>	<u>233</u>
At end of period/year				
Ordinary shares of HK\$0.025 each	<u>1,802,299</u>	<u>1,801,429</u>	<u>45,057</u>	<u>45,036</u>

16 **Approval of the unaudited condensed consolidated interim financial statements**

The unaudited condensed consolidated interim financial statements were approved by the Board on 11th August 2016.



## **RESERVES**

Movements in the reserves of the Group during the six months ended 30th June 2016 (the “Period”) are set out in the unaudited condensed consolidated statement of changes in equity of the financial statements.

## **INTERIM DIVIDENDS**

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30th June 2015: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

#### **Revenue and Gross Profit**

During the period under review, the Group’s overall revenue amounted to approximately HK\$314.1 million for the Period, representing an increase of 19.7% as compared with the same period of last year. Although the Group’s revenue in overseas markets decreased by 6.8% to approximately HK\$152.4 million for the Period as compared with the same period of last year, the Group’s revenue in the PRC and Hong Kong markets for the Period increased by 1.3% and 403.9% to approximately HK\$84.7 million and HK\$77.0 million respectively as compared with the same period of last year. Due to the drop in the average gross profit margin of overseas markets, the overall gross profit of the Group in the first half of 2016 decreased by 4.3% to approximately HK\$39.4 million as compared with the same period of last year and the gross profit margin only reached 12.5% for the Period (six months ended 30th June 2015: 15.7%).

#### **Operating Results**

##### *Other Revenue and Net (Loss)/Income*

The main reason for the significant increase in the Group’s other revenue and net loss to approximately HK\$32.6 million for the Period (six months ended 30th June 2015: other revenue and net income approximately HK\$414.1 million) was mainly due to the poor performance of investments portfolio of the Group amid the adverse capital market condition in the first half of 2016, which caused the Group to record the net losses on financial assets at fair value through profit or loss of approximately HK\$75.7 million for the Period (six months ended 30th June 2015: net gains of approximately HK\$393.0 million), although the Group recorded a gain on disposal of available-for-sale financial assets of approximately HK\$34.9 million for the Period (six months ended 30th June 2015: HK\$Nil).

##### *Change in Fair Value of Investment Properties*

The Group recognised a net revaluation gain of approximately HK\$0.6 million on its investment properties for the Period (six months ended 30th June 2015: approximately HK\$1.1 million).

### *Operating Expenses*

With the increase of the Group's overall revenue, the Group's distribution and selling expenses for the Period increased by 40.1% to approximately HK\$9.7 million as compared with the same period of last year. This was mainly due to the exploration of the overseas markets during the period under review. At the same time, the Group's general and administrative expenses significantly decreased to approximately HK\$60.4 million for the Period (six months ended 30th June 2015: approximately HK\$216.4 million). This significant decrease in general and administrative expenses for the Period was mainly due to (1) the non-cash expenses arising from the grant of share options and share awards by the Company to eligible participants of totaling only approximately HK\$14.8 million (six months ended 30th June 2015: approximately HK\$109.8 million); and (2) there was no adjustment to salaries and benefits and the distribution of discretionary bonuses to both the Directors and employees of the Group for the Period (six months ended 30th June 2015: approximately HK\$58.0 million).

### *Other Operating Expenses*

During the period under review, although depreciation in RMB against HKD resulted in a significant increase in net exchange losses to approximately HK\$11.0 million (six months ended 30th June 2015: approximately HK\$6.4 million), the drop in miscellaneous costs together with management fees from securities brokers caused the decrease of the other operating expenses of the Group to approximately HK\$15.9 million for the Period (six months ended 30th June 2015: approximately HK\$18.5 million).

### *Finance Costs*

No convertible bond was outstanding by the Company during the period under review and as a result, no imputed interest expenses was recorded for the Period (six months ended 30th June 2015: approximately HK\$15.3 million), which caused the finance costs of the Group to significantly decrease to approximately HK\$5.2 million for the Period (six months ended 30th June 2015: approximately HK\$20.1 million).

