



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 Report
2015

* for identification purposes only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, 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 report 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 report or any statement in this report misleading.

HIGHLIGHTS

- Profit attributable to owners of the parent for the six months and three months ended 30th June 2015 amounted to approximately HK\$192.3 million and HK\$186.7 million respectively (six months and three months ended 30th June 2014: loss attributable to owners of the parent of approximately HK\$241.4 million and profit attributable to owners of the parent of approximately HK\$56.5 million respectively). This profit mainly came from the substantial increase in the realised and unrealised gains on financial assets at fair value through profit or loss of totaling approximately HK\$393.0 million for the six months ended 30th June 2015 (six months ended 30th June 2014: approximately HK\$47.0 million). Meanwhile, the Group also recognised the non-cash expenses of totaling approximately HK\$109.8 million arising from the grant of share options and share awards by the Company to employees during the period under review (six months ended 30th June 2014: HK\$Nil).
- For the six months and three months ended 30th June 2015, overall turnover of the Group was approximately HK\$262.5 million and HK\$180.6 million respectively, representing a decrease of 3.4% and an increase of 22.6% respectively in comparison to the corresponding periods in 2014.
- For the six months and three months ended 30th June 2015, gross profit of the Group amounted to approximately HK\$41.1 million and HK\$33.6 million respectively (six months and three months ended 30th June 2014: approximately HK\$30.5 million and HK\$16.7 million respectively).
- Basic earnings per share for the six months and three months ended 30th June 2015 were HK10.72 cents and HK10.41 cents respectively.
- Total equity attributable to owners of the parent as at 30th June 2015 was approximately HK\$2,637.7 million (31st December 2014: approximately HK\$2,315.9 million) or net assets per share of HK\$1.5 (31st December 2014: HK\$1.3). Therefore, the net assets per share increased by HK\$0.2 as compared with the end of last year.
- The Board does not recommend the payment of any interim dividend for the six months ended 30th June 2015 (six months ended 30th June 2014: 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 2015 together with the comparative unaudited figures for the corresponding periods in 2014, 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 2015

	Notes	For the six months ended 30th June		For the three months ended 30th June	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Turnover	3	262,480	271,697	180,593	147,322
Cost of sales		(221,331)	(241,206)	(147,006)	(130,593)
Gross profit		41,149	30,491	33,587	16,729
Other revenue and net income		414,088	67,316	295,496	55,430
Distribution and selling expenses		(6,948)	(6,145)	(3,701)	(3,222)
General and administrative expenses		(216,350)	(37,960)	(119,325)	(19,179)
Other operating expenses		(18,513)	(27,037)	(4,487)	(5,615)
Fair value gains on investment properties		1,100	200	1,100	200
Change in fair value of derivative financial instruments		-	(261,217)	-	16,360
Profit/(Loss) from operations		214,526	(234,352)	202,670	60,703
Finance costs	4	(20,146)	(4,193)	(12,103)	(1,767)
Share of results of an associate		(520)	-	(492)	-
Profit/(Loss) before taxation	4	193,860	(238,545)	190,075	58,936
Taxation	5	(2,964)	(1,742)	(2,964)	(1,725)
Profit/(Loss) for the period		190,896	(240,287)	187,111	57,211
Profit/(Loss) attributable to:					
Owners of the parent		192,267	(241,357)	186,704	56,489
Non-controlling interests		(1,371)	1,070	407	722
		190,896	(240,287)	187,111	57,211
Earnings/(Loss) per share	7				
- Basic		10.72 cents	(13.47) cents	10.41 cents	3.15 cents
- Diluted		10.30 cents	(13.47) cents	9.48 cents	3.15 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months and three months ended 30th June 2015

	For the six months ended 30th June		For the three months ended 30th June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Profit/(Loss) for the period	190,896	(240,287)	187,111	57,211
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Change in fair value of available-for-sale financial assets	87,763	39,270	67,212	28,608
Exchange differences arising on translation of PRC subsidiaries	(13)	(2,660)	1,896	(267)
Other comprehensive income for the period	87,750	36,610	69,108	28,341
Total comprehensive income/(loss) for the period	278,646	(203,677)	256,219	85,552
Total comprehensive income/(loss) attributable to:				
Owners of the parent	280,017	(204,747)	255,812	84,830
Non-controlling interests	(1,371)	1,070	407	722
	278,646	(203,677)	256,219	85,552

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2015

		(Unaudited) As at 30th June 2015 HK\$'000	(Audited) As at 31st December 2014 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Investment properties		119,102	117,976
Property, plant and equipment	8	48,468	50,309
Prepaid lease payments		12,523	12,714
Available-for-sale financial assets	9	703,467	477,704
Interest in an associate		2,829	–
		<u>886,389</u>	<u>658,703</u>
CURRENT ASSETS			
Inventories		72,990	44,200
Trade and other receivables	10	347,171	227,100
Prepaid lease payments		392	392
Financial assets at fair value through profit or loss	11	1,082,131	1,394,399
Income tax recoverable		2,637	2,636
Pledged bank deposits		380,801	380
Cash and bank balances		1,078,770	349,207
		<u>2,964,892</u>	<u>2,018,314</u>
CURRENT LIABILITIES			
Trade and other payables	12	300,749	132,155
Dividend payables		259	17
Bank and other loans	13	397,672	181,803
Convertible bonds	14	471,327	–
Income tax payable		20,714	22,900
		<u>1,190,721</u>	<u>336,875</u>
NET CURRENT ASSETS		<u>1,774,171</u>	<u>1,681,439</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,660,560</u>	<u>2,340,142</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		13,453	13,448
NET ASSETS		<u>2,647,107</u>	<u>2,326,694</u>
CAPITAL AND RESERVES			
Share capital	16	44,941	44,803
Reserves		2,592,751	2,271,105
Equity attributable to owners of the parent		2,637,692	2,315,908
Non-controlling interests		9,415	10,786
TOTAL EQUITY		<u>2,647,107</u>	<u>2,326,694</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th June 2015

	Attributable to owners of the parent															
	Shares held for share award scheme	Share premium	Share capital	Statutory reserves	Contributed surplus	Share-based compensation reserves	Share option reserves	Investment revaluation reserves	Convertible bond reserves	Property revaluation reserves	Transition reserves	Other reserves	Retained profits	Sub total	Non-controlling interests	Total equity
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
As at 1st January 2015	128,459	57,725	44,803	8,668	234,621	-	-	242,950	-	16,023	78,393	(1,113)	1,662,757	2,315,908	10,786	2,326,694
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	5,563	5,563	(1,778)	3,785
Other comprehensive income:																
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	20,551	-	-	-	-	-	20,551	-	20,551
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	-	-	-	(1,909)	(1,909)	-	-	(1,909)	-	(1,909)
Total other comprehensive income	-	-	-	-	-	-	-	20,551	-	(1,909)	(1,909)	-	-	18,642	-	18,642
Total comprehensive income for the period	-	-	-	-	-	-	-	20,551	-	(1,909)	(1,909)	-	5,563	24,205	(1,778)	22,427
Transactions with owners:																
Contributions and distributions	-	-	-	-	-	-	-	-	-	-	-	-	-	(496)	-	(496)
Shares purchased for share award scheme	(496)	-	-	-	-	-	-	-	-	-	-	-	-	74,862	-	74,862
Equity-settled share based payment	-	-	-	-	38,380	-	36,582	-	-	-	-	-	-	-	-	-
Issuance of shares of share award scheme	24,714	14,066	-	-	(38,280)	-	-	-	-	-	-	-	-	-	-	-
Issuance of convertible bonds	-	-	-	-	-	-	-	-	9,558	-	-	-	-	9,558	-	9,558
Total transactions with owners	24,714	13,630	-	-	-	-	36,582	-	9,558	-	-	-	-	83,984	-	83,984

