



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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2015

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.

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

* For identification purposes only



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HIGHLIGHTS FOR THE YEAR ENDED 31ST DECEMBER 2015

- For the year ended 31st December 2015, overall revenue of the Group increased by 21.3% to approximately HK\$631.5 million as compared with last year.
- For the year ended 31st December 2015, overall gross profit of the Group significantly increased by 62.3% to approximately HK\$105.7 million as compared with last year.
- Loss attributable to owners of the Company for the year ended 31st December 2015 amounted to approximately HK\$188.2 million (2014: profit attributable to owners of the Company of approximately HK\$31.0 million). Basic loss per share for the year ended 31st December 2015 was HK\$0.10 (2014: basic earnings per share HK\$0.02).
- The loss for the year ended 31st December 2015 mainly resulted from the following factors: (1) the Group recognised the non-cash expenses of totaling approximately HK\$137.4 million (2014: HK\$Nil) arising from the grant of share options and share awards by the Company to eligible participants during the year under review; and (2) due to the depreciation in Renminbi (“RMB”) against Hong Kong dollar (“HKD”) during the year under review, which caused the Group recognised net exchange loss of approximately HK\$60.3 million (2014: approximately HK\$6.3 million) from the Group’s subsidiaries in Hong Kong translated those transactions and monetary assets denominated in RMB into HKD at the end of the year.
- Total equity attributable to owners of the Company as at 31st December 2015 was approximately HK\$2,122.7 million (2014: approximately HK\$2,315.9 million) or net assets per share of HK\$1.2 (2014: HK\$1.3).
- The Board does not recommend the payment of any dividend for the year ended 31st December 2015 (2014: a final dividend of HK\$0.05 per share totaling approximately HK\$89.2 million after deducting the final dividend for shares held for the share award scheme was declared and distributed).

RESULTS

The board of Directors of the Company (the “Board”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st December 2015, together with the comparative figures for the previous year, prepared in accordance with generally accepted accounting principles in Hong Kong, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2015

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	3	631,522	520,541
Cost of sales		(525,773)	(455,382)
Gross profit		105,749	65,159
Other revenue and net income	4	146,097	370,217
Distribution and selling expenses		(17,461)	(14,073)
General and administrative expenses		(319,321)	(80,721)
Other operating expenses		(70,711)	(18,973)
Fair value gains on investment properties		6	400
Change in fair value of derivative financial instruments		–	(261,217)
(Loss)/Profit from operations	5	(155,641)	60,792
Finance costs	6	(41,953)	(8,050)
Share of results of an associate		(520)	–
(Loss)/Profit before tax		(198,114)	52,742
Income tax credit/(expenses)	7	8,206	(22,050)
(Loss)/Profit for the year		(189,908)	30,692
(Loss)/Profit attributable to:			
Owners of the Company		(188,155)	31,012
Non-controlling interests		(1,753)	(320)
		(189,908)	30,692
		<i>HK\$</i>	<i>HK\$</i>
(Loss)/Earnings per share	9		
– Basic		(0.10)	0.02
– Diluted		(0.10)	0.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
(Loss)/Profit for the year	(189,908)	30,692
Other comprehensive (loss)/income:		
Item that will not be reclassified to profit or loss:		
Revaluation of property, plant and equipment upon transfer to investment properties (net of tax)	–	16,023
Items that are reclassified or may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
Change in fair value during the year	(52,909)	346,201
Less: Reclassification of net change in fair value to profit or loss upon disposal	–	(103,251)
Exchange differences arising on translation of PRC subsidiaries	(24,045)	(971)
Other comprehensive (loss)/income for the year (net of tax)	(76,954)	258,002
Total comprehensive (loss)/income for the year	<u>(266,862)</u>	<u>288,694</u>
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(265,109)	289,014
Non-controlling interests	(1,753)	(320)
	<u>(266,862)</u>	<u>288,694</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 31st December 2015*