### *Loss for the Period*

The Group recorded a profit attributable to owners of the Company of approximately HK\$7.4 million for the three months ended 30th June 2016 (for the three months ended 30th June 2015: approximately HK\$186.7 million). This profit was mainly attributable to a gain on disposal of available-for-sale financial assets of approximately HK\$34.9 million for the three months ended 30th June 2016 (three months ended 30th June 2015: HK\$Nil). However, as a result of the foregoing, the Group recorded a loss attributable to owners of the Company of approximately HK\$84.0 million for the Period, while the Group recorded a profit attributable to owners of the Company of approximately HK\$192.3 million in the same period of last year.

### **Liquidity and Financial Resources**

As at 30th June 2016, the Group had net current assets of approximately HK\$847.1 million. The Group had cash and bank balances and pledged bank deposits of approximately HK\$446.0 million and HK\$351.0 million respectively. The Group's financial resources were funded mainly by term loans and its shareholders' funds. As at 30th June 2016, the Group's current ratio, as calculated by dividing current assets by current liabilities, was 2.5 times and the gearing ratio, as measured by total liabilities divided by total equity, was 29.2%. Hence, as at 30th June 2016, the overall financial and liquidity positions of the Group remained at a stable and healthy level.

## **Charges on Group Assets**

Details of charges on the Group assets are set out in note 14 to the unaudited condensed consolidated interim financial statements in this announcement.

## **Capital Structure**

The shares of the Company were listed on GEM on 31st January 2000. The changes in the capital structure of the Company for the Period are set out in note 15 to the unaudited condensed consolidated interim financial statements in this announcement.

## **Significant Investments/Material Acquisitions and Disposals**

The Group had no significant investment and no material acquisition or disposal during the period under review.

## **Segment Information**

The Group's core business segment is Information Home Appliances ("IHA"). The total revenue of the IHA segment for the Period and the three months ended 30th June 2016 significantly increased by 20.2% and 21.0% to approximately HK\$314.1 million and HK\$217.2 million respectively as compared with the same periods of last year. The Group has started to cooperate with a Hong Kong well-known Television programme operator to assist with its expansion on Over-the-Top TV ("OTT") service in the Hong Kong market in the first half of 2016. As a result, the revenue in the Hong Kong market increased significantly by 403.9% to HK\$77.0 million for the Period as compared with the same period of last year. As for the PRC market, due to the rebound in the sentiment of purchase order of the PRC customer in the first half of 2016, this increased the revenue in the PRC market by 2.8% to approximately HK\$84.7 million as compared with the same period of last year. While for overseas markets, although there was an increase in purchase orders from a few overseas customers during the period under review, sales in Australia for the Period decreased by 8.0% to approximately HK\$144.9 million as compared with the same period of 2015. Due to the intense market competition in Australia in the first half of 2016, this led to a significant decrease in Australian average gross profit margin and also a further drop in the overall profit margin of the Group during the period under review. Consequently, the profit of the IHA segment for the Period decreased by 19.3% to approximately HK\$9.6 million as compared with the same period of 2015.

The Group's investing segment is principally engaged in trading of securities and investing in financial instruments. This segment recorded a loss of approximately HK\$58.4 million for the Period (six months ended 30th June 2015: a profit of approximately HK\$376.5 million). The main reason for this loss was that the Group recorded net losses on financial assets at fair value through profit or loss of approximately HK\$75.7 million for the Period (six months ended 30th June 2015: net gains of approximately HK\$393.0 million). This was the major contribution to the loss attributable to the owners of the Company for the Period.

In respect of the Group's trading segment, due to the lack of new breakthrough in recent years, the Group continually recorded a loss of approximately HK\$2.5 million for the Period (six months ended 30th June 2015: approximately HK\$5.4 million). The other operations segment of the Group mainly comprises leasing out of properties. This segment recorded a profit of approximately HK\$2.1 million for the Period (six months ended 30th June 2015: approximately HK\$2.2 million).

Geographical markets of the Group were mainly located in the overseas during the period under review. Due to the intense market competition in Australia, the overall revenue generated from the overseas markets for the Period decreased by 6.8% to approximately HK\$152.4 million as compared with the same period of last year. As for the PRC market, due to the rebound in the sentiment of purchase order of the PRC customer in the first half of 2016, the revenue in the PRC market slightly increased by 1.3% to approximately HK\$84.7 million as compared with the same period of last year. In addition, the Group has started to cooperate with a Hong Kong well-known Television programme operator to assist with its expansion on OTT service in the Hong Kong market in the first half of 2016. As a result, the revenue in the Hong Kong market increased significantly by 403.9% to HK\$77.0 million for the Period as compared with the same period of last year. As such, the overall revenue of the Group significantly increased by 19.7% to approximately HK\$314.1 million for the Period as compared with the same period of last year.