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (Continued)
 For the six months ended 30th June 2015

	Attributable to owners of the parent																
	Share capital HK\$'000	Share premium HK\$'000	Share award scheme 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	Transition reserves HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Sub total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
As at 31st March 2015	44,803	81,479	(14,829)	8,668	234,621	36,352	283,501	9,538	16,023	76,484	(1,113)	1,886,220	2,424,097	9,008	2,433,105		
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	186,704	186,704	407	187,111
Other comprehensive income:																	
Change in fair value of available-for-sale financial assets	-	-	-	-	6,712	-	-	-	-	-	-	-	-	6,712	6,712	-	6,712
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	-	-	-	1,896	-	-	-	1,896	1,896	-	1,896
Total other comprehensive income	-	-	-	-	-	-	-	-	6,712	1,896	-	-	-	69,108	69,108	-	69,108
Total comprehensive income for the period	-	-	-	-	-	-	-	-	6,712	1,896	-	-	-	186,704	255,812	407	256,219
Transactions with owners:																	
Contributions and distributions	-	-	-	-	-	-	-	-	-	-	-	-	-	89,233	89,233	-	(89,233)
Final dividend paid in respect of the financial year ended 31st December 2014	138	15,962	-	-	(3,978)	-	-	-	-	-	-	-	-	12,122	12,122	-	12,122
Issue of shares under share option scheme	-	-	-	-	25,696	9,198	-	-	-	-	-	-	-	34,894	34,894	-	34,894
Equity-settled share based payment	-	3,992	2,966	-	(6,958)	-	-	-	-	-	-	-	-	-	-	-	-
Winding of Shares of share award scheme	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	138	19,954	2,966	-	18,738	5,220	-	-	-	-	-	-	-	89,233	(42,217)	-	(42,217)
As at 30th June 2015	44,941	101,433	(11,863)	8,668	234,621	41,802	330,713	9,538	16,023	78,380	(1,113)	1,765,791	2,637,692	9,415	2,647,107		

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (Continued)

For the six months ended 30th June 2015

	Attributable to owners of the parent													
	Share capital HK\$'000	Share premium HK\$'000	Share award scheme HK\$'000	Share-based compensation surplus HK\$'000	Share option reserves HK\$'000	Share-based compensation reserves HK\$'000	Convertible bond reserves HK\$'000	Property revaluation reserves HK\$'000	Transaction reserves HK\$'000	Other reserves HK\$'000	Retained profits 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)	-	(2,393)
Total other comprehensive income	-	-	-	-	-	10,662	-	(2,393)	(2,393)	-	-	8,269	-	8,269
Total comprehensive loss for the period	-	-	-	-	-	10,662	-	(2,393)	(2,393)	-	(297,846)	(289,577)	348	(289,229)
As at 31st March 2014	44,803	57,265	-	8,668	234,621	-	-	-	76,971	(1,113)	1,432,505	1,855,382	11,454	1,866,836
Profit for the period	-	-	-	-	-	-	-	-	-	-	56,489	56,489	722	57,211
Other comprehensive income:	-	-	-	-	-	28,608	-	-	-	-	-	28,608	-	28,608
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	-	(267)	(267)	-	-	(267)	-	(267)
Total other comprehensive income	-	-	-	-	-	28,608	-	(267)	(267)	-	-	28,341	-	28,341
Total comprehensive income for the period	-	-	-	-	-	28,608	-	(267)	(267)	-	56,489	84,830	722	85,552
Transactions with owners:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions and distributions	-	-	-	-	-	-	-	-	-	-	(89,606)	(89,606)	-	(89,606)
Final dividend paid 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)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (Continued)

For the six months ended 30th June 2015

	Attributable to owners of the parent															
	Share held for	Share award scheme	Share premium	Statutory reserves	Contributed surplus	Share-based compensation reserves	Share option reserves	Investment revaluation reserves	Convertible bond reserves	Property revaluation reserves	Translation reserves	Other reserves	Retained profits	Sub total	Non- controlling interests	Total equity
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
As at 30th June 2014	44,803	57,265	-	8,668	234,621	-	-	39,270	-	-	76,704	(1,113)	1,390,388	1,850,666	12,176	1,862,782
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	272,369	272,369	(1,390)	270,979
Other comprehensive income:																
Revaluation of property, plant and equipment upon transfer to investment properties (net of tax)	-	-	-	-	-	-	-	-	-	16,023	-	-	-	16,023	-	16,023
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	306,931	-	-	-	-	-	306,931	-	306,931
Reclassification of net change in fair value of available-for-sale financial assets to profit or loss upon disposal	-	-	-	-	-	-	-	(103,251)	-	-	-	-	-	(103,251)	-	(103,251)
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	-	-	-	-	1,689	-	-	1,689	-	1,689
Total other comprehensive income	-	-	-	-	-	-	-	203,680	-	16,023	1,689	-	-	221,392	-	221,392
Total comprehensive income for the period	-	-	-	-	-	-	-	203,680	-	16,023	1,689	-	272,369	493,761	(1,390)	492,371
Transactions with owners:																
Contributions and distributions	-	(28,459)	-	-	-	-	-	-	-	-	-	-	-	(28,459)	-	(28,459)
Shares purchased for share award scheme	-	(28,459)	-	-	-	-	-	-	-	-	-	-	-	(28,459)	-	(28,459)
Total transactions with owners	-	(28,459)	-	-	-	-	-	-	-	-	-	-	-	(28,459)	-	(28,459)
As at 31st December 2014	44,803	57,265	(28,459)	8,668	234,621	-	-	202,950	-	16,023	78,393	(1,113)	1,662,757	2,315,908	10,786	2,326,694

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30th June 2015

	For the six months ended 30th June	
	2015 HK\$'000	2014 HK\$'000
Net cash generated from/(used in) operating activities	578,016	(880,403)
Net cash (used in)/generated from investing activities	(520,407)	1,178,572
Net cash generated from/(used in) financing activities	<u>671,929</u>	<u>(42,896)</u>
Net increase in cash and cash equivalents	729,538	255,273
Cash and cash equivalents as at 1st January	349,207	122,793
Effect of foreign exchange rate changes	<u>25</u>	<u>(729)</u>
Cash and cash equivalents as at 30th June	<u><u>1,078,770</u></u>	<u><u>377,337</u></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 2015 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. 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 2014. 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, 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 2014 except for the adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRSs”). The adoption of the new/revised 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 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 2015 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Fair value of financial instruments (Continued)

