



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 2014

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This announcement, for which the directors of Yuxing InfoTech Investment Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company (the “Directors”), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this announcement or any statement in this announcement misleading.

* For identification purposes only



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HIGHLIGHTS

- For the six months and three months ended 30th June 2014, turnover of the Group was approximately HK\$271.7 million and HK\$147.3 million respectively, representing an increase of 0.9% and 26.5% respectively in comparison to the corresponding periods in 2013.
- For the six months and three months ended 30th June 2014, gross profit of the Group amounted to approximately HK\$30.5 million and HK\$16.7 million respectively, while the Group recorded gross profit of approximately HK\$12.0 million and 0.6 million respectively in the corresponding periods of last year.
- Loss attributable to owners of the parent for the six months ended 30th June 2014 amounted to approximately HK\$241.4 million, and profit attributable to owners of the parent for the three months ended 30th June 2014 amounted to approximately HK\$56.5 million, while the Group recorded a loss attributable to owners of the parent of approximately HK\$25.8 million and HK\$9.5 million respectively in the corresponding periods of last year.
- The Group recorded a loss in fair value adjustments to derivative financial instruments in connection with the Repurchase(s) of approximately HK\$261.2 million for the six months ended 30th June 2014, which was the major contribution to the loss attributable to the owners of the parent for the period under review. Without considering these adjustments, the Group will record a profit attributable to the owners of the parent of approximately HK\$19.8 million for the six months ended 30th June 2014.
- Basic loss per share for the six months ended 30th June 2014 was HK13.47 cents, and basic earnings per share for the three months ended 30th June 2014 was HK3.15 cents.
- Total equity attributable to owners of the parent as at 30th June 2014 was approximately HK\$1,850.6 million or net assets per share of HK\$1.03.
- The Board does not recommend the payment of any interim dividend for the six months ended 30th June 2014. During the six months ended 30th June 2013, an interim dividend of HK\$0.05 per share totaling approximately HK\$89.6 million was declared and distributed.

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 2014 together with the comparative unaudited figures for the corresponding periods in 2013, 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 2014

	Notes	For the six months ended 30th June		For the three months ended 30th June	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Turnover	3	271,697	269,371	147,322	116,502
Cost of sales		(241,206)	(257,368)	(130,593)	(115,890)
Gross profit		30,491	12,003	16,729	612
Other revenue and net income		67,316	15,244	55,430	10,668
Distribution and selling expenses		(6,145)	(7,785)	(3,222)	(3,990)
General and administrative expenses		(37,960)	(38,443)	(19,179)	(18,595)
Other operating expenses		(27,037)	(13,717)	(5,615)	(9,629)
Fair value gains on investment properties		200	2,910	200	2,910
Change in fair value of derivative financial instruments in connection with the Repurchase(s)	11(c)	(261,217)	–	16,360	–
(Loss)/Profit from operations		(234,352)	(29,788)	60,703	(18,024)
Finance costs	4	(4,193)	(16,607)	(1,767)	(9,675)
Share of results of a joint venture		–	13,199	–	13,182
(Loss)/Profit before taxation	4	(238,545)	(33,196)	58,936	(14,517)
Taxation	5	(1,742)	2,743	(1,725)	2,743
(Loss)/Profit for the period		(240,287)	(30,453)	57,211	(11,774)
(Loss)/Profit attributable to:					
Owners of the parent		(241,357)	(25,766)	56,489	(9,480)
Non-controlling interests		1,070	(4,687)	722	(2,294)
		(240,287)	(30,453)	57,211	(11,774)
(Loss)/Earnings per share	7				
– Basic		(13.47) cents	(1.46) cents	3.15 cents	(0.53) cent
– Diluted		(13.47) cents	(1.46) cents	3.15 cents	(0.53) cent

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

For the six months and three months ended 30th June 2014

	For the six months ended 30th June		For the three months ended 30th June	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit for the period	(240,287)	(30,453)	57,211	(11,774)
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss:				
Change in fair value of available-for-sale financial assets	39,270	–	28,608	–
Share of other comprehensive loss arising from interest in a joint venture (net of tax)	–	(500,163)	–	(349,722)
Exchange differences arising on translation of PRC subsidiaries	(2,660)	41,719	(267)	32,331
Other comprehensive income/(loss) for the period	36,610	(458,444)	28,341	(317,391)
Total comprehensive (loss)/income for the period	(203,677)	(488,897)	85,552	(329,165)
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(204,747)	(484,210)	84,830	(326,871)
Non-controlling interests	1,070	(4,687)	722	(2,294)
	(203,677)	(488,897)	85,552	(329,165)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2014

		(Unaudited) As at 30th June 2014 <i>HK\$'000</i>	(Audited) As at 31st December 2013 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Investment properties		49,800	49,600
Property, plant and equipment	8	88,290	92,580
Prepaid lease payments		12,830	13,150
Available-for-sale financial assets	9	644,268	–
Financial assets at fair value through profit or loss	11	–	323
		<u>795,188</u>	<u>155,653</u>
CURRENT ASSETS			
Inventories		60,412	79,769
Trade and other receivables	10	301,452	216,240
Consideration receivable for disposal of a subsidiary		–	1,782,994
Prepaid lease payments		390	394
Financial assets at fair value through profit or loss	11	664,893	363,639
Income tax recoverable		638	644
Pledged bank deposits		–	1,811
Cash and bank balances		377,337	121,364
		<u>1,405,122</u>	<u>2,566,855</u>
CURRENT LIABILITIES			
Trade and other payables	12	277,094	280,279
Dividend payables		525	10
Bank loans		58,099	84,075
Financial liabilities at fair value through profit or loss	11	99	25,001
Income tax payable		1,711	177,078
		<u>337,528</u>	<u>566,443</u>
NET CURRENT ASSETS		<u>1,067,594</u>	<u>2,000,412</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,862,782</u>	<u>2,156,065</u>
NET ASSETS		<u>1,862,782</u>	<u>2,156,065</u>
CAPITAL AND RESERVES			
Share capital	14	44,803	44,803
Reserves		1,805,803	2,100,156
Equity attributable to owners of the parent		<u>1,850,606</u>	<u>2,144,959</u>
Non-controlling interests		12,176	11,106
TOTAL EQUITY		<u>1,862,782</u>	<u>2,156,065</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the six months ended 30th June 2014