		As at 31st December 2015 <i>HK\$'000</i>	As at 31st December 2014 <i>HK\$'000</i>
	<i>Note</i>		
NON-CURRENT ASSETS			
Investment properties		114,109	117,976
Property, plant and equipment		45,683	50,309
Prepaid lease payments		11,603	12,714
Available-for-sale financial assets	10	562,795	477,704
Investment in an insurance contract		11,019	–
Other receivables	11	1,271	–
Pledged bank deposits		358,081	–
		<u>1,104,561</u>	<u>658,703</u>
CURRENT ASSETS			
Inventories		63,583	44,200
Trade and other receivables	11	300,313	227,100
Prepaid lease payments		369	392
Financial assets at fair value through profit or loss		816,151	1,394,399
Income tax recoverable		605	2,636
Pledged bank deposits		2,030	380
Cash and bank balances		433,842	349,207
		<u>1,616,893</u>	<u>2,018,314</u>
CURRENT LIABILITIES			
Trade and other payables	12	220,053	132,155
Dividend payables		31	17
Bank and other loans		359,442	181,803
Income tax payable		5,473	22,900
		<u>584,999</u>	<u>336,875</u>
NET CURRENT ASSETS		<u>1,031,894</u>	<u>1,681,439</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,136,455</u>	<u>2,340,142</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		12,663	13,448
NET ASSETS		<u>2,123,792</u>	<u>2,326,694</u>
CAPITAL AND RESERVES			
Share capital	13	45,036	44,803
Reserves	14	2,077,683	2,271,105
Equity attributable to owners of the Company		<u>2,122,719</u>	<u>2,315,908</u>
Non-controlling interests		1,073	10,786
TOTAL EQUITY		<u>2,123,792</u>	<u>2,326,694</u>

Notes:

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing The Listing of Securities on the GEM.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2014 consolidated financial statements. The adoption of the new/revised HKFRSs which are relevant to the Group and effective from the current year had no significant effects on the results and financial position of the Group for the current and prior years.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

Adoption of new/revised HKFRSs

Annual Improvements Project: 2010-2012 Cycle

The amendments include the followings:

(1) HKFRS 2: Share-based Payment

The amendments add definitions for “performance condition” and “service condition” which were previously part of the definition of “vesting condition” and update the definitions of “vesting condition” and “market condition”. It specifies in the definition of performance condition that a vesting condition requires specified performance target(s) to be met. A performance target can be defined not only by reference to the operations (or activities) of the entity or the price (or value) of its equity instruments, but also the operations (or activities) of another entity in the same group or the price (or value) of the equity instruments of that entity. Further, the performance target can also be related to the performance of the entity as a whole or a part of it or the group, including a division or an individual employee. The period for achieving the performance target shall not extend beyond the end of the service period but may start before (provided not substantially before the commencement of) the service period. The application of the amendments does not have an impact on the consolidated financial statements.

(2) HKFRS 3: Business Combinations

These amendments delete the reference to “other applicable HKFRSs” in the classification requirements in HKFRS 3 for contingent consideration in a business combination. All non-equity contingent consideration shall be measured at fair value at the end of each reporting period. Changes in the fair value that are not measurement period adjustments shall be recognised in profit or loss. The Group did not involve in business combination for contingent consideration. The adoption of the amendments does not have an impact on the consolidated financial statements.

(3) *HKFRS 8: Operating Segments*

HKFRS 8 is updated as follows:

- (a) Judgements made by management in aggregating two or more operating segments exhibiting similar long-term financial performance and economic characteristics are required to be disclosed. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.
- (b) It is clarified that the reconciliation of the total reportable segments' assets to the entity's assets is only required to be disclosed if the segment assets are regularly reported to the chief operating decision maker.

The Group has disclosed the necessary information in respect of its operating segments in accordance with updated HKFRS 8.

(4) *HKFRS 13: Fair Value Measurement*

The basis for conclusions is amended to clarify that the issuance of HKFRS 13 and the consequential amendments to HKFRS 9 and HKAS 39 did not remove the entity's ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, when the effect of not discounting is immaterial. The application of the amendments does not have an impact on the consolidated financial statements as it is consistent with the accounting policies already adopted by the Group.