Assets measured at fair value on a recurring basis

	30th June 2015 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Investment properties	119,102	–	119,102	–
Available-for-sale financial assets (note 9)	703,467	524,133	100,975	78,359
Financial assets at fair value through profit or loss (note 11)	<u>1,082,131</u>	<u>1,082,131</u>	<u>–</u>	<u>–</u>
	31st December 2014 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Investment properties	117,976	–	117,976	–
Available-for-sale financial assets (note 9)	477,704	477,704	–	–
Financial assets at fair value through profit or loss (note 11)	<u>1,394,399</u>	<u>1,393,776</u>	<u>–</u>	<u>623</u>

During the six months ended 30th June 2015 and the year ended 31st December 2014, 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

The investment properties were revalued as at 30th June 2015 on an open market basis by Roma Appraisals Limited, which is independent professional qualified valuer not connected with the Group and with appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

b) Available-for-sale financial assets

Included in the available-for-sale financial assets in Level 2 is a private investment fund invested in listed equity security. The fair value of which was valued by investment manager with reference to observable market data.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Fair value of financial instruments (Continued)

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 are shown as follows:

	2015		2014	
	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	-	623	-	323
Purchases	78,000	-	-	-
Net gains/(losses) on change in fair value recognised in:				
- profit or loss*	-	11,403	-	(422)
- other comprehensive income	359	-	-	-
Settled by other receivables	-	(12,026)	-	-
As at 30th June	<u>78,359</u>	<u>-</u>	<u>-</u>	<u>(99)</u>
Change in unrealised gains/(losses) for the period included in profit or loss for financial instruments held as at the balance sheet date	<u>-</u>	<u>-</u>	<u>-</u>	<u>(422)</u>

* Gains/(Losses) included in profit or loss are presented in other revenue and net income and other operating expenses respectively.

Note:

Available-for-sale financial assets: Private investment fund

The fair value of the private investment fund in Level 3 newly acquired during the reporting period is based on the net asset value of the investment fund reported to the investors by the investment manager as at the balance sheet date. The fair value is valued based on the fair value of the company invested by the fund, which is valued by the investment manager using discounted cash flows model. In determining the fair value of private investment fund, it includes assumptions that are not supported by observable market data, including the expected annual growth rates and discount rates.

As at 30th June 2015, if the expected discount rate of the investment fund had been 1% higher/lower while all other variables were held constant, the Group's other comprehensive income would be decreased by approximately HK\$9,681,000 or no change respectively.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 comprises trading of securities and investing in funds and 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.

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 income tax without allocation of 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Turnover and segment information (Continued)

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, segment results and segment assets and liabilities by business segments is as follows:

	For the six months ended 30th June 2015					Consolidated HK\$'000
	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Elimination HK\$'000	
TURNOVER						
External sales	261,231	-	1,249	-	-	262,480
Inter-segment sales	-	-	1,642	-	(1,642)	-
OTHER REVENUE AND NET INCOME	675	405,043	41	5,162	(1,368)	409,553
FAIR VALUE GAINS ON INVESTMENT PROPERTIES	-	-	-	1,100	-	1,100
Total	<u>261,906</u>	<u>405,043</u>	<u>2,932</u>	<u>6,262</u>	<u>(3,010)</u>	<u>673,133</u>
RESULTS						
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						214,006
						<u>(20,146)</u>
Profit before taxation						193,860
Taxation						<u>(2,964)</u>
Profit for the period						<u>190,896</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Turnover and segment information (Continued)

Business segments (Continued)

	For the six months ended 30th June 2014					Consolidated HK\$'000
	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Elimination 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>(234,352)</u>
Loss before taxation						<u>(4,193)</u>
Taxation						<u>(238,545)</u>
Loss for the period						<u>(1,742)</u>
						<u>(240,287)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Turnover and segment information (Continued)

Segment assets and liabilities

The following table presents segment assets and liabilities of the Group's business segments as at 30th June 2015 and 31st December 2014:

	As at 30th June 2015					Consolidated HK\$'000
	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	
ASSETS						
Segment assets	335,678	2,983,998	18,623	127,374	-	3,465,673
Unallocated corporate assets					385,608	385,608
Consolidated total assets						<u>3,851,281</u>
LIABILITIES						
Segment liabilities	166,437	509,255	2,627	23,061	-	701,380
Unallocated corporate liabilities					502,794	502,794
Consolidated total liabilities						<u>1,204,174</u>
	As at 31st December 2014					Consolidated HK\$'000
	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	
ASSETS						
Segment assets	280,246	2,241,255	5,750	130,264	-	2,657,515
Unallocated corporate assets					19,502	19,502
Consolidated total assets						<u>2,677,017</u>
LIABILITIES						
Segment liabilities	141,372	175,554	1,972	24,307	-	343,205
Unallocated corporate liabilities					7,118	7,118
Consolidated total liabilities						<u>350,323</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Turnover and segment information (Continued)

Geographical information

The Group operates in the following principal geographical areas: the People's Republic of China (other than Hong Kong, Taiwan and Macau) (the "PRC"), Hong Kong, Australia and other overseas markets (2014: 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	
	2015	2014
	HK\$'000	HK\$'000
The PRC	83,576	182,721
Hong Kong	15,275	22,877
Australia	157,469	43,810
Other overseas markets	6,160	22,289
	262,480	271,697

In addition to the information disclosed above, the Group generated other revenue and net income from information home appliances segment of approximately HK\$675,000 (six months ended 30th June 2014: approximately HK\$301,000) in the PRC, and the Group generated other revenue and net income from investing segment of approximately HK\$275,624,000 (six months ended 30th June 2014: approximately HK\$58,374,000) and approximately HK\$129,419,000 (six months ended 30th June 2014: approximately HK\$1,586,000) in the PRC and Hong Kong respectively.