	Attributable to owners of the parent											
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserves HK\$'000	Contributed surplus HK\$'000	Share option reserves HK\$'000	Investment revaluation reserves HK\$'000	Translation reserves HK\$'000	Other reserves HK\$'000	Retained profits/losses (Accumulated) HK\$'000	Sub total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
As at 1st January 2014	44,803	57,265	8,668	234,621	-	-	79,364	(1,113)	1,721,351	2,144,959	11,106	2,156,065
Loss for the period	-	-	-	-	-	-	-	-	(297,846)	(297,846)	348	(297,498)
Other comprehensive income:												
Change in fair value of available-for-sale financial assets	-	-	-	-	-	10,662	-	-	-	10,662	-	10,662
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	(2,393)	-	-	(2,393)	-	(2,393)
Total other comprehensive income	-	-	-	-	-	10,662	(2,393)	-	-	8,269	-	8,269
Total comprehensive loss for the period	-	-	-	-	-	10,662	(2,393)	-	(297,846)	(289,577)	348	(289,229)
As at 31st March 2014	44,803	57,265	8,668	234,621	-	10,662	76,971	(1,113)	1,423,505	1,855,382	11,454	1,866,836
Profit for the period	-	-	-	-	-	-	-	-	56,489	56,489	722	57,211
Other comprehensive income:												
Change in fair value of available-for-sale financial assets	-	-	-	-	-	28,608	-	-	-	28,608	-	28,608
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	(267)	-	-	(267)	-	(267)
Total other comprehensive income	-	-	-	-	-	28,608	(267)	-	-	28,341	-	28,341
Total comprehensive income for the period	-	-	-	-	-	28,608	(267)	-	56,489	84,830	722	85,552
Transactions with owners:												
<i>Contributions and distributions</i>												
Final dividend in respect of the financial year ended 31st December 2013	-	-	-	-	-	-	-	-	(89,606)	(89,606)	-	(89,606)
Total transactions with owners	-	-	-	-	-	-	-	-	(89,606)	(89,606)	-	(89,606)
As at 30th June 2014	44,803	57,265	8,668	234,621	-	39,270	76,704	(1,113)	1,390,388	1,850,606	12,176	1,862,782

Attributable to owners of the parent

	Share capital HK\$'000	Share premium HK\$'000	Statutory reserves HK\$'000	Contributed surplus HK\$'000	Share option reserves HK\$'000	Investment revaluation reserves HK\$'000	Translation reserves HK\$'000	Other reserves HK\$'000	Retained profits/ losses (Accumulated) HK\$'000	Sub total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
As at 1st January 2013	43,688	41,693	20,435	234,621	29,021	1,682,822	687,064	-	(393,828)	2,345,516	12,441	2,357,957
Loss for the period	-	-	-	-	-	-	-	-	(16,286)	(16,286)	(2,393)	(18,679)
Other comprehensive loss:												
Share of other comprehensive loss arising from interest in a joint venture (net of tax)	-	-	-	-	-	(150,441)	-	-	-	(150,441)	-	(150,441)
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	9,388	-	-	9,388	-	9,388
Total other comprehensive loss	-	-	-	-	-	(150,441)	9,388	-	-	(141,053)	-	(141,053)
Total comprehensive loss for the period	-	-	-	-	-	(150,441)	9,388	-	(16,286)	(157,339)	(2,393)	(159,732)
Transactions with owners:												
<i>Contributions and distributions</i>												
Issue of shares under share option scheme	173	1,892	-	-	-	-	-	-	-	2,065	-	2,065
Total transactions with owners	173	1,892	-	-	-	-	-	-	-	2,065	-	2,065
As at 31st March 2013	43,861	43,585	20,435	234,621	29,021	1,532,381	696,452	-	(410,114)	2,190,242	10,048	2,200,290
Loss for the period	-	-	-	-	-	-	-	-	(9,480)	(9,480)	(2,294)	(11,774)
Other comprehensive loss:												
Share of other comprehensive loss arising from interest in a joint venture (net of tax)	-	-	-	-	-	(349,722)	-	-	-	(349,722)	-	(349,722)
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	32,331	-	-	32,331	-	32,331
Total other comprehensive loss	-	-	-	-	-	(349,722)	32,331	-	-	(317,391)	-	(317,391)
Total comprehensive loss for the period	-	-	-	-	-	(349,722)	32,331	-	(9,480)	(326,871)	(2,294)	(329,165)
Transactions with owners:												
<i>Contributions and distributions</i>												
Issue of shares under share option scheme	942	13,680	-	-	(3,415)	-	-	-	-	11,207	-	11,207
Share options expired	-	-	-	-	(25,606)	-	-	-	25,606	-	-	-
Interim dividend	-	-	-	-	-	-	-	-	(89,606)	(89,606)	-	(89,606)
Total transactions with owners	942	13,680	-	-	(29,021)	-	-	-	(64,000)	(78,399)	-	(78,399)

Attributable to owners of the parent

	Share capital	Share premium	Statutory reserves	Contributed surplus	Share option reserves	Investment revaluation reserves	Translation reserves	Other reserves	Retained profits/ losses (Accumulated)	Sub total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 30th June 2013	44,803	57,265	20,435	234,621	-	1,182,659	728,783	-	(483,594)	1,784,972	7,754	1,792,726
Profit for the period	-	-	-	-	-	-	-	-	2,193,178	2,193,178	2,239	2,195,417
Other comprehensive loss:												
Share of other comprehensive gain arising from interest in a joint venture (net of tax)	-	-	-	-	-	454,170	-	-	-	454,170	-	454,170
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	29,444	-	-	29,444	-	29,444
Release of reserves upon disposal of a subsidiary	-	-	-	-	-	(1,636,829)	(678,863)	-	-	(2,315,692)	-	(2,315,692)
Total other comprehensive loss	-	-	-	-	-	(1,182,659)	(649,419)	-	-	(1,832,078)	-	(1,832,078)
Total comprehensive income for the period	-	-	-	-	-	(1,182,659)	(649,419)	-	2,193,178	361,100	2,239	363,339
Release of statutory reserves upon disposal of a subsidiary	-	-	(11,767)	-	-	-	-	-	11,767	-	-	-
Transactions with owners:												
<i>Changes in ownership interests</i>												
Change in ownership interest in a subsidiary that does not result in a loss of control	-	-	-	-	-	-	-	(1,113)	-	(1,113)	1,113	-
Total transactions with owners	-	-	-	-	-	-	-	(1,113)	-	(1,113)	1,113	-
As at 31st December 2013	44,803	57,265	8,668	234,621	-	-	79,364	(1,113)	1,721,351	2,144,959	11,106	2,156,065

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)*For the six months ended 30th June 2014*

	For the six months ended 30th June	
	2014	2013
	HK\$'000	HK\$'000 (Restated)
Net cash used in operating activities	(880,403)	(5,322)
Net cash generated from investing activities	1,178,572	119,053
Net cash used in financing activities	(42,896)	(63,189)
Net increase in cash and cash equivalents	255,273	50,542
Cash and cash equivalents as at 1st January	122,793	87,024
Effect of foreign exchange rate changes	(729)	1,372
Cash and cash equivalents as at 30th June	<u>377,337</u>	<u>138,938</u>
Analysis of the balances of cash and cash equivalents:		
Pledged bank deposits	–	5,498
Cash and bank balance	<u>377,337</u>	<u>133,440</u>
	<u>377,337</u>	<u>138,938</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30th June 2014 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 with applicable disclosure provisions of the Rules Governing The Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. The accounts 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 2013. They have been prepared on the historical cost basis, except for investment properties, financial assets/liabilities at fair value through profit or loss and available-for-sale financial assets, 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 2013. 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 of financial instruments

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

The following presents the assets and liabilities 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 2014 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 or liabilities 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 or liabilities, either directly or indirectly; and
- Level 3 (lowest level): unobservable inputs for the assets or liabilities.