### **Exposure to Fluctuations in Exchange Rates**

Most of the trading transactions of the Group were denominated in Renminbi ("RMB") and in United States dollars ("USD"). The assets of the Group were mainly denominated in RMB and the remaining portions were denominated in USD and in Hong Kong dollars ("HKD"). The official exchange rates for USD and HKD have been relatively stable for the Period. Therefore, the Group is only exposed to foreign exchange risk arising from RMB exposures, primarily with respect to the HKD. During the Period, depreciation in RMB against HKD resulted in the significant net exchange losses of approximately HK\$11.0 million (six months ended 30th June 2015: approximately HK\$6.4 million). As at 30th June 2016, the Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure. However, the Group will constantly monitor and manage its exposure to foreign exchange risk.

### **Human Resources and Relations with the Employees**

As at 30th June 2016, the Group had over 710 (30th June 2015: over 650) full time employees, of which 20 (30th June 2015: 16) were based in Hong Kong and the rest were in the PRC. Staff costs of the Group amounted to approximately HK\$61.0 million for the Period (six months ended 30th June 2015: approximately HK\$204.5 million). The decrease in the staff costs for the Period was mainly attributable to (1) the significant drop in the non-cash expenses of a total of approximately HK\$14.8 million arising from the grant of share options and share awards by the Company to employees (six months ended 30th June 2015: approximately HK\$109.8 million); and (2) there was no adjustment to salaries and benefits and the distribution of discretionary bonuses to both the Directors and employees of the Group for the Period (six months ended 30th June 2015: approximately HK\$58.0 million). The employees of the Company's subsidiaries are employed and promoted based on their suitability for the positions offered. The salary and benefit levels of the Group's employees are in line with the market. Employees are rewarded on a performance-related basis within the general framework of the Group's remuneration system which is reviewed annually. In addition to the basic salaries, staff benefits also include medical scheme, various insurance schemes, share option scheme and share award scheme.

## BUSINESS REVIEW

After more than ten years of development and under the steady growth of the global Internet Protocol Television (“IPTV”) market, the Group’s IPTV set-top boxes (“STB”) business has entered into a stage of market maturity. With the accumulation of technological expertise over the years and its own intermediary software platform, the Group could meet the needs of different customers, finish the work of integrating with termination systems and customising end products. Products launched by the Group in the markets include standard-definition STB, high digital STB, hybrid dual mode STB, OTT/IPTV STB, as well as STB equipped with an Android system, etc. Under the intense market competition condition, the Group is facing many opportunities as well as confronting severe challenges. During the period under review, although sales in Australia for the Period decreased by 8.0% to approximately HK\$144.9 million as compared with the same period of last year, the rebound in the sentiment of purchase order of the PRC customer and the start of the delivery of the first batch of OTT STB to a new customer in Hong Kong in the first half of 2016, contributed to a greater revenue to the Group. As a result, the Group’s revenue in the PRC and Hong Kong markets for the Period increased by 2.8% and 403.9% to approximately HK\$84.7 million and HK\$77.0 million respectively as compared with the same period of last year. This resulted in the remarkable increase of the Group’s overall revenue for the Period by 19.7% to approximately HK\$314.1 million as compared with the same period of 2015. However, due to the intense market competition, which led to a significant decrease in the selling price of STB in Australia, it further resulted in a drop in the overall profit margin of the Group. As such, the overall gross profit of the Group for the Period decreased by 4.3% to approximately HK\$39.4 million as compared with the same period of 2015.

In the PRC market, the Group had successfully launched, through cooperation with one of the largest PRC telecom equipment and system providers, various types of STB into areas including Hubei Province, Sichuan Province, Liaoning Province, Anhui Province, Jilin Province, Jiangsu Province and Tianjin Municipalities, etc. Some operators cooperating with the Group started planning to deploy smart STB in large scale and the Group had deployed smart STB equipped with an Android system in many provinces across the PRC. Due to the rebound in the sentiment of purchase order of this PRC customer in the first half of 2016, the revenue of the STB of the Group for the Period in the PRC increased by 2.8% to approximately HK\$84.7 million as compared with the same period of last year.