(5) *HKAS 16: Property, Plant and Equipment*

HKAS 16 originally required the revalued accumulated depreciation to be restated proportionately with the change in the gross carrying amount. However, it is noted that accumulated depreciation would not be restated proportionately to the gross carrying amount in situations in which both the gross carrying amount and the carrying amount are revalued non-proportionately to each other. Consequently, the Standard is amended such that (a) the gross carrying amount of the revalued asset should be adjusted in a manner that is consistent with the revaluation of its carrying amount; and (b) the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account the accumulated impairment losses. The property, plant and equipment of the Group are stated at cost less accumulated depreciation and impairment losses without revaluation. The amendment does not have an impact on the consolidated financial statements.

(6) *HKAS 24: Related Party Disclosures*

HKAS 24 is amended to clarify that an entity, or any member of a group of which it is a part, providing key management personnel services (the "management entity") to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The reporting entity shall disclose the amounts incurred for key management personnel services that are provided by the management entity. However, the compensation paid or payable by the management entity to its employees or directors is not required to be disclosed. There are no key management personnel services provided by an entity to the Company. The Group is not required to provide the disclosure required by the amendment.

Annual Improvements Project – 2011-2013 Cycle

HKFRS 13: Fair Value Measurement

These amendments clarify that all contracts within the scope of HKAS 39 or HKFRS 9 are included in the scope of the exception as set out in HKFRS 13 for measuring the fair value of a group of financial assets and financial liabilities on a net basis, even if those contracts do not meet the definitions of financial assets or financial liabilities in HKAS 32. The application of the amendments does not have an impact on the consolidated financial statements.

Future Changes in HKFRSs

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

3. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

Business segments

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

For the year ended 31st December 2015

	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
REVENUE						
External sales	629,945	-	1,577	-	-	631,522
Inter-segment sales	-	-	3,413	-	(3,413)	-
OTHER REVENUE AND NET INCOME	5,847	125,456	18	10,157	(2,692)	138,786
FAIR VALUE GAINS ON INVESTMENT PROPERTIES	-	-	-	6	-	6
Segment revenue	<u>635,792</u>	<u>125,456</u>	<u>5,008</u>	<u>10,163</u>	<u>(6,105)</u>	<u>770,314</u>
RESULTS						
Segment results	<u>39,902</u>	<u>42,884</u>	<u>(4,467)</u>	<u>2,744</u>	<u>-</u>	81,063
Share of results of an associate	-	(520)	-	-	-	(520)
Unallocated corporate income						40
Interest income from bank deposits						7,271
Other unallocated corporate expenses						<u>(244,015)</u>
Finance costs						<u>(156,161)</u> <u>(41,953)</u>
Loss before tax						(198,114)
Income tax credit						<u>8,206</u>
Loss for the year						<u><u>(189,908)</u></u>

As at 31st December 2015

	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
ASSETS						
Segment assets	332,969	2,227,546	4,848	122,721	–	2,688,084
Unallocated corporate assets					33,370	33,370
Consolidated total assets						<u>2,721,454</u>
LIABILITIES						
Segment liabilities	189,039	349,498	2,372	21,698	–	562,607
Unallocated corporate liabilities					35,055	35,055
Consolidated total liabilities						<u>597,662</u>
OTHER INFORMATION						
Capital expenditures	1,298	–	64	–	2,112	3,474
Depreciation and amortisation	4,883	–	312	177	517	5,889
Write-down/(Reversal of write-down) of inventories	3,429	–	(37)	–	–	3,392
Impairment loss on other receivables	–	22,738	–	–	–	22,738
Reversal of impairment loss on other receivables	–	–	(18)	–	–	(18)
	<u>–</u>	<u>–</u>	<u>(18)</u>	<u>–</u>	<u>–</u>	<u>(18)</u>

For the year ended 31st December 2014

	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
REVENUE						
External sales	520,010	–	531	–	–	520,541
Inter-segment sales	–	–	4,910	–	(4,910)	–
OTHER REVENUE AND NET INCOME	3,463	354,702	208	9,151	(2,722)	364,802
FAIR VALUE GAINS ON INVESTMENT PROPERTIES						
	–	–	–	400	–	400
Segment revenue	<u>523,473</u>	<u>354,702</u>	<u>5,649</u>	<u>9,551</u>	<u>(7,632)</u>	<u>885,743</u>
RESULTS						
Segment results	<u>3,097</u>	<u>67,490</u>	<u>(102)</u>	<u>786</u>	<u>–</u>	71,271
Unallocated corporate income						153
Interest income from bank deposits						5,262
Other unallocated corporate expenses						<u>(15,894)</u>
Finance costs						<u>60,792</u> <u>(8,050)</u>
Profit before tax						52,742
Income tax expenses						<u>(22,050)</u>
Profit for the year						<u>30,692</u>