Assets/(Liabilities) measured at fair value on a recurring basis

	30th June 2014 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Investment properties	49,800	–	49,800	–
Available-for-sale financial assets (note 9)	644,268	644,268	–	–
Financial assets at fair value through profit or loss (note 11)	664,893	664,893	–	–
Financial liabilities at fair value through profit or loss (note 11)	(99)	–	–	(99)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	31st December 2013 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Investment properties	49,600	–	49,600	–
Financial assets at fair value through profit or loss (note 11)	363,962	72,592	291,047	323
Financial liabilities at fair value through profit or loss (note 11)	(25,001)	–	(25,001)	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

During the six months ended 30th June 2014 and the year ended 31st December 2013, there were no transfers fair value measurements between Level 1 and Level 2, or transfers into or out of Level 3.

Financial instruments measured at fair value based on Level 3

The movements in fair value of guaranteed minimum return contract during the period are as follows:

	2014 HK\$'000	2013 HK\$'000
As at 1 January	323	(98)
Net (loss)/gain on change in fair value recognised in profit or loss	<u>(422)</u>	<u>1,375</u>
As at 30th June	<u>(99)</u>	<u>1,277</u>
Change in unrealised (losses)/gains for the period included in profit or loss for financial instruments held as at the balance sheet date	<u>(422)</u>	<u>1,375</u>

Basis of determining fair value of financial assets/(liabilities) at fair value through profit or loss has been detailed in note 11(b). As at 30th June 2014, if the expected volatility of the investment portfolio held by Up Spacious Global Investments Limited (“Up Spacious”), a subsidiary of the Company, had been 8% (31st December 2013: 8%) higher/lower while all other variables were held constant, the Group’s net loss would be increased by approximately HK\$20,000 or decreased by approximately HK\$22,000 respectively (31st December 2013: net profit would be increased by approximately HK\$20,000 or HK\$33,000 respectively).

3 Turnover 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 is principally engaged in investing in trading securities and available-for-sale financial assets and interest in a joint venture which is principally engaged in investing in available-for-sale financial assets.

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.

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

Business segments

Turnover represents net invoiced value of goods sold to customers less returns and allowance. An analysis of the Group's turnover, other revenue and net income, changes in fair value of investment properties, shares of results of a joint venture, segment results and segment assets and liabilities by business segments is as follows:

	For the six months ended 30th June 2014					
	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
TURNOVER						
External sales	271,497	-	200	-	-	271,697
Inter-segment sales	-	-	2,823	-	(2,823)	-
OTHER REVENUE AND NET INCOME	301	59,960	204	4,206	(1,359)	63,312
FAIR VALUE GAINS ON INVESTMENT PROPERTIES	-	-	-	200	-	200
Total	<u>271,798</u>	<u>59,960</u>	<u>3,227</u>	<u>4,406</u>	<u>(4,182)</u>	<u>335,209</u>
RESULTS						
Segment results	<u>(360)</u>	<u>(232,423)</u>	<u>29</u>	<u>121</u>	<u>-</u>	<u>(232,633)</u>
Unallocated corporate income						155
Interest income from bank deposits						3,849
Other unallocated corporate expenses						<u>(5,723)</u>
Finance costs						<u>(4,193)</u>
Loss before taxation						<u>(238,545)</u>
Taxation						<u>(1,742)</u>
Loss for the period						<u><u>(240,287)</u></u>

For the six months ended 30th June 2013

	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>
TURNOVER						
External sales	269,198	–	173	–	–	269,371
Inter-segment sales	–	–	3,735	–	(3,735)	–
OTHER REVENUE AND NET INCOME	71	5,267	–	4,508	(1,410)	8,436
FAIR VALUE GAINS ON INVESTMENT PROPERTIES	–	–	–	2,910	–	2,910
SHARE OF RESULTS OF A JOINT VENTURE	–	13,199	–	–	–	13,199
Total	<u>269,269</u>	<u>18,466</u>	<u>3,908</u>	<u>7,418</u>	<u>(5,145)</u>	<u>293,916</u>
RESULTS						
Segment results	<u>(24,988)</u>	<u>6,190</u>	<u>(330)</u>	<u>4,730</u>	<u>–</u>	(14,398)
Unallocated corporate income						5,970
Interest income from bank deposits						838
Other unallocated corporate expenses						<u>(8,999)</u>
Finance costs						<u>(16,589)</u> <u>(16,607)</u>
Loss before taxation						(33,196)
Taxation						<u>2,743</u>
Loss for the period						<u><u>(30,453)</u></u>

Segment assets and liabilities

The following table presents segment assets and liabilities of the Group's business segments as at 30th June 2014 and 31st December 2013:

	As at 30th June 2014					
	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
ASSETS						
Segment assets	354,592	1,572,840	6,208	65,272	–	1,998,912
Unallocated corporate assets					201,398	201,398
Consolidated total assets						<u>2,200,310</u>
LIABILITIES						
Segment liabilities	191,932	83,385	2,272	10,995	–	288,584
Unallocated corporate liabilities					48,944	48,944
Consolidated total liabilities						<u>337,528</u>
	As at 31st December 2013					
	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
ASSETS						
Consideration receivable for disposal of a subsidiary	–	1,782,994	–	–	–	1,782,994
Other assets	371,725	405,363	6,925	66,477	–	850,490
Segment assets	371,725	2,188,357	6,925	66,477	–	2,633,484
Unallocated corporate assets					89,024	89,024
Consolidated total assets						<u>2,722,508</u>
LIABILITIES						
Segment liabilities	217,993	261,846	2,613	10,995	–	493,447
Unallocated corporate liabilities					72,996	72,996
Consolidated total liabilities						<u>566,443</u>

Geographical information

The Group operates in the following principal geographical areas: the People's Republic of China (other than Hong Kong and Macau) (the "PRC"), Australia, Hong Kong and other overseas markets (2013: 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. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

	Revenue from external customers	
	For the six months ended 30th June	
	2014	2013
	HK\$'000	HK\$'000
The PRC	182,721	175,715
Australia	43,810	21,384
Hong Kong	22,877	39,795
Other overseas markets	22,289	32,477
	271,697	269,371

In addition to the information disclosed above, the Group generated other revenue and net income from information home appliances segment of approximately HK\$301,000 (six months ended 30th June 2013: approximately HK\$71,000) in the PRC, and the Group generated other revenue and net income from investing segment of approximately HK\$58,374,000 (six months ended 30th June 2013: approximately HK\$3,859,000) and approximately HK\$1,586,000 (six months ended 30th June 2013: approximately HK\$1,408,000) in the PRC and Hong Kong respectively.

The Group generated other revenue and net income from trading segment of approximately HK\$204,000 (six months ended 30th June 2013: HK\$Nil) in the PRC, and the Group generated other revenue and net income from other operations segment of approximately HK\$2,151,000 (six months ended 30th June 2013: approximately HK\$2,402,000) and approximately HK\$696,000 (six months ended 30th June 2013: approximately HK\$696,000) in the PRC and Hong Kong respectively.