The Group also generated other revenue and net income from trading segment of approximately HK\$41,000 (six months ended 30th June 2014: approximately HK\$204,000) in the PRC, and the Group generated other revenue and net income from other operations segment of approximately HK\$2,894,000 (six months ended 30th June 2014: approximately HK\$2,151,000) and approximately HK\$900,000 (six months ended 30th June 2014: approximately HK\$696,000) in the PRC and Hong Kong respectively.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4 Profit/(Loss) before taxation

Profit/(Loss) 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	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Finance costs				
Interest on bank borrowings	4,837	4,193	2,817	1,767
Imputed interest expenses on Convertible Bonds (note 14)	15,309	–	9,286	–
	<u>20,146</u>	<u>4,193</u>	<u>12,103</u>	<u>1,767</u>
Other items				
Gains on disposal of financial assets at fair value through profit or loss				
– held for trading	(291,457)	(40,980)	(260,657)	(33,719)
– designated upon initial recognition	(10,191)	(1,076)	(4,988)	(452)
Net unrealised (gains)/losses on financial assets at fair value through profit or loss				
– held for trading	(91,401)	(4,925)	(15,719)	(7,831)
– designated upon initial recognition	–	–	3,128	–
Write-down/(Reversal of write-down) of inventories	1,280	609	(2,085)	391
Amortisation of prepaid lease payments	196	195	98	97
Depreciation of property, plant and equipment	2,801	4,394	1,359	2,188

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 Taxation

The taxation charged to profit or loss represents:

	For the six months ended 30th June		For the three months ended 30th June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
PRC enterprise income tax	<u>2,964</u>	<u>1,742</u>	<u>2,964</u>	<u>1,725</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 2015 and 2014 based on existing legislation, interpretations and practices in respect thereof. Two operating subsidiaries (six months and three months ended 30th June 2014: two) of the Company have been officially designated by the local tax authority as “New and High Technology Enterprise” and another one operating subsidiary (six months and three months ended 30th June 2014: one) of the Company has been officially designated by the local tax authority as “Participant of Development in Western China” for the six months and three months ended 30th June 2015. As a result, the preferential tax rate for these subsidiaries is 15% (six months and three months ended 30th June 2014: 15%) for the six months and three months ended 30th June 2015.

No Hong Kong Profits Tax has been provided for the six months and three months ended 30th June 2015 and 2014 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 2015 (six months ended 30th June 2014: Nil).

On 20th March 2015, the Board proposed the payment of a final dividend of HK\$0.05 per share in respect of the financial year ended 31st December 2014 (2013: HK\$0.05 per share). The proposed final dividend of approximately HK\$89,233,000 (2013: approximately HK\$89,606,000) was approved by the Company's shareholders at the Company's annual general meeting on 15th May 2015, after deducting the final dividend for shares held for the Share Award Scheme of approximately HK\$456,000 (2013: HK\$Nil) and was distributed on 12th June 2015.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 Earnings/(Loss) per share (Continued)

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

Note:

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 parent and adjusted to reflect the imputed interest expenses on the Convertible Bonds of approximately HK\$207,576,000 and HK\$195,990,000 respectively, and the weighted average number of ordinary shares issued during the periods of approximately 1,793,250,000 and 1,794,183,000 respectively after adjusting 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.

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 there was no potential dilutive share outstanding during the period.

8 Property, plant and equipment

During the period, the Group expended approximately HK\$952,000 (six months ended 30th June 2014: approximately HK\$974,000) on the acquisition of equipment for the expansion of the Group's operations.

9 Available-for-sale financial assets

		30th June 2015	31st December 2014
	Notes	HK\$'000	HK\$'000
At fair value			
Equity securities listed outside Hong Kong	(a)	524,133	477,704
Private investment funds	(b)	179,334	–
		<u>703,467</u>	<u>477,704</u>

Notes:

- (a) The fair values of the listed securities are determined based on the quoted market bid price available on the relevant stock exchanges.
- (b) Included in the private investment fund there is listed investment, the fair value of which is valued by investment manager with reference to observable market data. As at 30th June 2015, there is also a private investment fund invested in unlisted investment, the fair value of which is valued by the investment manager using discounted cash flows model based on assumptions that are not supported by observable market data.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 Trade and other receivables

		30th June 2015	31st December 2014
	<i>Notes</i>	HK\$'000	HK\$'000
Trade and bills receivables	(a)	100,740	124,680
Less: Impairment in respect of trade receivables		(2,540)	(2,540)
		98,200	122,140
Other receivables, net of impairment	(b)	235,819	100,282
Prepayments and deposits		13,152	4,678
		347,171	227,100

Notes:

- (a) The Group grants its trade customers an average credit period from 30 days to 18 months (31st December 2014: 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 invoice date:

	30th June 2015	31st December 2014
	HK\$'000	HK\$'000
0 – 30 days	65,117	66,549
31 – 60 days	13,676	35,439
61 – 90 days	14,780	16,464
Over 90 days	4,627	3,688
	98,200	122,140

- (b) As at 30th June 2015, other receivables represented mainly (i) deposits paid to the independent third parties of total approximately HK\$124,000,000 related to potential investment which has no repayment term (31st December 2014: approximately HK\$35,400,000); and (ii) receivables from regulated securities broker amounted to approximately HK\$80,806,000 (31st December 2014: HK\$Nil) was locked up for initial public offer subscription in which amounted to approximately HK72,635,000 was margin loan from the regulated securities broker.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11 Financial assets at fair value through profit or loss

		30th June 2015	31st December 2014
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Held for trading investments:			
Equity securities listed in Hong Kong		417,418	105,628
Equity securities listed outside Hong Kong		480,336	236,028
	(a)	897,754	341,656
Designated upon initial recognition:			
Money market funds	(a), (c)	184,377	1,052,120
Derivative financial instruments:			
Guaranteed minimum return contract	(b)	–	623
At the balance sheet date		1,082,131	1,394,399

Notes:

- (a) The fair value of listed equity securities and money market funds is based on quoted market prices in active markets as at the balance sheet date.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11 Financial assets at fair value through profit or loss (Continued)

Notes: (Continued)

(b) Guaranteed minimum return contract

In 2012, Yuxing Technology Company Limited (“YXT”), a wholly-owned subsidiary of the Company, and a third party (the “Counterparty”) established a new legal entity namely Up Spacious Global Investments Limited (“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 if 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 and to exercise a right to receive a variable amount of cash payment 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 (“Put Option”).

Upon the Expiry Date, net gain on change in fair value of the above Put Option and Call Option of approximately HK\$11,403,000 was recognised in the profit or loss for the six months ended 30th June 2015 based on the return shared by YXT from the investment portfolio of Up Spacious in accordance with the contract entered into between YXT and the Counterparty. Upon the exercise of the Put Option on 4 April 2015, YXT claims a cash payment of approximately HK\$12,026,000 in accordance with the contract, the Put Option was derecognised and an other receivable due from the Counterparty of approximately HK\$12,026,000 is recognised accordingly.