In the overseas markets, the Group keeps on maintaining good cooperation relationship with various existing telecom operators and system integration suppliers. The Group has managed to forward continuous shipments of its products to customers in Australia, Czechoslovakia and Spain, etc. At the same time, the Group was actively exploring new markets in Vietnam, United Kingdom and Denmark. Although the Group started to supply the new generation of STB to the Australian customer in the second quarter of 2016, the intense market competition, which led to a significant decrease in the selling price of STB in Australia in the first half of 2016, caused sales in Australia for the Period to decrease by 8.0% to approximately HK\$144.9 million as compared with the same period of last year. Consequently, overall revenue in overseas markets decreased by 6.8% to approximately HK\$152.4 million for the Period as compared with the same period of last year.

As one of the leading suppliers of IPTV STB in Hong Kong, during the period under review, the Group still maintains great cooperation relationship with a Hong Kong telecommunication operator in its marketing activities. In addition, the Group has started to cooperate with a Hong Kong well-known Television programme operator to assist with its expansion on OTT service in the Hong Kong market. The first batch of OTT STB had delivered to this new customer since the first quarter of 2016. As a result, the revenue in the Hong Kong market increased significantly by 403.9% to HK\$77.0 million for the Period as compared with the same period of last year.

During the period under review, the Group conducted some investments in the secondary market. Based on value investment, the Group selected the investment products in the secondary market by taking risk control and maintaining reasonable earning expectation as the investment strategy, maintenance and appreciation of asset value are the long-term investment commitments of the Group. Due to the adverse capital market conditions during the first half of 2016, the Group recorded the net losses on financial assets at fair value through profit or loss of approximately HK\$75.7 million for the Period (six months ended 30th June 2015: net gains of approximately HK\$393.0 million).

### **Key Risks and Uncertainties**

During the period under review, the Group endeavoured to improve the risk management system on different aspects of company strategies, businesses operation and finance. A number of risks and uncertainties may affect the financial results and business operations of the Group. For the IHA business, fierce market competition in the PRC and overseas markets, the possible economic slowdown in the PRC, RMB exchange rate fluctuation and the increase in production cost and labour cost may bring uncertain impact on the Group's development of such business. For the investing business, the frequent changes of market policies and regulations in relation to the PRC stock market and the unclear global economic environment would be two key risk factors. In future business operations, the Group will be highly aware of the aforesaid risks and uncertainties and will proactively adopt effective measures to tackle such risks and uncertainties.

### **Environmental Policies and Performance**

The Group is committed to building an environmental-friendly corporation and always takes the environmental protection issue into consideration during its daily operation. The Group does not lead to produce material waste nor emit material quantities of air pollution materials during its production and manufacturing process. The Group also strives to minimise environmental adverse impact by encouraging its employees to recycle office supplies and other materials and to save electricity.

### **Compliance with Laws and Regulations**

The operations of the Group are mainly carried out by the Company's subsidiaries in the PRC and Hong Kong and the Company was listed on the Exchange in 2000. As such, the Group's assets and operations shall comply with relevant laws and regulations both in the PRC and Hong Kong accordingly. During the period under review, the Group has complied with all the relevant laws and regulations applicable to it in all material respects in the PRC and Hong Kong. The Group shall continue to keep itself updated with the requirements of the relevant laws and regulations both in the PRC and Hong Kong, and apply to it to ensure the compliance.

## **BUSINESS PROSPECT**

The global IPTV market has reached a mature stage, especially the PRC market which is in a steadily growing status. The Group requires the continuous improvement of its products in order to obtain a stronger competitive advantage. Being one of the earliest companies developing in broadband STB in the world, the Group, with efforts in this field for over ten years and based on its accumulation of technological expertise over the years and its own research and development (“R&D”) capability, will continue changing the traditional model by working hard on exploring the linkage of Internet, television and telecom. Meanwhile, in order to acquire more sophisticated competitive advantages to improve innovation capabilities and to meet the different needs of customers, the Group will put a high proportion of investment in R&D, continue upgrading its products and also actively develop new products to adopt to new market opportunities. The Group expects its STB business to achieve a better performance in the near future.