As at 31st December 2014

	Information home appliances HK\$'000	Investing HK\$'000	Trading HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
ASSETS						
Segment assets	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>
OTHER INFORMATION						
Capital expenditures	5,204	–	–	–	96	5,300
Depreciation and amortisation	7,699	–	436	594	358	9,087
(Reversal of write-down)/Write-down of inventories	(6,388)	–	47	–	–	(6,341)
Reversal of impairment loss on other receivables	–	–	(208)	–	–	(208)
Change in fair value of derivative financial instruments	–	261,217	–	–	–	261,217
	<u>–</u>	<u>261,217</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>261,217</u>

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 and Australia in both 2015 and 2014.

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's non-current assets other than available-for-sale financial assets, investment in an insurance contract, other receivables and pledged bank deposit. The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the non-current assets is based on the physical location of the assets.

	Revenue from external customers		Non-current assets	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
The PRC	233,720	312,482	114,964	128,462
Hong Kong	33,738	49,122	56,431	52,537
Australia	354,269	120,199	–	–
Other overseas markets	9,795	38,738	–	–
	631,522	520,541	171,395	180,999

In addition to the information disclosed above, the Group generated other revenue and net income from information home appliances segment of approximately HK\$5,847,000 (2014: approximately HK\$3,463,000) in the PRC, and the Group generated other revenue and net income from investing segment of approximately HK\$103,269,000 (2014: approximately HK\$350,774,000) and approximately HK\$22,187,000 (2014: approximately HK\$3,928,000) in the PRC and Hong Kong respectively.

The Group also generated other revenue and net income from trading segment of approximately HK\$18,000 (2014: approximately HK\$208,000) in the PRC, and the Group generated other revenue and net income from other operations segment of approximately HK\$5,665,000 (2014: approximately HK\$4,867,000) and approximately HK\$1,800,000 (2014: approximately HK\$1,562,000) in the PRC and Hong Kong respectively.

Information about major customers

Revenues from external customers contributing over 10% of the total revenue from the Group's information home appliances segment are as follows:

	2015 HK\$'000	2014 HK\$'000
Customer A	354,269	120,199
Customer B	221,907	312,103
	576,176	432,302

4. OTHER REVENUE AND NET INCOME

	2015 HK\$'000	2014 HK\$'000
Other revenue		
Dividend income from listed securities	6,396	20,133
Interest income from bank deposits	7,271	5,262
Imputed interest income from investment in an insurance contract	37	–
Rental income from investment properties	7,465	1,562
Rental income from leasehold buildings	–	4,867
Sundry income	5,556	3,325
	<u>26,725</u>	<u>35,149</u>
Other net income		
Net unrealised (loss)/gain on financial assets at fair value through profit or loss		
– held for trading	(22,230)	12,432
– designated upon initial recognition	5,141	3,727
Gain on disposal of financial assets at fair value through profit or loss		
– held for trading	102,551	180,322
– designated upon initial recognition	10,625	1,772
– derivative financial instrument	280	–
Gain on disposal of available-for-sale financial assets	–	136,607
Gain on disposal of an associate (<i>Note (a)</i>)	520	–
Gain from the Buy-out Contract (<i>Note (b)</i>)	11,064	–
Fair value change on derivative financial instrument	11,403	–
Reversal of impairment loss on other receivables	18	208
	<u>119,372</u>	<u>335,068</u>
	<u>146,097</u>	<u>370,217</u>

Notes:

- (a) During the year, the Group disposed of its interest in an associate with net carrying amount of approximately RMB4,590,000 (equivalent to approximately HK\$5,820,000) at consideration of RMB5,000,000 (equivalent to approximately HK\$6,340,000). This resulted in recognition of a gain on disposal of approximately RMB410,000 (equivalent to approximately HK\$520,000) in the consolidated income statement for the Year.
- (b) As at 31st December 2014, a listed company in the PRC (the “Listed Company”) was planning to acquire a very substantial equity interest in a target company (the “Target Company”) by way of share exchange (the “Transaction”). The Group has transferred approximately 1% of the equity interest in the Target Company to an independent third party (the “Transferee”) during the year ended 31st December 2014. If the Transaction realises, the shares of the Target Company will be exchanged to the shares of the Listed Company. Therefore, on 5th January 2015, the Group entered into another agreement (the “Gain Allocation and Conditional Repurchase Agreement”) with the Transferee, to add the following two conditions: (1) to share the potential gains resulted from disposing the shares of the Listed Company if the Target Company becomes a public company; or (2) the Group will repurchase the whole or part of the shares of the Target Company held by the Transferee if the Target Company fails to go public. Details of the Gain Allocation and Conditional Repurchase Agreement has been disclosed in note 37 to the consolidated financial statements of the Company’s annual report 2014.

On 9th April 2015, a supplementary agreement to the Gain Allocation and Conditional Repurchase Agreement (the “Buy-out Contract”) was signed between the Group and the Transferee, pursuant to which the Transferee agreed to pay the Group RMB8,889,000 (equivalent to approximately HK\$11,064,000) (the “Consideration”) to buy out the Group’s right under the Gain Allocation and Conditional Repurchase Agreement. Upon the execution of the Buy-out Contract, the Group is not entitled to share any potential gains resulted from disposing the shares of the Listed Company anymore and the Group will no longer require to repurchase the whole or part of the shares of the Target Company held by the Transferee. The Consideration was received during the year with the respective gain of approximately HK\$11,064,000 was recognised in the consolidated income statement.

5. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/Profit from operations have been arrived at after charging/(crediting):

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Auditor's remuneration	1,240	1,155
Impairment loss on other receivables	22,738	–
Amortisation of prepaid lease payments	385	390
Depreciation of property, plant and equipment	5,504	8,697
Cost of inventories	482,793	419,659
Foreign exchange loss, net	60,343	6,266
Loss on disposal of property, plant and equipment	5	22
Reversal of impairment loss on other receivables	(18)	(208)
Write-down/(Reversal of write-down) of inventories*	3,392	(6,341)
Loss on early redemption of convertible bonds	642	–
Direct outgoings from leasing of investment properties	5	5
Operating lease charges on premises	5,474	5,061
Research and development costs	129	102
Share-based compensation expenses to suppliers and other eligible participants	4,971	–
	<u> </u>	<u> </u>
Staff costs (including Directors' emoluments):		
Salaries and allowances	149,788	67,469
Share-based compensation expenses		
– share award scheme	73,068	–
– share option scheme	59,408	–
Retirement benefits scheme contributions	6,124	5,371
	<u> </u>	<u> </u>
Total staff costs	<u>288,388</u>	<u>72,840</u>

* *The reversal of write-down of inventories arose from disposal of inventories which had been written down in previous years.*

6. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Borrowing costs	10,609	8,050
Imputed interest expenses on convertible bonds	31,344	–
	<u> </u>	<u> </u>
	<u>41,953</u>	<u>8,050</u>

7. INCOME TAX CREDIT/(EXPENSES)

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax		
PRC enterprise income tax		
Current year	3,230	22,050
Overprovision in prior year	<u>(11,436)</u>	<u>–</u>
	<u>(8,206)</u>	<u>22,050</u>
Deferred taxation		
Origination and reversal of temporary difference	–	–
Benefit of tax losses recognised	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>
(Credit)/Charge for the year	<u><u>(8,206)</u></u>	<u><u>22,050</u></u>

For the years ended 31st December 2015 and 2014, Hong Kong Profits Tax has not been provided as the Group did not have any assessable profit from Hong Kong.

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 2015 and 2014 based on existing legislation, interpretations and practices in respect thereof. Two operating subsidiaries (2014: two) of the Company have been officially designated by the local tax authority as “New and High Technology Enterprise” which is exempted for part of PRC enterprise income tax. As a result, the effective tax rate for these subsidiaries is 15% for 2015 (2014: 15%). Another one operating subsidiary (2014: one) of the Company has been officially designated by the local tax authority as “Participant of Development in Western China” and which is exempted for part of PRC enterprise income tax starting from 1st January 2015 to 31st December 2017. As a result, the effective tax rate for the subsidiary is 9% for 2015 (2014: 15%).