- (c) 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12 Trade and other payables

		30th June 2015	31st December 2014
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Trade payables	(a)	122,622	93,149
Other payables	(b)	126,238	8,146
Accruals		51,889	30,860
		300,749	132,155

Notes:

- (a) Included in trade and other payables are trade and bills payables based on invoice date with the following ageing analysis:

	30th June 2015	31st December 2014
	HK\$'000	<i>HK\$'000</i>
0 – 30 days	43,789	23,253
31 – 60 days	31,193	21,851
61 – 90 days	24,369	21,131
Over 90 days	23,271	26,914
	122,622	93,149

- (b) Included in other payables was margin loan with carrying amount of HK\$72,635,000 (31st December 2014: HK\$Nil) from the regulated securities broker in relation to initial public offer shares subscription.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13 Bank and other loans

		30th June 2015	31st December 2014
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Current and secured			
Bank loans	(a)	388,711	44,728
Other loan	(b)	–	127,500
Term loans with a repayment on demand clause		<u>8,961</u>	<u>9,575</u>
		<u>397,672</u>	<u>181,803</u>

Notes:

- (a) As at 30th June 2015, the bank loans carried variable interest rates ranging from 2.45%-2.62% (31st December 2014: 2.45%-5.88%) per annum. The bank loans are secured by the assets of the Group as set out in note 15.
- (b) The other loan from a financial institution amounted to HK\$127,500,000 was repaid during the period ended 30th June 2015 and the Company's obligation under the financial guarantee arrangement relating to the loan amounted to HK\$127,500,000 has been ceased (31st December 2014: HK\$127,500,000).

14 Convertible bonds

On 30th January 2015 (the "Bond Issue Date"), the Company issued convertible bonds in the principal amount of approximately HK\$466.0 million (the "Convertible Bonds"). The Convertible Bonds pay interest at the rate of 6% per annum. Such interest accrued at the outstanding principal amount of the Convertible Bonds shall only be payable by the Company to the bondholder within three business days after the bond maturity date on 30th January 2016 (the "Bond Maturity Date") if the Convertible Bonds are neither converted during the conversion period nor redeemed prior to the Bond Maturity Date.

The Convertible Bonds can be converted into ordinary shares at a conversion price of HK\$1.3 per share (subject to adjustments) for the maximum number of 358,423,360 conversion shares. The conversion period commencing from the 91st day after the Bond Issue Date and ending on the Bond Maturity Date (the "Conversion Period").

The use of proceeds from the issue of the Convertible Bonds is to fund the Group's business development and possible strategic acquisitions and to replenish the general working capital of the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14 Convertible bonds (Continued)

Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem each Convertible Bond outstanding at a value equal to the aggregate principal amount with accrued interest on or before 3rd business day after the Bond Maturity Date in cash.

Early redemption at the option of the Company and the bondholder

The Company and the bondholder have the right to redeem the Convertible Bond early. During the Conversion Period, both parties may give at least 15th business days' advance notice to redeem all or part of the aggregate principal amount of the Convertible Bond. Upon receiving the notice of early redemption by the party who wishes to redeem ("Redeeming Party"), the other party shall enter into discussion with the Redeeming Party and confirm in writing the redemption date and the redemption amount. Unless otherwise confirmed by both parties, the redemption date shall be the 15th business day after the serving of the notice of early redemption.

The Convertible Bonds contains a liability component and a conversion option which is included in the equity of the Company and presented in equity as convertible bonds reserve. The effective interest rate of the liability component on initial recognition is 8.31% per annum. The redemption option of Convertible Bonds is included as a liability component and not separately recognised. The liability component is measured at amortised cost.

The movements of the liability component of the Convertible Bonds for the period is set out below:

	2015 HK\$'000
Nominal value of the Convertible Bonds at issue date	465,950
Equity component	(9,558)
Issue costs attributable to the liability component	(374)
	<hr/>
Fair value of the liability component of the Convertible Bonds, net of issue costs at issue date	456,018
Imputed interest expenses on Convertible Bonds recognised	15,309
	<hr/>
As at 30th June	471,327
	<hr/> <hr/>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 Pledge of assets

As at 30th June 2015, the Group had pledged the following assets to secure the loan facilities:

- (a) Investment properties of the Group with carrying value of approximately HK\$119,102,000 (31st December 2014: approximately HK\$117,976,000);
- (b) Prepaid lease payments, buildings and leasehold improvements of the Group with carrying values of approximately HK\$12,915,000 (31st December 2014: approximately HK\$13,106,000), approximately HK\$23,865,000 (31st December 2014: approximately HK\$24,420,000) and approximately HK\$255,000 (31st December 2014: approximately HK\$266,000) respectively;
- (c) The trade receivables from third parties of the Group with carrying value of HK\$Nil (31st December 2014: approximately HK\$160,000);
- (d) A leasehold property of the Group with carrying value of approximately HK\$2,386,000 (31st December 2014: approximately HK\$2,435,000); and
- (e) Bank deposits of the Group with carrying value of approximately HK\$380,801,000 (31st December 2014: approximately HK\$380,000).

16 Share Capital

	Number of shares		Amount	
	30th June 2015 '000	31st December 2014 '000	30th June 2015 HK\$'000	31st December 2014 HK\$'000
Authorised:				
At beginning and end of period/year				
Ordinary shares of HK\$0.025 each	<u>8,000,000</u>	<u>8,000,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:				
At beginning of period/year				
Ordinary shares of HK\$0.025 each	1,792,117	1,792,117	44,803	44,803
Exercise of share options	<u>5,510</u>	<u>-</u>	<u>138</u>	<u>-</u>
At end of period/year				
Ordinary shares of HK\$0.025 each	<u>1,797,627</u>	<u>1,792,117</u>	<u>44,941</u>	<u>44,803</u>

RESERVES

Movements in the reserves of the Group for the six months ended 30th June 2015 (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 2014: Nil).

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\$262.5 million and HK\$41.1 million respectively, representing a decrease of 3.4% and an increase of 35.0% respectively as compared with the same period of last year. Although the Group's turnover in the PRC and Hong Kong markets for the Period decreased by 54.3% and 33.2% respectively to approximately HK\$83.6 million and HK\$15.3 million, as compared with the same period of last year, the Group's turnover in overseas markets significantly increased by 147.6% to approximately HK\$163.6 million for the Period as compared with the same period of last year. This significant increase in the Group's turnover in overseas markets contributed a higher gross profit margin to the Group. Consequently, although the overall turnover of the Group for the Period slightly decreased by 3.4% as compared with the same period of last year, the gross profit of the Group in the first half of 2015 significantly increased by 35.0% as compared with the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW (Continued)

Operating Results

Other Revenue and Net Income

Other revenue and net income significantly increased by 515.1% to approximately HK\$414.1 million for the Period (six months ended 30th June 2014: approximately HK\$67.3 million). This significant increase was mainly attributable to the realised and unrealised gains on financial assets at fair value through profit or loss of totaling approximately HK\$393.0 million for the Period (six months ended 30th June 2014: approximately HK\$47.0 million). This was the major contribution to the profit attributable to the owners of the parent of the Company for the Period.