Regarding its investment business, the Group will focus on investing the IPTV related industries and the convergence of television, telecom and Internet fields. These fields contain emerging opportunities of huge convergence and great development. It is believed that the existing and the accumulated experiences of the IHA of the Group will help to efficiently complete the value evaluation, the resources integration and the value upgrade of the invested companies. Meanwhile, the Group will also focus on home living Internet field and security cloud field based on the development of the convergence of computer, communication and consumer electrics, intelligent Internet and security technology. Reference is made to the Company’s announcement dated 6th June 2016, the Group also intends to take initiatives in developing businesses in relation to global Internet Data Center (“IDC”) and cloud computing. To take advantage of its business network and industry creditability in the Greater China region as well as in the international market, the Group aims to expand internationally by developing global cloud computing data centers for largescale corporations and global cloud computing total solutions for small and medium enterprises in the Greater China region. The Group will leverage the experience of its management team in operating global IDC and cloud computing and identify suitable cooperation partner in order to develop the business in the Greater China region and overseas. The Board considers that the engagement in the internet-related businesses and big data processing business, which are among the sunrise sectors with potential growth in Greater China region and other countries, will be beneficial to the Group, thereby creating values to the Company and the shareholders of the Company (the “Shareholders”). The expected source of funding of the Group’s future plans will be from internal resources, equity or debt financing. The Group will continue to proactively identify the suitable development or investment opportunities to strengthen the business portfolio of the Group, integrate resources in the industry, and generate sustainable and steady financial performance in the long run.

On the other hand, the Group’s secondary market investment strategy will continue, based on the value investment, selecting lower risk investment products and maintain reasonable earning expectation. Maintenance and appreciation of asset value are still the long-term investment commitments of the Group.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Share Option Scheme”) pursuant to the ordinary resolutions passed by the Shareholders at a special general meeting (“SGM”) on 14th January 2015 (the “Option Adoption Date”). The Share Option Scheme is valid for ten years from the Option Adoption Date and shall expire at the close of business on the day immediately preceding the 10th anniversary thereof unless terminated earlier by the Shareholders in general meeting.

The total number of shares which may be issued upon the exercise of all share options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total issued share capital of the Company on the Option Adoption Date (the “Scheme Mandate”) unless the Company obtains a fresh approval from the Shareholders to renew the 10% limit on the basis that the maximum number of shares in respect of which share options may be granted under the Share Option Scheme together with any share options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes shall not exceed 30% of the issued share capital of the Company from time to time. At the SGM which was held on the Option Adoption Date, the Scheme Mandate was approved by the Shareholders and the total number of shares that may fall to be allotted and issued under the Share Option Scheme would be 179,211,680 shares, representing 10% of the total number of shares in issue as at the date of approval of the Scheme Mandate at the SGM. On 16th January 2015, the Company offered to grant 186 eligible participants to subscribe for a total of 107,527,008 ordinary shares of HK\$0.025 each in the capital of the Company at an exercise price HK\$2.2 per share (“Share Options”). These Share Options are exercisable up to five years from the date of grant. On 8th June 2016, the Company removed vesting period of all existing Share Options which are outstanding and unvested under the Share Option Scheme pursuant to the ordinary resolutions passed by the Shareholders at a SGM and such Share Options therefore shall be immediately vested with the consent of relevant Share Options holders. As a result, non-cash share-based compensation expenses in respect of all outstanding and unvested Share Options at the date of approval of removal of vesting period of the Share Options approximately HK\$7.6 million was recognised as expense by the Group with the same amount credited to share option reserves under equity for the Period. For details of the amendment of the terms of Share Options, please refer to the Company’s announcement dated 18th May 2016 and the circular dated 23rd May 2016.