According to applicable PRC tax regulations, RMB Qualified Foreign Institutional Investors (“RQFII”) are temporarily exempt from the PRC enterprise income tax in respect of the PRC sourced gains derived from the transfer of shares on or after 17th November 2014. A subsidiary incorporated in Hong Kong is subject to the PRC enterprise income tax rate of 10% on the PRC sourced gains derived by RQFII from transfer of shares prior to 17th November 2014. PRC enterprise income tax on gains derived by RQFII prior to 17th November 2014 of approximately HK\$17,737,000 was provided for the year ended 31st December 2014. During the year ended 31st December 2015, an overprovision of PRC enterprise income tax on such gain was noted after verification from the local PRC tax bureau. A reversal of overprovision of PRC enterprise income tax on the PRC sourced gains derived by RQFII amounted to approximately HK\$11,436,000 was recognised in the consolidated financial statements.

8. DIVIDENDS

The Board does not recommend the payment of any dividend for the financial year ended 31st December 2015.

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. The proposed final dividend of approximately HK\$89,233,000 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 and was distributed on 12th June 2015.

9. (LOSS)/EARNINGS PER SHARE

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
(Loss)/Profit attributable to owners of the Company	<u>(188,155)</u>	<u>31,012</u>
	2015 <i>'000</i>	2014 <i>'000</i>
Issued ordinary shares at 1st January	1,792,117	1,792,117
Effect of share options exercised	<u>5,141</u>	<u>–</u>
Weighted average number of ordinary shares for basic and diluted (loss)/earnings per share	<u>1,797,258</u>	<u>1,792,117</u>
	<i>HK\$</i>	<i>HK\$</i>
(Loss)/Earnings per share:		
– Basic	(0.10)	0.02
– Diluted (<i>Note</i>)	<u>(0.10)</u>	<u>0.02</u>

Note: Diluted loss per share is the same as the basic loss per share for the year ended 31st December 2015 because the potential ordinary shares arising from the outstanding share options under the Company's share option scheme had an anti-dilutive effect on the basic loss per share during the year.

Diluted earnings per share is the same as the basic earnings per share for the year ended 31st December 2014 because there was no potential dilutive share outstanding during the year.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At fair value			
Equity securities listed outside Hong Kong	<i>(a)</i>	433,506	477,704
Private investment funds	<i>(b)</i>	129,289	–
		562,795	477,704

Notes:

- (a) The fair values of the listed equity securities are determined based on the quoted market bid price available on the relevant stock exchanges as at the end of the reporting period.
- (b) Included in the private investment funds are private investment funds, one of which invested in listed securities amounted to approximately HK\$52,005,000 (2014: HK\$Nil) with another invested in unlisted securities amounted to approximately HK\$77,284,000 (2014: HK\$Nil).

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	165,669	124,680
Less: Impairment loss in respect of trade receivables	(2,458)	(2,540)
	163,211	122,140
Other receivables, net of impairment loss	122,096	100,282
Prepayments and deposits	16,277	4,678
Total trade and other receivables	301,584	227,100
Less: Balance due within one year included in current assets	(300,313)	(227,100)
Non-current portion	1,271	–

The Group grants its trade customers an average credit period from 30 days to 18 months (2014: 30 days to 18 months). The ageing analysis of trade receivables (net of impairment loss) by invoice date at the end of the reporting period is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0-30 days	86,952	66,549
31-60 days	57,282	35,439
61-90 days	16,781	16,464
Over 90 days	2,196	3,688
	163,211	122,140

12. TRADE AND OTHER PAYABLES

	2015 HK\$'000	2014 HK\$'000
Trade payables (<i>Note</i>)	141,541	93,149
Other payables	17,131	8,146
Accruals	61,381	30,860
	<u>220,053</u>	<u>132,155</u>

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

	2015 HK\$'000	2014 HK\$'000
0-30 days	53,232	23,253
31-60 days	43,433	21,851
61-90 days	28,293	21,131
Over 90 days	16,583	26,914
	<u>141,541</u>	<u>93,149</u>