4 **(Loss)/Profit before taxation**

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

	For the six months ended 30th June		For the three months ended 30th June	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Finance costs				
Interest on bank loans wholly repayable within 5 years	4,061	5,430	1,701	4,051
Interest on bank loans wholly repayable over 5 years	132	147	66	74
Total interest on bank borrowings	4,193	5,577	1,767	4,125
Amortised interest expenses in respect of settlement fee payable	–	11,030	–	5,550
	<u>4,193</u>	<u>16,607</u>	<u>1,767</u>	<u>9,675</u>
Other items				
Net realised gains on disposal of financial assets at fair value through profit or loss	(40,980)	(1,196)	(33,719)	(1,163)
Net unrealised holding (gains)/losses on financial assets at fair value through profit or loss	(4,925)	12,246	(7,831)	9,481
Write-down of inventories	609	7,125	391	4,604
Amortisation of prepaid lease payments	195	192	97	96
Depreciation of property, plant and equipment	4,394	4,426	2,188	2,272
Total depreciation and amortisation	<u>4,589</u>	<u>4,618</u>	<u>2,285</u>	<u>2,368</u>

5 **Taxation**

The taxation charged/(credited) to profit or loss represents:

	For the six months ended 30th June		For the three months ended 30th June	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
PRC enterprise income tax	<u>1,742</u>	<u>(2,743)</u>	<u>1,725</u>	<u>(2,743)</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 2014 and 2013 based on existing legislation, interpretations and practices in respect thereof. Two operating subsidiaries (for the six months and three months ended 30th June 2013: two) of the Company have been officially designated by the local tax authority as “New and High Technology Enterprise”. As a result, the effective tax rate for these subsidiaries is 15% (for the six months and three months ended 30th June 2013: 15%) for the six months and three months ended 30th June 2014.

According to the Tax Relief Notice (Cai Shui [2011] no. 58) on the Grand Development of Western Region jointly issued by the Ministry of Finance, the State Administration of Taxation and China Customs, enterprises located in the western region of the PRC with principal revenue of over 70% generated from the encouraged business activities are entitled to an income tax rate of 15% for 10 years from 1st January 2011 to 31st December 2020. Accordingly, a subsidiary (for the six months and three months ended 30th June 2013: Nil) of the Company located in the Western Region is entitled to an income tax rate of 15% for the six months and three months ended 30th June 2014.

No Hong Kong Profits Tax has been provided for the six months and three months ended 30th June 2014 and 2013 as the Group did not have any assessable profit from Hong Kong for both periods.

6 Dividends

The Board does not recommend the payment of any interim dividend for the six months ended 30th June 2014 (six months ended 30th June 2013: approximately HK\$89,606,000, representing HK\$0.05 per share).

On 19th March 2014, the Board proposed the payment of a final dividend of HK\$0.05 per share in respect of the financial year ended 31st December 2013 (2012: HK\$Nil). The proposed final dividend of approximately HK\$89,606,000 was approved by the Company's shareholders at the Company's annual general meeting on 16th May 2014 and was distributed on 13th June 2014.

7 (Loss)/Earnings per share

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

	For the six months ended 30th June		For the three months ended 30th June	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
(Loss)/Profit attributable to owners of the parent	(241,357)	(25,766)	56,489	(9,480)
	For the six months ended 30th June		For the three months ended 30th June	
	2014 '000	2013 '000	2014 '000	2013 '000
Issued ordinary shares at 1st January	1,792,117	1,747,506	–	–
Issued ordinary shares at 1st April	–	–	1,792,117	1,754,448
Effect of share options exercised	–	19,543	–	29,383
Weighted average number of ordinary shares for basic (loss)/earnings per share	1,792,117	1,767,049	1,792,117	1,783,831
Effect of dilutive potential ordinary shares: Exercise of share options	N/A	N/A	N/A	N/A
Weighted average number of ordinary shares for diluted (loss)/earnings per share	1,792,117	1,767,049	1,792,117	1,783,831
(Loss)/Earnings per share:				
– Basic	(13.47) cents	(1.46) cents	3.15 cents	(0.53) cent
– Diluted (<i>Note</i>)	(13.47) cents	(1.46) cents	3.15 cents	(0.53) cent

Note:

Diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share for the six months and three months ended 30th June 2014 because no potential dilutive share outstanding during the period.

Diluted loss per share is the same as the basic loss per share for the six months and three months ended 30th June 2013 because the effect of potential ordinary share is anti-dilutive.

8 Property, plant and equipment

During the period, the Group expended approximately HK\$974,000 (six months ended 30th June 2013: approximately HK\$2,946,000) on the acquisition of equipment for the expansion of the Group's operations.

9 Available-for-sale financial assets

	30th June 2014 HK\$'000	31st December 2013 HK\$'000
Equity securities listed outside Hong Kong, at fair value	644,268	–

Note:

The fair value of listed equity securities is based on quoted market prices in active markets as at the balance sheet date.

10 Trade and other receivables

The Group grants its trade customers an average credit period from 30 days to 18 months (as at 31st December 2013: 30 days to 18 months). Included in trade and other receivables are trade and bills receivables (net of impairment) with the following ageing analysis by delivery date:

	30th June 2014 HK\$'000	31st December 2013 HK\$'000
0 – 30 days	55,195	84,875
31 – 60 days	51,509	48,881
61 – 90 days	31,863	18,813
Over 90 days	18,613	6,199
	157,180	158,768

11 **Financial assets/(liabilities) at fair value through profit or loss**

	Notes	30th June 2014		31st December 2013	
		Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Held-for-trading investments (at fair value):					
Equity securities listed in Hong Kong		1,693	–	2,059	–
Equity securities listed outside Hong Kong		663,200	–	70,533	–
	(a)	<u>664,893</u>	<u>–</u>	<u>72,592</u>	<u>–</u>
Derivative financial instruments (at fair value):					
Guaranteed minimum return contract	(b)	–	(99)	323	–
Equity investment contract	(c)	–	–	291,047	(25,001)
		<u>–</u>	<u>(99)</u>	<u>291,370</u>	<u>(25,001)</u>
		<u>664,893</u>	<u>(99)</u>	<u>363,962</u>	<u>(25,001)</u>
As at the balance sheet date:					
Current portion		664,893	(99)	363,639	(25,001)
Non-current portion		–	–	323	–
		<u>664,893</u>	<u>(99)</u>	<u>363,962</u>	<u>(25,001)</u>

Notes:

- (a) The fair value of listed equity securities is based on quoted market prices in active markets as at the balance sheet date.
- (b) *Guaranteed minimum return contract*