The following table discloses details of the granted Share Options held by Directors, the chief executive, continuous contract employees, suppliers of goods or services and other eligible participants under the Share Option Scheme and movements during the period under review:

Category	Date of grant	Exercise price per share HK\$	Exercisable period*	Number of shares issuable under the Share Options					Outstanding as at 30th June 2016
				Outstanding as at 1st January 2016	Granted during the period	Reclassification of category during the period	Exercised during the period	Cancelled during the period	
<b>Directors</b>									
Mr. Zhu Wei Sha	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,792,116	-	-	-	-	1,792,116
Mr. Chen Fu Rong (resigned on 20th May 2016)	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,792,116	-	(1,792,116)	-	-	-
Mr. Kevin Choo (Chief Executive Officer; appointed as a Director on 25th May 2016)	16th January 2015	2.2	16th January 2015 – 15th January 2020	8,000,000	-	-	-	-	8,000,000
Mr. Shi Guang Rong	16th January 2015	2.2	16th January 2015 – 15th January 2020	6,500,000	-	-	-	-	6,500,000
Mr. Wang An Zhong (resigned on 20th June 2016)	16th January 2015	2.2	16th January 2015 – 15th January 2020	3,000,000	-	(3,000,000)	-	-	-
Mr. Zhu Jiang	16th January 2015	2.2	16th January 2015 – 15th January 2020	7,000,000	-	-	-	-	7,000,000
Mr. Zhong Peng Rong	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,000,000	-	-	-	-	1,000,000
Mr. Wu Jia Jun	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,000,000	-	-	-	-	1,000,000
Ms. Shen Yan	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,000,000	-	-	-	-	1,000,000
<b>Continuous contract employees</b>	16th January 2015	2.2	16th January 2015 – 15th January 2020	59,210,776	-	4,792,116	(870,000)	(672,000)	62,460,892
<b>Suppliers of goods or services</b>	16th January 2015	2.2	16th January 2015 – 15th January 2020	1,920,000	-	-	-	-	1,920,000
<b>Other eligible participants</b>	16th January 2015	2.2	16th January 2015 – 15th January 2020	6,000,000	-	-	-	-	6,000,000
				98,215,008	-	-	(870,000)	(672,000)	96,673,008
<b>Outstanding as at 30th June 2016</b>									<b>96,673,008</b>
<b>Weighted average exercise price (HK\$)</b>				2.2	-	2.2	2.2	2.2	2.2

\* Share Options granted to the Directors, continuous contract employees, suppliers of goods or services and other eligible participants are subject to vesting conditions. However, the vesting period of all existing Share Options granted to the Directors, continuous contract employees, suppliers of goods or services and other eligible participants which are outstanding and invested has been removed by the approval of the Shareholders at the SGM on 8th June 2016.

Note:

- (a) The price of the shares of the Company before the date of the grant of the Share Options is the closing price of the shares of the Company as quoted on the Stock Exchange on the trading day immediately before the date on which the share options were granted.
- (b) There were no Share Options which lapsed according to the terms of the Share Option Scheme during the Period.
- (c) The weighted average closing price of the shares of the Company immediately before the dates of exercise is HK\$2.43 for the Period (30th June 2015: HK\$3.19).

The non-cash share-based payment in respect of the Share Options granted on 16th January 2015 for the Period was approximately HK\$14,788,000 (six months ended 30th June 2015: approximately HK\$45,780,000).

The cost of share options granted is estimated on the date of the grant using the Binomial Model with the following parameters:

<b>Date of grant</b>	<b>16th January 2015</b>
Number of shares issuable under options granted	107,527,008
Exercise price	HK\$2.2
Fair value at the date of grant	HK\$0.72 – HK\$0.75
Risk-free interest rate based on the yields of the 5-year Exchange Fund Notes	0.88%
Expected volatility <sup>#</sup>	46%
Expected dividend yield	2.27%
Expected life	3 years to 5 years

# The expected volatility is based on statistical analysis of daily share prices annualised for one year immediately preceding the grant date.

Save as disclosed above, at the date of approval of these unaudited condensed consolidated interim financial statements for the Period, 450,000 shares under Share Options were exercised subsequent to the end of the period under review.

When the Share Options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserves will be transferred to retained profits.

The fair value of the Share Options are subject to a number of assumptions and the limitation of the Binomial Model.