Operating Expenses

Although the Group's overall turnover has decreased, the Group's overall selling expenses for the Period increased by 13.1% to approximately HK\$6.9 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 increased significantly to approximately HK\$216.4 million for the Period as compared with the corresponding period in 2014. This significant increase in general and administrative expenses for the Period was mainly due to (1) the non-cash expenses of totaling approximately HK\$109.8 million (six months ended 30th June 2014: HK\$Nil) arising from the grant of share options and share awards by the Company to employees; and (2) the adjustment to salaries and benefits and the distribution of discretionary bonuses to both the Directors and employees of the Group upon the recognition of significant gains from the disposal of financial assets at fair value through profit or loss during the period under review of totaling approximately HK\$58.0 million (six months ended 30th June 2014: HK\$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Operating Results *(Continued)*

Other Operating Expenses

Other operating expenses decreased to approximately HK\$18.5 million for the Period (six months ended 30th June 2014: approximately HK\$27.0 million). The main reason was that the Group recorded the reduction of the exchange losses to approximately HK\$6.4 million for the Period from its Renminbi (“RMB”) transactions (six months ended 30th June 2014: approximately HK\$20.2 million).

Finance Costs

Imputed interest expenses of approximately HK\$15.3 million was recorded for the Period (six months ended 30th June 2014: HK\$Nil) in respect of the Convertible Bonds issued by the Company (further details regarding the Convertible Bonds are set out in note 14 to the unaudited condensed consolidated financial statements), which caused the finance costs of the Group to significantly increase to approximately HK\$20.1 million for the Period (six months ended 30th June 2014: approximately HK\$4.2 million).

Profit for the Period

As a result of the foregoing, the Group recorded a profit attributable to owners of the parent of approximately HK\$192.3 million for the Period, while the Group recorded a loss attributable to owners of the parent of approximately HK\$241.4 million in the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW (Continued)

Liquidity, Charge on Group Assets, Financial Resources and Funding

As at 30th June 2015, the Group had cash and bank balances and pledged bank deposits of approximately HK\$1,078.8 million and HK\$380.8 million respectively. The Group's financial resources were funded mainly by bank loans, term loans and margin loans and the Convertible Bonds issued by the Company of totaling approximately HK\$941.6 million and its shareholders' funds. As at 30th June 2015, 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 45.5%. Hence, as at 30th June 2015, the overall financial and liquidity positions of the Group remained at a stable and healthy level.

Fundraising Activities

Issue of Convertible Bonds

On 23rd December 2014, the Company entered into a subscription agreement with the Yue Xiu Great China Fixed Income Fund LP ("Yue Xiu") as the subscriber in relation to the issue of convertible bonds in principal amount of approximately HK\$466.0 million (the "Convertible Bonds"). On 30th January 2015 (the "Bond Issue Date"), the Company issued Convertible Bonds to Yue Xiu. The Convertible Bonds pay interest at the rate of 6% per annum. Such interest accrued at the outstanding principal amount of the Convertible Bonds shall only be payable by the Company to the convertible bondholder within three business days after the bond maturity date on 30th January 2016 (the "Bond Maturity Date") if the Convertible Bonds are neither converted during the conversion period nor redeemed prior to the Bond Maturity Date.

The Convertible Bonds can be converted into ordinary shares of the Company at a conversion price of HK\$1.3 per share (subject to adjustments) for a maximum number of 358,423,360 conversion shares. The market price of the shares of the Company is HK\$1.45 and HK\$2.36 as at 23rd December 2014 and 30th January 2015 respectively. The conversion period commenced from the 91st day after the Bond Issue Date and will end on the Bond Maturity Date.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Liquidity, Charge on Group Assets, Financial Resources and Funding *(Continued)*

Fundraising Activities (Continued)

Issue of Convertible Bonds (Continued)

The net proceeds from the issue of the Convertible Bonds net of issue costs was amounted to approximately HK\$465.6 million. The use of proceeds from the issue of the Convertible Bonds is to fund the Group's business development and possible strategic acquisitions and to replenish the general working capital of the Group.

As at the date of this report, the convertible bondholder has not exercised its rights to convert the Convertible Bonds into shares of the Company. For details of the Convertible Bonds, please refer to the Company's announcements dated 23rd December 2014, 30th January 2015 and note 14 to the unaudited condensed consolidated financial statements respectively.

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 16 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 2015.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW (Continued)

Segment Information

The Group's core business segment is Information Home Appliances ("IHA"). The total turnover of the IHA segment for the Period and the three months ended 30th June 2015 decreased by 3.8% and increased by 21.9% to approximately HK\$261.2 million and HK\$179.5 million respectively as compared with the corresponding periods of last year. Due to the weakened order procurement sentiment of a PRC customer in the first half of 2015 and further market competition, this led to a decrease in both the sales quantity and selling price of set-top boxes ("STB") in the PRC as compared with the same period of last year. Therefore, the turnover in the PRC market dropped significantly by 54.9% to approximately HK\$82.3 million for the Period as compared with the same period of last year. In the Hong Kong market, due to the reduction in purchase orders from a Hong Kong customer during the period under review, the Group's turnover in Hong Kong market decreased by 33.2% to approximately HK\$15.3 million for the Period as compared with the same period of last year. For the overseas markets, although there was a reduction in purchase orders from a few overseas customers during the period under review, sales in Australia for the Period increased significantly by 259.4% to approximately HK\$157.5 million as compared with the same period of last year. Consequently, overall overseas turnover for the Period increased significantly by 147.6% to approximately HK\$163.6 million as compared with the same period of last year, which contributed a higher gross profit margin to the Group. As a result of the foregoing, the Group recorded a significant improvement in the results of the IHA segment for the Period with a profit of approximately HK\$11.8 million, while the Group recorded a small loss of approximately HK\$0.4 million in this segment in the same period of last year.

The Group's investing segment is principally engaged in investing in trading securities and investing in funds and available-for-sale financial assets. This segment recorded a profit of approximately HK\$376.5 million for the Period (six months ended 30th June 2014: a loss of approximately HK\$232.4 million). This increase was mainly attributable to the realised and unrealised gains on financial assets at fair value through profit or loss of totaling approximately HK\$393.0 million for the Period (six months ended 30th June 2014: approximately HK\$47.0 million). This was the major contribution to the profit attributable to the owners of the parent of the Company for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Segment Information *(Continued)*

In respect of the Group's trading segment, the Group recorded a loss of approximately HK\$5.4 million for the Period (six months ended 30th June 2014: a profit of approximately HK\$29,000). As to the other operations segment, due to the increase in the rental income from leasing out properties and a gain on change in fair value of the investment properties of approximately HK\$1.1 million during the period under review (six months ended 30th June 2014: approximately HK\$0.2 million), the Group recorded a profit of approximately HK\$2.2 million in this segment for the Period (six months ended 30th June 2014: approximately HK\$0.1 million).