In 2012, Yuxing Technology Company Limited (“YXT”), an indirect wholly-owned subsidiary of the Company, and a third party (the “Counterparty”) established a new legal entity namely Up Spacious, a company incorporated in the British Virgin Islands. YXT holds 66.67% equity interest in Up Spacious with an initial investment cost of HK\$20,000,000 whereas the Counterparty holds the remaining shareholding of 33.33% in Up Spacious with an initial investment cost of HK\$10,000,000. The principal activity of Up Spacious is trading of securities. Thereafter, YXT entered into a contract with the Counterparty pursuant to which the Counterparty has the right to receive a variable amount of cash payment (i.e. based on various ranges of target returns as specified in the contract) from YXT (“Call Option”) if the profit to be shared by YXT from the investment portfolio of Up Spacious exceeds 16% per annum of YXT’s capital contribution at the expiration of the contract on 4th April 2015 (“Expiry Date”). In the meantime, YXT is entitled to exercise a right to terminate the investment and receive a variable amount of cash payment (limited to HK\$6,600,000, representing 33.33% of total capital contribution by YXT in Up Spacious) from the Counterparty (“Put Option”) if the profit to be shared by YXT from the investment portfolio of Up Spacious is less than 16% per annum on YXT’s capital contribution at the Expiry Date or the net asset value of Up Spacious reduced to HK\$20,000,000 (that is 2/3 of the initial capital contribution of the investors) on or before the Expiry Date. No cash consideration has been paid by the Group or received from the Counterparty for the above Put Option and Call Option since inception of the contract and up to 30th June 2014.

The net fair value gain of the above Put Option and Call Option was amounting to approximately HK\$4,830,000 at the inception of the contract (“Day-one Gain”), which was valued by Vigers Appraisal & Consulting Limited (“Vigers”) using Binomial Model. As the valuation was not only based on observable market data, the Group would not recognise such net Day-one Gain until the close of the position.

Net loss on change in fair value of the above Put Option and Call Option of approximately HK\$422,000 (six months ended 30th June 2013: net gain on change in fair value of approximately HK\$1,375,000) was recognised in the profit or loss for the six months ended 30th June 2014 following the revaluation by Vigers using Binomial Model.

Major inputs to the analysis of the options as at 30th June 2014 are summarised as follows:

Nature of derivatives	Put Option	Call Option
Underlying assets	Net assets value of Up Spacious	Net assets value of Up Spacious
Expected life	0.8 year	0.8 year
Exercisable period	Between the inception date of the contract and the Expiry Date	On the Expiry Date (if Put Option is not exercised)
Expected volatility	42.42%	42.42%
Risk free rate	0.49%	0.49%

The exercise price of the options is set out in the contract entered into with the Counterparty as described above.

The expected volatility is determined with reference to the historical volatilities of the investment portfolio held by Up Spacious over the expected option period. The management has assumed that Up Spacious only holds the shares of a listed company in its investment portfolio throughout the expected option period.

The following table shows the changes in unrecognised Day-one Gain as at 30th June 2014:

	<i>HK\$'000</i>
Fair value of contracts not recognised through profit or loss as at 1st January 2014	4,830
Net fair value gain of new contract at inception not recognised in profit or loss	—
Fair value of contracts not recognised through profit or loss as at 30th June 2014	<u>4,830</u>

(c) *Equity investment contract*

On 11th October 2013, the Group entered into a conditional agreement (the “Agreement”) with an independent third party purchaser and Gongbujiangda Jiangnan Industrial Development Company Limited (“JI”) pursuant to which the Group agreed to dispose of the entire equity interests in Beijing Golden Yuxing Electronics and Technology Company Limited (“Golden Yuxing”), a wholly-owned subsidiary of the Company. At the same time, it was agreed that the Group shall repurchase no more than 41,000,000 but no less than 27,000,000 A shares of Ping An Insurance (Group) Company of China, Ltd. (“Ping An Shares”) at an exercise price of RMB37.29 per share from JI during 90 days after the final payment date of the Agreement (the “Repurchase(s)”).

The Group’s obligation to repurchase no less than 27,000,000 Ping An Shares and the Group’s right but not an obligation to further repurchase up to 14,000,000 Ping An Shares under the terms of the Repurchase(s) set out in the Agreement were treated, respectively, as put option and call option and the fair values of such options (“Derivative Financial Instruments in connection with the Repurchase(s)”) were estimated with reference to the amount valued by Vigers at completion date of the disposal on 31st December 2013 using Binomial Model.

On 2nd January 2014, being the final payment date of the Agreement, the independent third party purchaser had fully paid the total consideration in connection with the disposal of Golden Yuxing and therefore the Repurchase(s) commenced on 2nd January 2014 and ended on 2nd April 2014 (the “Repurchase Period”). On 2nd April 2014, the Group had completed the Repurchase(s) in accordance with the terms of the Agreement under which the Group had repurchased 41,000,000 Ping An Shares at the exercise price of RMB37.29 per share during the Repurchase Period.

The fair value of the Derivative Financial Instruments in connection with the Repurchase(s) were re-measured by Vigers using Binomial Model at each repurchase date during the Repurchase Period and net loss on change in fair value of Derivative Financial Instruments in connection with the Repurchase(s) of approximately HK\$261,217,000 was recognised in the profit or loss for the six months ended 30th June 2014.

Details of the movements of Derivative Financial Instruments in connection with the Repurchase(s) are as follows:

	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1st January 2014	291,047	(25,001)	266,046
Exchange (losses)/gains	(2,532)	217	(2,315)
Change in fair value recognised in profit or loss	(257,419)	(3,798)	(261,217)
Exercised during the period	(31,096)	28,582	(2,514)
	<u> </u>	<u> </u>	<u> </u>
As at 30th June 2014	<u> </u> <u> </u>	<u> </u> <u> </u>	<u> </u> <u> </u>

12 Trade and other payables

Included in trade and other payables are trade and bills payables with the following ageing analysis:

	30th June 2014 <i>HK\$'000</i>	31st December 2013 <i>HK\$'000</i>
0 – 30 days	39,078	45,415
31 – 60 days	22,203	36,534
61 – 90 days	23,139	18,446
Over 90 days	30,956	32,657
	<u> </u>	<u> </u>
	115,376	133,052
	<u> </u>	<u> </u>

13 Pledge of assets

As at 30th June 2014, the Group had pledged the following assets to secure its banking and other loan facilities:

- (a) Investment properties of the Group with carrying value of HK\$49,800,000 (31st December 2013: HK\$49,600,000);
- (b) Prepaid lease payments, buildings and leasehold improvements of the Group with carrying values of approximately HK\$13,220,000 (31st December 2013: approximately HK\$13,544,000), approximately HK\$63,986,000 (31st December 2013: approximately HK\$66,068,000) and approximately HK\$277,000 (31st December 2013: approximately HK\$292,000) respectively;
- (c) The trade receivables from third parties of the Group with carrying value of approximately HK\$20,430,000 (31st December 2013: approximately HK\$10,196,000);
- (d) A leasehold property of the Group with carrying value of approximately HK\$2,485,000 (31st December 2013: approximately HK\$2,534,000);
- (e) Bank deposits of the Group with carrying value of HK\$Nil (31st December 2013: approximately HK\$1,811,000); and
- (f) Financial assets at fair value through profit or loss of the Group with carrying value of HK\$Nil (31st December 2013: approximately HK\$3,213,000).