## **SHARE AWARD SCHEME**

Pursuant to a resolution of the Board meeting dated 6th October 2014 (the “Adoption Date of Share Award Scheme”), the Board approved the adoption of share award scheme (the “Share Award Scheme”) under which the shares may be awarded to selected employees (excluding any director and any chief executive) (the “Selected Employees”) in accordance with its provisions. The purpose of the Share Award Scheme is to recognise and reward the contribution of certain employees to the business growth and development of the Group through an award of the shares of the Company. The Share Award Scheme will remain in force for a period of three years commencing on the Adoption Date of Share Award Scheme. The vesting period and vesting condition of the awarded shares are determined by the Board upon the grant of the awarded shares. A trust has been set up and fully funded by the Company for the purpose of purchasing, administering and holding the shares for the Share Award Scheme. The total number of shares which may be granted to the

Selected Employees under the Share Award Scheme shall not exceed 3% of the total issued share capital of the Company from time to time. For details of the Share Award Scheme, please refer to the announcement of the Company dated 6th October 2014.

During the Period, the Company did not grant any awarded shares to the Selected Employees while the Company has granted a total of 22,596,000 awarded shares to the Selected Employees for the six months ended 30th June 2015, which caused the Group to recognise the non-cash share-based compensation expenses of approximately HK\$64.0 million with a corresponding credit to share-based compensation reserve for the six months ended 30th June 2015.

## **INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30th June 2016, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as required, pursuant to the minimum standards of dealing by the Directors as referred to in rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Exchange were as follows:

### **(1) Long positions in the shares of the Company**

<b>Name of Directors</b>	<b>Nature of interests</b>	<b>Number of ordinary shares</b>	<b>Capacity</b>	<b>Percentage to the total issued share capital of the Company</b>
Mr. Zhu Wei Sha	Corporate ( <i>Note</i> )	116,365,800	Interest of a controlled corporation	6.46%
	Personal	1,590,000	Beneficial owner	0.09%
Mr. Shi Guang Rong	Personal	22,660,000	Beneficial owner	1.26%
Mr. Zhu Jiang	Personal	7,926,756	Beneficial owner	0.44%
Mr. Zhong Peng Rong	Personal	144,000	Beneficial owner	0.01%
Mr. Wu Jia Jun	Personal	600,000	Beneficial owner	0.03%
Ms. Shen Yan	Personal	324,000	Beneficial owner	0.02%

*Note:* Mr. Zhu Wei Sha holds these shares through Super Dragon Co., Ltd. (“Super Dragon”), a company in which Mr. Zhu Wei Sha holds the entire issued share capital and is the sole director of Super Dragon as at 30th June 2016.

**(2) Long positions in the underlying shares of the Company**

Pursuant to the Share Option Scheme approved by the Shareholders on 14th January 2015, the Directors and chief executive of the Company in the capacity as beneficial owners were granted unlisted and physically settled Share Options to subscribe for the shares of the Company, details of which as at 30th June 2016 were as follows:

Category	Date of grant	Exercise price per share HK\$	Exercisable period	Number of shares issuable under the Share Options				Outstanding as at 30th June 2016
				Outstanding as at 1st January 2016	Granted during the period	Exercised during the period	Cancelled during the period	
<b>Directors</b>								
Mr. Zhu Wei Sha	16th January 2015	2.2	16th January 2015 - 15th January 2020	1,792,116	-	-	-	1,792,116
Mr. Kevin Choo (Chief Executive Officer)	16th January 2015	2.2	16th January 2015 - 15th January 2020	8,000,000	-	-	-	8,000,000
Mr. Shi Guang Rong	16th January 2015	2.2	16th January 2015 - 15th January 2020	6,500,000	-	-	-	6,500,000
Mr. Zhu Jiang	16th January 2015	2.2	16th January 2015 - 15th January 2020	7,000,000	-	-	-	7,000,000
Mr. Zhong Peng Rong	16th January 2015	2.2	16th January 2015 - 15th January 2020	1,000,000	-	-	-	1,000,000
Mr. Wu Jia Jun	16th January 2015	2.2	16th January 2015 - 15th January 2020	1,000,000	-	-	-	1,000,000
Ms. Shen Yan	16th January 2015	2.2	16th January 2015 - 15th January 2020	1,000,000	-	-	-	1,000,000
				<u>26,292,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,292,116</u>

Further details regarding the Share Options are set out under the heading “Share Option Scheme” in this announcement.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 30th June 2016, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as required to be notified to the Company and the Exchange pursuant to the minimum standards of dealing by the Directors as referred to in rule 5.46 of the GEM Listing Rules.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any Director or chief executive of the Company, as at 30th June 2016, the following is a list of the substantial Shareholders (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