Geographical markets of the Group were mainly located in the overseas during the period under review. Although there has been a reduction in purchase orders from a few overseas customers during the period under review, sales in Australia for the Period significantly increased by 259.4% to approximately HK\$157.5 million as compared with the same period of last year. Consequently, the overall turnover generated from the overseas markets for the Period significantly increased by 147.6% to approximately HK\$163.6 million as compared with the same period of last year. As to the PRC markets, due to the weakened order procurement sentiment of a PRC customer in the first half of 2015 and further market competition, the turnover in the PRC significantly dropped by 54.3% to approximately HK\$83.6 million as compared with the same period of last year. In the Hong Kong market, due to the reduction in purchase orders from a Hong Kong customer, the turnover in the Hong Kong market decreased by 33.2% to approximately HK\$15.3 million for the Period as compared with the same period of last year. As such, the overall turnover of the Group slightly decreased by 3.4% to approximately HK\$262.5 million for the Period as compared with the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Exposure to Fluctuations in Exchange Rates

Most of the trading transactions of the Group were denominated in RMB and in United States dollars. The assets of the Group were mainly denominated in RMB and the remaining portions were denominated in Hong Kong dollars. The official exchange rates for United States dollars, Hong Kong dollars and RMB have been relatively stable for the Period and no hedging or other alternative measures have been implemented by the Group. As at 30th June 2015, the Group had not entered into foreign exchange contracts, interest or currency swaps or other financial derivatives.

Human Resources

As at 30th June 2015, the Group had over 650 (30th June 2014: over 630) full time employees, of which 16 (30th June 2014: 11) were based in Hong Kong and the rest were in the PRC. Staff costs of the Group amounted to approximately HK\$204.5 million for the Period (six months ended 30th June 2014: approximately HK\$35.3 million). The increase in the staff costs for the Period was mainly attributable to (1) the non-cash expenses of totaling approximately HK\$109.8 million (six months ended 30th June 2014: HK\$Nil) arising from the grant of share options and share awards by the Company to employees; and (2) the adjustment to salaries and benefits and the distribution of discretionary bonuses to both the Directors and employees of the Group upon the recognition of significant gains from the disposal of financial assets at fair value through profit or loss during the period under review of totaling approximately HK\$58.0 million (six months ended 30th June 2014: HK\$Nil). 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, various insurance schemes, share option schemes and share award scheme.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW

After thirteen years of development and under the steady growth of the global Internet Protocol Television (“IPTV”) market, the Group’s IPTV STB business has entered into a period of market maturity. However, under the intense market competition condition, the Group is facing many opportunities as well as confronting severe challenges. With the accumulation of technological expertise over the years and own intermediary software platform, the Group could meet needs of different customers, finish the work of integrating with termination systems and customizing end products. Products launched by the Group in the markets include standard-definition STB, high digital STB, dual mode STB, Over-the-Top TV (“OTT”)/IPTV STB, as well as STB equipped with an Android system, etc. During the period under review, due to the weakened order procurement sentiment of a PRC customer and a Hong Kong customer and fierce market competition, there was a significant decrease of turnover of the Group in the PRC, Hong Kong and a few overseas markets. However, sales in Australia for the Period increased significantly by 259.4% to approximately HK\$157.5 million, which contributed a higher gross profit margin to the Group. Consequently, although the Group’s overall turnover slightly decreased by 3.4% to approximately HK\$262.5 million, and the overall gross profit increased by 35.0% to approximately HK\$41.1 million respectively for the Period as compared with the same period of last year, while the gross profit margin reached to 15.7% for the Period (six months ended 30th June 2014: 11.2%).

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. The operator 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. However, due to the weakened order procurement sentiment of this PRC customer in the first half of 2015 and further market competition, both the sales quantity and selling price of STB in the PRC decreased as compared with the same period of last year. Therefore, the turnover of the Group in the PRC market for the Period decreased by 54.9% to approximately HK\$82.3 million as compared with the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

In the overseas market, the Group continues to 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, Russia, Brasil, and Czechoslovakia, etc. The Group has currently developed some new cooperation partners including in Africa, the United Kingdom, German, and Denmark, etc. During the period under review, the Group had a cooperation with an Australian customer to develop the STB which incorporated a service of Internet pay-perview television program provided by Netflix, Inc. (an American Internet streaming media service provider, "Netflix"). This was the first company to provide the IPTV STB with Netflix pay-perview television program subscription service in the Australian market, which provided enough motive power for the strong growth on the Australian business in the first half of 2015. Although purchase orders from a few overseas customers have decreased during the period under review, sales in Australia for the Period significantly increased by 259.4% to approximately HK\$157.5 million as compared with the same period of last year. Consequently, overall overseas turnover increased significantly by 147.6% to approximately HK\$163.6 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 purchase orders from this Hong Kong customer in the first half of 2015, resulting in the Group's turnover in Hong Kong market to decrease by 33.2% to approximately HK\$15.3 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, hardware companies and Internet companies which master the core and leading technology in the convergence of television, telecom and Internet fields. Meanwhile, the Group also focused on some companies in the field of commercial STB and Online to Offline ("O2O") Electronic Commerce and deployed investment in preparation and integration of the industry ecosystem. During the period under review, the Group conducted some investments in the secondary market. 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 its investment strategy, maintenance and appreciation of asset value are the long-term investment commitment of the Group. In the first half of 2015, as a result of the overall rise in PRC and Hong Kong stock markets, the Group, with a cautious analysis and strict risk control, chose to invest in the trading security products with hot spots in the investment markets and relatively high safety margin, which led to a better return. As such, the Group recorded the realised and unrealised gains on financial assets at fair value through profit or loss of totaling approximately HK\$393.0 million for the Period (six months ended 30th June 2014: approximately HK\$47.0 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS PROSPECT

The global IPTV market has reached a mature stage. Being one of the initial companies developing in broadband STB in the world, the Group, with efforts in 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 develops new products to adopt to new market opportunities. Therefore, the Group expects its STB business to achieve a better performance in the near future.

Regarding its investment business, the Group will continue focusing on the convergence of television, telecom and Internet fields. These fields are 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 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 electronics, intelligent Internet and security technology. On the other hand, the Group’s secondary market investment strategy will continue, based on value investment, to 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 commitments of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") pursuant to the ordinary resolutions passed by the shareholders of the Company (the "Shareholders") at the special general meeting ("SGM") on 14th January 2015 (the "Option Adoption Date"). The 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 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 refresh 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 Scheme together with any share options outstanding and yet to be exercised under the 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 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. These share options are exercisable up to five years from the date of grant.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SHARE OPTION SCHEME (Continued)

The following table discloses details of the granted options held by executive Directors and the employees and other eligible participants under the 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 2015
				Outstanding as at 1st January 2015	Granted during the period	Exercised during the period	Forfeited during the period	
Directors								
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	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	1,792,116	-	-	1,792,116
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	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
Continuous contract employees	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	76,242,776	(5,230,000)	-	71,012,776
Suppliers of goods or services	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	2,200,000	(280,000)	-	1,920,000
Other eligible participants	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	6,000,000	-	-	6,000,000
					107,527,008	(5,510,000)	-	102,017,008

* Options granted to the Directors, continuous contract employees, suppliers of goods or services and other eligible participants are subject to vesting conditions.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SHARE OPTION SCHEME (Continued)

Note:

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 Exchange on the trading day immediately before the date on which the share options were granted.

Save as disclosed above, at the date of approval of these unaudited condensed consolidated interim financial statements for the six months ended 30th June 2015, 2,300,000 shares under share options were exercised subsequent to the end of the period under review.