14 Share Capital

	Number of shares		Amount	
	30th June 2014 '000	31st December 2013 '000	30th June 2014 HK\$'000	31st December 2013 HK\$'000
Authorised:				
At beginning and end of period/year				
Ordinary shares of HK\$0.025 each	8,000,000	8,000,000	200,000	200,000
Issued and fully paid:				
At beginning of period/year				
Ordinary shares of HK\$0.025 each	1,792,117	1,747,506	44,803	43,688
Exercise of share options	–	44,611	–	1,115
At end of period/year				
Ordinary shares of HK\$0.025 each	1,792,117	1,792,117	44,803	44,803

15 Financial Guarantee Issued

References are made to the announcements of the Company dated 30th January 2013 and 4th February 2013, the circular of the Company dated 28th February 2013 and the Company's annual report 2013, the Company has issued a guarantee to Golden Yuxing in favour of Guangdong Jianlibao Group Company Limited ("JLB Group") in respect of the payment obligations of Golden Yuxing under the settlement agreements. Upon the completion of the disposal of Golden Yuxing on 31st December 2013, the guarantee is still in force until the full payment of the settlement fee. As at 30th June 2014, the Directors do not consider it is probable that a claim will be made by JLB Group against the Group under the guarantee. The maximum liability of the Company as at 30th June 2014 under the guarantee is approximately HK\$188,964,000 (31st December 2013: approximately HK\$381,582,000), representing the remaining undiscounted settlement fee payable as at 30th June 2014. Further announcements will be issued by the Company regarding updates on the above-mentioned related matters.

16 Comparative figures

Certain comparative figures in the condensed consolidated cash flow statement have been restated by the Group to conform to the current period's presentation of condensed consolidated financial statements.

RESERVES

Movements in the reserves of the Group for the six months ended 30th June 2014 (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 (During the six months ended 30th June 2013, an interim dividend of HK\$0.05 per share totaling approximately HK\$89.6 million was declared and distributed).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and Gross Profit

During the period under review, the Group's overall turnover and gross profit amounted to approximately HK\$271.7 million and HK\$30.5 million respectively for the Period, representing an increase of 0.9% and 154.0% respectively as compared with the same period of last year. Although the Group's overseas and the PRC turnover increased by 22.7% and 4.0% to approximately HK\$66.1 million and HK\$182.7 million respectively for the Period as compared with the same period of last year, the turnover in Hong Kong market significantly dropped by 42.5% to approximately HK\$22.9 million for the Period as compared with the same period of 2013. Consequently, the overall turnover of the Group for the Period only slightly increased by 0.9% as compared with the same period of last year. The significant increase in the gross profit of the Group in the first half of 2014 was primarily due to decreases in net impairment on inventories and no one-off products replacement and service compensation costs to a customer in the first half of 2014 as compared with the same period of last year, while the Group recorded these costs totaling of approximately HK\$13.8 million for the six months ended 30th June 2013.

Operating Results

Other Revenue and Net Income

Other revenue and net income increased by 341.6% to approximately HK\$67.3 million for the Period (six months ended 30th June 2013: approximately HK\$15.2 million). This increase for the Period was mainly attributable to the following reasons: (1) the realised and unrealised gains on financial assets at fair value through profit or loss of totaling approximately HK\$45.9 million for the Period (six months ended 30th June 2013: realised gains of approximately HK\$1.2 million); and (2) dividend income from the Group's investment in A shares of Ping An Insurance (Group) Company of China, Ltd. ("Ping An Shares") of approximately HK\$12.6 million (six months ended 30th June 2013: HK\$Nil). However, the Group recognised the dividend income from its indirect investment in 51 million Ping An Shares through its 36.66% equity interest in Gongbujiangda Jiangnan Industrial Development Company Limited ("JI") in the share of results of a joint venture of approximately HK\$19.0 million for the six months ended 30th June 2013 and the Group had ceased to recognise JI as a joint venture immediately upon the completion of the disposal of one of its wholly-owned subsidiary of Beijing Golden Yuxing Electronics and Technology Company Limited ("Golden Yuxing") on 31st December 2013.

Operating Expenses

With the cost saving by the Group in the first half of 2014, the Group's overall selling expenses decreased by 21.1% to approximately HK\$6.1 million for the Period as compared with the same period of last year. At the same time, general and administrative expenses slightly decreased by 1.3% to approximately HK\$38.0 million for the Period as compared with the corresponding period in 2013.

Change in Fair Value of Derivative Financial Instruments in connection with the Repurchase(s)

During the period under review, the Group recorded a loss in fair value adjustments to derivative financial instruments of approximately HK\$261.2 million for the Period (six months ended 30th June 2013: HK\$Nil), which was relating to the call options and put options in connection with the Group's repurchase of no more than 41 million but no less than 27 million Ping An Shares at the

repurchase price of RMB37.29 per share from JI during 90 days after the final payment date of the disposal agreement (the “Repurchase(s)”). The fair value of the derivative financial instruments in connection with the Repurchase(s) were re-measured by an independent professional valuer at each repurchase date during the repurchase period up to 2nd April 2014. These adjustments were the major contribution to the loss attributable to the owners of the parent of the Company for the Period. For further details, the Directors request the shareholders and investors of the Company to refer to the note 11(c) to the unaudited condensed consolidated financial statements, note 24(c) to the financial statements of the Company’s annual report 2013 in relation to the fair value adjustments of such call options and put options as at 31st December 2013 and the Company’s circular dated 31st October 2013 (the “Circular”).

Other Operating Expenses

Other operating expenses increased to approximately HK\$27.0 million for the Period (six months ended 30th June 2013: approximately HK\$13.7 million). The main reason for this increase was that the Group recorded exchange losses of totaling approximately HK\$20.2 million for the Period (six months ended 30th June 2013: approximately HK\$0.3 million).

Finance Costs

As there was no amortised interest expenses recorded for the Period in respect of the settlement fee payable to the Guangdong Jianlibao Group Company Limited (“JLB Group”) or its designated entities (further details regarding the settlement fee payable are set out in note 30 to the financial statements of the Company’s annual report 2013), finance costs of the Group significantly decreased to approximately HK\$4.2 million for the Period (six months ended 30th June 2013: approximately HK\$16.6 million).

Loss for the Period

As a result of the foregoing, the Group recorded a loss attributable to owners of the parent of approximately HK\$241.4 million for the Period, while the Group recorded a loss attributable to owners of the parent of only approximately HK\$25.8 million in the same period of last year.

Liquidity, Charge on Group Assets and Financial Resources

As at 30th June 2014, the Group had cash and bank balances and pledged bank deposits of approximately HK\$377.3 million and HK\$Nil respectively. The Group’s financial resources were funded mainly by short-term bank loans and mortgage loans of totaling approximately HK\$58.1 million and its shareholders’ funds. As at 30th June 2014, the Group’s current ratio, as calculated by dividing current assets by current liabilities, was 4.2 times and the gearing ratio, as measured by total liabilities divided by total equity, was 18.1%. Hence, as at 30th June 2014, the overall financial and liquidity positions of the Group remained at a stable and healthy level.