13. SHARE CAPITAL

	Number of shares		Amount	
	2015 '000	2014 '000	2015 HK\$'000	2014 HK\$'000
Authorised:				
At beginning of year and at end of 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 year				
Ordinary shares of HK\$0.025 each	1,792,117	1,792,117	44,803	44,803
Exercise of share options (<i>Note</i>)	<u>9,312</u>	<u>–</u>	<u>233</u>	<u>–</u>
At end of year				
Ordinary shares of HK\$0.025 each	<u>1,801,429</u>	<u>1,792,117</u>	<u>45,036</u>	<u>44,803</u>

Note:

During the year ended 31st December 2015, 9,312,000 ordinary shares of HK\$0.025 each were issued at total amount of approximately HK\$20,487,000 as a result of the exercise of share options of the Company.

14. RESERVES

	Share premium	Shares held for share award scheme	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	Total
	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 2014	57,265	-	8,668	234,621	-	-	-	-	-	79,364	(1,113)	1,721,351	2,100,156
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	31,012	31,012
Other comprehensive income:													
Revaluation of property, plant and equipment upon transfer to investment properties (net of tax)	-	-	-	-	-	-	-	-	16,023	-	-	-	16,023
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	346,201	-	-	-	-	-	346,201
Reclassification of net change in fair value of available-for-sale financial assets to profit and loss upon disposal	-	-	-	-	-	-	(103,251)	-	-	-	-	-	(103,251)
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	-	-	-	(971)	-	-	(971)
Total other comprehensive income	-	-	-	-	-	-	242,950	-	16,023	(971)	-	-	258,002
Total comprehensive income for the year	-	-	-	-	-	-	242,950	-	16,023	(971)	-	31,012	289,014
Transactions with owners:													
<i>Contributions and distributions</i>													
Final dividend paid in respect of the financial year ended 31st December 2013	-	-	-	-	-	-	-	-	-	-	-	(89,606)	(89,606)
Shares purchased for share award scheme	-	(28,459)	-	-	-	-	-	-	-	-	-	-	(28,459)
Total transactions with owners	-	(28,459)	-	-	-	-	-	-	-	-	-	(89,606)	(118,065)
As at 31st December 2014 and as at 1st January 2015	57,265	(28,459)	8,668	234,621	-	-	242,950	-	16,023	78,393	(1,113)	1,662,757	2,271,105
Loss for the year	-	-	-	-	-	-	-	-	-	-	-	(188,155)	(188,155)
Other comprehensive loss:													
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	(52,909)	-	-	-	-	-	(52,909)
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	-	-	-	(24,045)	-	-	(24,045)
Total other comprehensive loss	-	-	-	-	-	-	(52,909)	-	-	(24,045)	-	-	(76,954)
Total comprehensive loss for the year	-	-	-	-	-	-	(52,909)	-	-	(24,045)	-	(188,155)	(265,109)
Transactions with owners:													
<i>Contributions and distributions</i>													
Final dividend paid in respect of the financial year ended 31st December 2014	-	-	-	-	-	-	-	-	-	-	-	(89,233)	(89,233)
Issue of shares upon exercise of share options	26,978	-	-	-	-	(6,724)	-	-	-	-	-	-	20,254
Shares purchased for share award scheme	-	(436)	-	-	-	-	-	-	-	-	-	-	(436)
Equity-settled share based payment	-	-	-	-	73,068	64,379	-	-	-	-	-	-	137,447
Vesting of shares of share award scheme	44,173	28,895	-	-	(73,068)	-	-	-	-	-	-	-	-
Issue of convertible bonds	-	-	-	-	-	-	-	9,558	-	-	-	-	9,558
Early redemption of convertible bonds	-	-	-	-	-	-	-	(5,903)	-	-	-	-	(5,903)
Transfer of reserves upon redemption of convertible bonds	-	-	-	-	-	-	-	(3,655)	-	-	-	3,655	-
Total transactions with owners	71,151	28,459	-	-	-	57,655	-	-	-	-	-	(85,578)	71,687
As at 31st December 2015	128,416	-	8,668	234,621	-	57,655	190,041	-	16,023	54,348	(1,113)	1,389,024	2,077,683