### Long positions in the shares of the Company

Name of Shareholders	Nature of interests	Number of ordinary shares	Capacity	Percentage to the total issued share capital of the Company
Cloudrider Limited ("Cloudrider") (Note 1)	Corporate	450,357,200	Beneficial owner	24.99%
Super Dragon (Note 2)	Corporate	116,365,800	Beneficial owner	6.46%

#### Notes:

- Reference is made to the announcements of the Company dated 11th April 2016, 12th April 2016 and 16th May 2016 in relation to a proposed disposal of shares in the Company by Super Dragon. Super Dragon has on 10th April 2016 entered into a sale and purchase agreement ("Sale and Purchase Agreement") with Cloudrider, in relation to a proposed sale by Super Dragon and proposed acquisition by the Cloudrider of 450,357,200 ordinary shares of the Company ("Sale Shares") (representing 25% of the issued ordinary shares of the Company as at 31st March 2016) at HK\$2.40 per share. On 16th May 2016, the transfer of the Sale Shares has been completed as contemplated under the Sale and Purchase Agreement. According to the disclosure forms filed by Cloudrider and Lontrue Co., Ltd\* (朗源股份有限公司) ("Lontrue") on 19th May 2016, Lontrue holds 35.65% of the equity interest of Cloudrider Limited. Mr. Li Qiang, the executive Director and co-chairman of the Board of the Company, is the sole shareholder and director of Capital Melody Limited, holding 32.09% of the equity interest of Cloudrider as at 30th June 2016.
- Mr. Zhu Wei Sha holds these shares through Super Dragon, a company in which Mr. Zhu Wei Sha holds the entire issued share capital and is the sole director of Super Dragon as at 30th June 2016.

Save as disclosed above, as at 30th June 2016, the Company had not been notified by any person (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

### MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Period.

### COMPETING INTERESTS

None of the Directors or the controlling Shareholders and their respective associates (as defined in the GEM Listing Rules) has an interest in a business which competed or might compete with the business of the Group or has any other conflict of interest with the Group during the Period.

## **CORPORATE GOVERNANCE CODE**

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continued growth of the Group and for safeguarding and maximising Shareholders' interests.

The Group has adopted a set of Code on Corporate Governance ("Company Code") which sets out the corporate standards and practices used by the Group to direct and manage its business affairs. It is prepared by making reference to the principles, code provisions and recommended best practices set out in the Corporate Governance Code ("GEM Code") contained in Appendix 15 of the GEM Listing Rules. The Board will continue to monitor and revise the Company Code and assess the effectiveness of corporate governance practices in tandem with changes in the environment and requirements under the GEM Code, to ensure the Company Code is in line with the expectations and interests of the Shareholders and will comply with the GEM Code and the GEM Listing Rules. The Company has complied with all the provisions of the GEM Code during the Period.

## **AUDIT COMMITTEE**

The Company established an audit committee on 20th November 1999 with written terms of reference in compliance with the GEM Listing Rules.

The primary duties of the audit committee are to review and supervise the financial reporting process of the Group. It also reviews the effectiveness of both the external audit and internal controls and risk management system. The audit committee comprises three independent non-executive Directors, namely Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan (chairman of the audit committee).

The Group's unaudited condensed consolidated interim results for the Period have been reviewed by the audit committee pursuant to the relevant provisions contained in the GEM Code and was of the opinion that the preparation of such statements has complied with the applicable accounting standards and that adequate disclosure has been made in respect thereof.

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed shares during the Period.

## SECURITIES TRANSACTIONS BY THE DIRECTORS

Although the Company has not adopted any code of conduct regarding the Directors' securities transactions, it has made specific enquiry with all Directors and all Directors have confirmed that they have complied with all the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules during the Period.

By Order of the Board  
**Yuxing InfoTech Investment Holdings Limited**  
**Zhu Wei Sha**  
*Chairman*

Hong Kong, 11th August 2016

*As at the date hereof, the executive Directors are Mr. Zhu Wei Sha, Mr. Li Qiang, Mr. Kevin Choo, Mr. Shi Guang Rong, Mr. Zhu Jiang and Mr. Gao Fei; and the independent non-executive Directors are Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its publication and on the website of the Company at [www.yuxing.com.cn](http://www.yuxing.com.cn).*

\* *For identification purposes only*