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 14 to the unaudited condensed consolidated financial statements.

Significant Investments/Material Acquisitions or Disposals

The Group had no significant investment and no material acquisition or disposal for the six months ended 30th June 2014 apart from the Repurchase(s).

Segment Information

The Group's star business segment is Information Home Appliances ("IHA"). The total turnover of the IHA segment for the Period and the three months ended 30th June 2014 increased by 0.9% and 26.5% respectively to approximately HK\$271.5 million and HK\$147.3 million as compared with the corresponding periods of last year. Due to the weakened order procurement sentiment of a PRC customer in the first quarter of 2014, the turnover in the PRC in the first quarter of 2014 dropped significantly. However, the significant increase in the order procurement sentiment of this PRC customer in the second quarter of 2014 had made the Group record approximately HK\$97.2 million turnover in the PRC in the second quarter of 2014, which represented an increase 42.9% of turnover in the PRC for the three months ended 30th June 2014 as compared with the same period of last year. Consequently, the overall sales record of the IHA segment in the PRC for the Period increased slightly by 4.0% to approximately HK\$182.5 million as compared with the same period of last year. For the overseas markets, although the reduction in sales orders from a few overseas customers during the period under review, sales in Australia for the Period significantly increased by 104.9% to approximately HK\$43.8 million as compared with the same period of last year. Consequently, overall overseas turnover increased significantly by 22.7% to approximately HK\$66.1 million for the Period as compared with the same period of last year. In the Hong Kong market, due to the significant reduction in sales orders from the Hong Kong customer during the period under review, resulting in the Group's turnover in Hong Kong market to decrease significantly by 42.5% to approximately HK\$22.9 million for the Period as compared with the same period of last year. Furthermore, the significant increase in the gross profit of the Group's IHA segment in the first half of 2014 was primarily due to significant decreases in net impairment on inventories and no one-off products replacement and service compensation costs to a customer in the first half of 2014 as compared to the same period in 2013. As a result of the foregoing, the Group recorded a significant improvement in the results of the IHA segment for the Period with a small loss of approximately HK\$0.4 million as compared with the same period of last year (six months ended 30th June 2013: approximately HK\$25.0 million).

The Group's investing segment is principally engaged in investing in trading securities and available-for-sale financial assets. This segment recorded a loss of approximately HK\$232.4 million for the Period (six months ended 30th June 2013: a profit of approximately HK\$6.2 million). The main reason for this loss was that the Group recorded a loss in fair value adjustments to derivative financial instruments in connection with the Repurchase(s) of approximately HK\$261.2 million for the Period (six months ended 30th June 2013: HK\$Nil). This loss was the major contribution to the loss attributable to the owners of the parent of the Company for the Period.

In respect of the Group's trading segment, because of the lack of new breakthrough in recent years, the Group recorded a small profit of approximately HK\$29,000 in this segment for the Period (six months ended 30th June 2013: a loss of approximately HK\$330,000). As to the other operations segment, the Group recorded a small profit of approximately HK\$0.1 million for the Period (six months ended 30th June 2013: approximately HK\$4.7 million).

Geographical markets of the Group were mainly located in the PRC during the period under review. The turnover for the Period generated from the PRC market slightly increased by 4.0% to approximately HK\$182.7 million as compared with the same period of last year. As to overseas markets, although the reduction in sales orders from a few overseas customers during the period under review, sales in Australia for the Period significantly increased by 104.9% to approximately HK\$43.8 million as compared with the same period of last year. Consequently, overall overseas turnover increased significantly by 22.7% to approximately HK\$66.1 million for the Period as compared with the same period of last year. While the turnover generated from Hong Kong market decreased significantly by 42.5% to approximately HK\$22.9 million for the Period as compared with the same period of last year. As such, the overall turnover of the Group only slightly increased by 0.9% to approximately HK\$271.7 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 United States dollars and in Renminbi. The assets of the Group were mainly denominated in Renminbi and the remaining portions were denominated in Hong Kong dollars. The official exchange rates for United States dollars, Hong Kong dollars and Renminbi have been relatively stable for the Period and no hedging or other alternative measures have been implemented by the Group. As at 30th June 2014, the Group had no significant exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Human Resources

As at 30th June 2014, the Group had over 630 (30th June 2013: over 680) full time employees, of which 11 (30th June 2013: 11) were based in Hong Kong and the rest were in the PRC. Staff costs of the Group amounted to approximately HK\$35.3 million for the Period (six months ended 30th June 2013: approximately HK\$38.6 million). All employees of the Company's subsidiaries are selected and promoted based on their suitability for the position 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 and various insurance schemes.

BUSINESS REVIEW

During the period under review, various types of set-top boxes (“STB”) had been launched by the Group including standard-definition STB, high digital STB, dual mode STB, Over-The-Top TV (“OTT”)/Internet Protocol Television (“IPTV”) STB, as well as smart STB equipped with an Android system, etc. Under the steady growth of the global IPTV market condition, the Group’s IPTV STB business also entered into a period of market maturity. The Group will further improve the products with the accumulation of technological expertise over the years and leading self-developed intermediary software platform, so that the Group can meet needs of different customers, integrate with termination systems and customize end products. During the period under review, the Group’s overall turnover and gross profit amounted to approximately HK\$271.7 million and HK\$30.5 million respectively for the Period, representing a slightly increase of 0.9% and significantly increase of 154.0% respectively as compared with the same period of last year. This small increase in overall turnover of the Group was mainly attributable to the weakened order procurement sentiment of the PRC in the first quarter of 2014 and Hong Kong customers in the first half of 2014 which has contributed to a softened demand for the Group’s products in the first half of 2014. The significant increase in the gross profit of the Group in the first half of 2014 was primarily due to decreases in net impairment on inventories and no one-off products replacement and service compensation costs to a customer in the first half of 2014 as compared with the same period of last year, while the Group recorded these costs totaling of approximately HK\$13.8 million for the six months ended 30th June 2013.

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 Guangdong Province, Hubei Province, Sichuan Province, Shanxi Province, Liaoning Province, Jilin Province, Anhui Province and Tianjin Municipality, 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. Although the PRC customer had significantly increased its orders in the second quarter of 2014 as compared with the weaker order procurement sentiment in the first quarter of 2014, the turnover of the STB of the Group for the Period in the PRC only slightly increased by 4.0% to approximately HK\$182.5 million as compared with the same period of last year.