The fair value of share options granted by the Company, which was determined at the date of the grant using the Binomial Model was approximately HK\$79.4 million (six months ended 30th June 2014: HK\$Nil) and was charged as an expense over the projected vesting period being the period for which the services from the employees were rendered. For the six months ended 30th June 2015, the Group recognised the non-cash share option expenses of approximately HK\$45.8 million (six months ended 30th June 2014: HK\$Nil) with a corresponding credit to share option reserve.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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, administrating 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.

For the six months ended 30th June 2015, based on the Company's instruction, 300,000 shares were purchased by the Trustee on the market for the purpose of the Share Award Scheme, representing approximately 0.02% of the issued share capital of the Company as at 30th June 2015 and the aggregate price paid by the Company were HK\$436,000. For the six months ended 30th June 2015, 22,596,000 shares held under the Share Award Scheme were granted to the Selected Employees of the Group at nil consideration. The fair value of these awarded shares was determined by reference to closing price of the Company's ordinary shares on the grant date and was charged as an expense over the vesting period. For the six months ended 30th June 2015, the Group recognised the non-cash share-based compensation expenses of approximately HK\$64.0 million (six months ended 30th June 2014: HK\$Nil) with a corresponding credit to share-based compensation reserve. As at 30th June 2015, 13,319,200 shares have been vested to the Selected Employees of the Group.

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

As at 30th June 2015, 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

Name of Director	Nature of interests	Number of ordinary shares	Capacity	Percentage to the total issued share capital of the Company
Mr. Zhu Wei Sha	Corporate (Note)	211,970,800	Interest of a controlled corporation	11.79%
	Personal	300,000	Beneficial owner	0.02%
Mr. Chen Fu Rong	Corporate (Note)	211,970,800	Interest of a controlled corporation	11.79%
Mr. Shi Guang Rong	Personal	23,960,000	Beneficial owner	1.33%
Mr. Zhu Jiang	Personal	7,926,756	Beneficial owner	0.44%
Mr. Wang An Zhong	Personal	6,736,756	Beneficial owner	0.37%
Mr. Zhong Peng Rong	Personal	1,600,000	Beneficial owner	0.09%
Mr. Wu Jia Jun	Personal	600,000	Beneficial owner	0.03%
Ms. Shen Yan	Personal	324,000	Beneficial owner	0.02%

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. Reference is made to the announcements of the Company dated 11th May 2015, 13th May 2015, 27th May 2015, 1st June 2015, 3rd June 2015 and 10th July 2015 in relation to a proposed disposal of shares by Super Dragon. Super Dragon has on 10th July 2015 entered into a formal sale and purchase agreement with a company as nominated by a purchaser in relation to the sale to such company of 448,029,200 ordinary shares of the Company (representing 25% of the total issued share capital of the Company as at 31st March 2015) at HK\$3.3 per share. The Company understands that completion of the transfer has not taken place as at the date of this report and it is expected to take place within 5 working days upon the receipt of the full amount consideration for the transaction by Super Dragon under the formal sale and purchase agreement.

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

(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 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 2015 were as follows:

Name of Directors	Date of grant	Exercise price per share HK\$	Exercisable period	Number of shares issuable under the share options				Outstanding as at 30th June 2015
				Outstanding as at 1st January 2015	Granted during the period	Exercised during the period	Forfeited during the period	
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	16th January 2015	2.2	16th January 2015 - 15th January 2020	-	1,792,116	-	-	1,792,116
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	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
				-	23,084,232	-	-	23,084,232
				-	23,084,232	-	-	23,084,232

Further details regarding the share options are set out under the heading “Share Option Scheme” in this report.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 30th June 2015, 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 2015, 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:

(1) 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
Super Dragon (Note 1)	Corporate	211,970,800	Beneficial owner	11.79%
Gold Swiss Holdings Limited	Corporate	100,000,000	Beneficial owner	5.56%

(2) Long positions in the underlying shares of the Convertible Bonds of the Company

Name of the convertible bondholder	Principal amount of the Convertible Bonds HK\$'000	Maximum number of the total underlying shares	Percentage to the total issued share capital of the Company
Yue Xiu (Note 2)	465,950 (Note 3)	358,423,360	19.94%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO *(Continued)*

Notes:

1. 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. Reference is made to the announcements of the Company dated 11th May 2015, 13th May 2015, 27th May 2015, 1st June 2015, 3rd June 2015 and 10th July 2015 in relation to a proposed disposal of shares by Super Dragon. Super Dragon has on 10th July 2015 entered into a formal sale and purchase agreement with a company as nominated by a purchaser in relation to the sale to such company of 448,029,200 ordinary shares of the Company (representing 25% of the total issued share capital of the Company as at 31st March 2015) at HK\$3.3 per share. The Company understands that completion of the transfer has not taken place as at the date of this report and it is expected to take place within 5 working days upon the receipt of the full amount consideration for the transaction by Super Dragon under the formal sale and purchase agreement.
2. Yue Xiu is a limited partnership established in the Cayman Islands. According to the disclosure forms filed by Yue Xiu, 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited*) ("Guangzhou Yue Xiu") and Mr. Chen Keli on 5th February 2015, Guangzhou Yue Xiu and Mr. Chen Keli are also deemed to be interested in such Convertible Bonds of the Company under the SFO.
3. The Convertible Bonds were issued by the Company to Yue Xiu on 30th January 2015 in the principal amount of approximately HK\$466.0 million. The Convertible Bonds shall bear interest at the rate of 6% per annum and convertible into the shares of the Company at the conversion price of HK\$1.3 per share (subject to adjustments). The conversion period commenced from the 91st day after the Bond Issue Date and will end on the Bond Maturity Date.

Save as disclosed above, as at 30th June 2015, 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 2015.

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 2015.

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 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 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 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 2015 and up to the date hereof:

CORPORATE GOVERNANCE CODE *(Continued)*

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 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 six months ended 30th June 2015, except the trustee of the Share Award Scheme, pursuant to the rules and trust deed of the Share Award Scheme, purchased an aggregate of approximately 300,000 shares of the Company's existing shares on the market at a total consideration of approximately HK\$436,000.

SECURITIES TRANSACTIONS BY THE DIRECTORS

Although the Company has not adopted any code of conduct regarding the Directors' securities transactions, it has in place internal operating procedures regarding the Directors' trading in securities. It has made specific enquiry with all Directors and all Directors have confirmed that they have complied with 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 2015 save in respect of a dealing in which Mr. Zhu Wei Sha and Mr. Chen Fu Rong (executive directors of the Company) were interested, and in respect of which they did not comply with certain requirements of Rules 5.48 to 5.67 of the GEM Listing Rules relating to disposal of shares in the Company by Super Dragon during a "black out" period preceding the publication date of this report. This breach has been discussed and resolved with the Exchange.

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

Hong Kong, 12th August 2015

** 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.