In the overseas market, the Group keeps on maintaining good cooperation relationship with various existing telecom operators and system integration suppliers. The Group had managed to forward continuous shipments of its products to customers in Australia, Belgium, Spain and Sweden, etc. The Group has currently developed some new cooperation partners including Brasil, Romania and Czechoslovakia, etc. Although the reduction in sales orders from a few overseas customers during the period under review, sales in Australia for the Period significantly increased by 104.9% to approximately HK\$43.8 million as compared with the same period of last year. Consequently, overall overseas turnover increased significantly by 22.7% to approximately HK\$66.1 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, the Group still maintained great cooperation relationship with a Hong Kong telecommunication operator in its marketing activities. However, due to the significant reduction in sales orders from the Hong Kong customer in the first half of 2014, resulting in the Group's turnover in Hong Kong market to decrease significantly by 42.5% to approximately HK\$22.9 million for the Period as compared with the same period of last year.

As for investment business, based on the principles of scientific analysis and prudent determination, the Group mainly focused on some software or hardware companies and internet companies which master the core and leading technology in the convergence of television, telecom and internet field. During the period under review, the Group conducted some useful attempts in secondary market investment. Based on value investment, the Group selected the investment with lower risk in the secondary market by taking risk control and reasonable earning expectation as the investment strategy, maintenance and appreciation of asset value are the long-term investment commitment of the Group.

References are made to the announcements of the Company dated 30th January 2013, 4th February 2013, 11th October 2013, 28th October 2013, 15th November 2013, 2nd January 2014 and 2nd April 2014 and the Circular in relation to, *inter alia*, the Settlement Agreements, the Agreement, the Proposed Disposal, the Proposed Repurchase(s) and the Major Transaction in relation to the New Disposal Mandate (as such capitalised terms are defined in the Circular). On 2nd January 2014, being the final payment date of the Agreement, 華浩信聯(北京)投資有限公司 (Hua Hao Xin Lian (Beijing) Investment Co., Ltd.*) (the "Purchaser"), had fully paid the total consideration in accordance with the terms of the Agreement. The repurchase period commenced on 2nd January 2014 and ended on 2nd April 2014. On 2nd April 2014, the Group had repurchased 41 million Ping An Shares at the price of RMB37.29 per share pursuant to the Agreement and completed the Repurchase(s) in accordance with the requirements under the Agreement during the repurchase period. Furthermore, as at the date of this announcement, a guarantee, issued by the Company to Golden Yuxing in favour of JLB Group in respect of the payment obligations of Golden Yuxing under the Settlement Agreements, is still in force until the full payment of the Settlement Fee and a pledge of 6.0 million Ping An Shares had been provided by JI to the Group according to the Agreement in order to ensure that the Purchaser will provide financial assistance to Golden Yuxing to fulfil its obligations under the Settlement Agreements. Further announcements will be issued by the Company regarding updates on the above-mentioned related matters.

BUSINESS PROSPECT

The global IPTV market reaches a mature stage, especially the PRC market, showing a steady growth. In order to acquire more sophisticated competitive advantages, the Group has to keep upgrading its products. Being one of the initial companies developing in broadband STB in the world, the Group, with effort in over ten years and based on its accumulation of technological expertise over the years and its own research and development capability, will change the traditional model by working hard on exploring the linkage of internet and television, to achieve a better performance in the near future.

Regarding to its investment business, the Group will continue to focus on the convergence of television, telecom and internet field. This field is emerging the 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 evaluation value of the invested companies, the integration of resources and the value-added. Meanwhile, the Group will also focus on home living internet field. On the other hand, the Group's secondary market investment strategy will continue to, base on the value investment, select investment products with lower risk to control risk and maintain reasonable earning expectation. Maintenance and appreciation of asset value are still the long-term investment commitment of the Group.

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

As at 30th June 2014, 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:

Long positions in the shares of the Company

Name of Director	Nature of interests	Number of ordinary shares	Capacity	Percentage of the issued share capital of the Company
Mr. Zhu Wei Sha	Corporate (<i>Note</i>)	660,000,000	Interest of a controlled corporation	36.83%
	Personal	300,000	Beneficial owner	0.02%
Mr. Chen Fu Rong	Corporate (<i>Note</i>)	660,000,000	Interest of a controlled corporation	36.83%
Mr. Shi Guang Rong	Personal	25,060,000	Beneficial owner	1.40%
Mr. Zhu Jiang	Personal	7,926,756	Beneficial owner	0.44%
Mr. Wang An Zhong	Personal	6,736,756	Beneficial owner	0.38%
Mr. Zhong Peng Rong	Personal	1,600,000	Beneficial owner	0.09%
Mr. Wu Jia Jun	Personal	1,600,000	Beneficial owner	0.09%
Ms. Shen Yan	Personal	960,000	Beneficial owner	0.05%

Note: Messrs. Zhu Wei Sha and Chen Fu Rong held these shares through Super Dragon Co., Ltd. (“Super Dragon”), a company in which Messrs. Zhu Wei Sha and Chen Fu Rong held 63.6% and 36.4% of the entire issued share capital respectively. Both Mr. Zhu Wei Sha and Mr. Chen Fu Rong are directors of Super Dragon.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 30th June 2014, 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 2014, 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 of the issued share capital of the Company
Super Dragon (<i>Note</i>)	Corporate	660,000,000	Beneficial owner	36.83%
Gold Swiss Holdings Limited	Corporate	100,000,000	Beneficial owner	5.58%

Note: Super Dragon is beneficially owned by Mr. Zhu Wei Sha, as to 63.6%, and Mr. Chen Fu Rong, as to 36.4% respectively. Both Mr. Zhu Wei Sha and Mr. Chen Fu Rong are directors of Super Dragon.

Save as disclosed above, as at 30th June 2014, 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 contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the six months ended 30th June 2014.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company 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 six months ended 30th June 2014.

CORPORATE GOVERNANCE PRACTICES

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 maximizing 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 Code on Corporate Governance Practices ("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 comply with the GEM Code and the GEM Listing Rules.

Subject to the deviations as disclosed hereof, the Company has complied with all the provisions of the GEM Code for the six months ended 30th June 2014 and up to the date hereof:

Under provision A.2.1 of the GEM Code, the role of the chairman and chief executive officer should be separated and should not be performed by the same individual. The responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. Mr. Zhu Wei Sha is the chairman of the Board and the chief executive officer of the Group. As such, such dual role constitutes a deviation from Code Provision A.2.1. However, the Board is of the view that: (i) the Company has sufficient internal controls to provide checks and balances on the functions of the chairman and chief executive officer; (ii) Mr. Zhu Wei Sha as the chairman of the Board and the chief executive officer of the Group is responsible for ensuring that all Directors act in the best interests of the shareholders. He is fully accountable to the shareholders and contributes to the Board and the Group on all top level and strategic decisions; and (iii) this structure will not impair the balance of power and authority between the Board and the management of the Company.

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 evaluation 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 results has complied with the applicable accounting standards and that adequate disclosure has been made in respect thereof.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30th June 2014.

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 six months ended 30th June 2014.

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

Hong Kong, 12th August 2014

** For identification purposes only*

As at the date hereof, the executive Directors are Mr. Zhu Wei Sha, Mr. Chen Fu Rong, Mr. Shi Guang Rong, Mr. Wang An Zhong and Mr. Zhu Jiang; 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 for at least 7 days from the date of its publication and on the website of the Company at www.yuxing.com.cn.