15. PLEDGE OF ASSETS

As at 31st December 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\$62,037,000 (2014: approximately HK\$117,976,000);
- (b) Prepaid lease payments, buildings and leasehold improvements of the Group with carrying values of approximately HK\$2,011,000 (2014: approximately HK\$13,106,000), approximately HK\$7,679,000 (2014: approximately HK\$24,420,000) and HK\$Nil (2014: approximately HK\$266,000) respectively;
- (c) The trade receivables from third parties of the Group with carrying value of HK\$Nil (2014: approximately HK\$160,000);
- (d) A leasehold property of the Group with carrying value of approximately HK\$2,336,000 (2014: approximately HK\$2,435,000); and
- (e) Bank deposits of the Group with carrying value of approximately HK\$360,111,000 (2014: approximately HK\$380,000).

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31st December 2015 (the “Year”) (2014: a final dividend of HK\$0.05 per share totaling approximately HK\$89.2 million after deducting the final dividend for shares held for the share award scheme was declared and distributed).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and Gross Profit

During the year under review, the Group’s overall revenue and gross profit amounted to approximately HK\$631.5 million and HK\$105.7 million respectively for the Year, representing an increase of 21.3% and 62.3% respectively as compared with last year. Although the Group’s revenue in the People’s Republic of China (other than Hong Kong, Taiwan and Macau) (the “PRC”) and Hong Kong markets for the Year decreased by 25.2% and 31.3% respectively to approximately HK\$233.7 million and HK\$33.7 million as compared with the last year, the Group’s revenue in overseas markets increased significantly by 129.1% to approximately HK\$364.1 million for the Year as compared with last year. This significant increase in the Group’s revenue in overseas markets contributed a higher gross profit margin to the Group. Consequently, the Group’s gross profit margin reached to 16.8% for the Year (2014: 12.5%).

Operating Results

Other Revenue and Net Income

Other revenue and net income of the Group decreased significantly by 60.5% to approximately HK\$146.1 million for the Year (2014: approximately HK\$370.2 million). This decrease was mainly due to the poor performance of investments portfolio of the Group amid the adverse capital market conditions in the second half of 2015, which caused the Group only recorded the net gains on financial assets at fair value through profit or loss of approximately HK\$96.4 million for Year (2014: approximately HK\$198.3 million). Moreover, there was no disposal of available-for-sale financial assets for the Year (2014: gains on disposal of available-for-sale financial assets of approximately HK\$136.6 million).

Change in Fair Value of Investment Properties

The Group recognised a net revaluation gain of approximately HK\$6,000 on its investment properties for the Year (2014: approximately HK\$0.4 million).

Operating Expenses

With the increase of the Group’s overall revenue in 2015, the Group’s overall selling expenses increased by 24.1% to approximately HK\$17.5 million for the Year as compared with last year. This was mainly due to the exploration of the overseas markets during the year under review. At the same time, the Group’s general and administrative expenses increased significantly by 295.6% to approximately HK\$319.3 million for the year as compared with last year. This increase was mainly due to (1) the non-cash expenses of totaling approximately HK\$137.4 million (2014: HK\$Nil) arising from the grant of share options and share awards by the Company to eligible participants; and (2) the adjustment to salaries and benefits and the distribution of discretionary bonuses to both the Directors and employees of the Group due to the well performance of the investment activities in the first half of this year of totaling approximately HK\$67.3 million (2014: HK\$Nil).

Other Operating Expenses

Other operating expenses increased significantly to approximately HK\$70.7 million for the Year (2014: approximately HK\$19.0 million). The main reason was that the depreciation in RMB against HKD during the year under review, which caused the Group recognised net exchange loss of approximately HK\$60.3 million (2014: approximately HK\$6.3 million) from the Group's subsidiaries in Hong Kong translated those transactions and monetary assets denominated in RMB into HKD at the end of the year.

Finance Costs

Finance costs of the Group increased to approximately HK\$42.0 million for the Year (2014: approximately HK\$8.1 million). Such increase in finance costs was due to the imputed interest expenses of approximately HK\$31.3 million which was recorded for the Year (2014: HK\$Nil) in respect of the convertible bonds issued by the Company on 30th January 2015 and early redemption at the option of the Company on 1st December 2015.

Loss for the Year

Due to the above-mentioned reasons, the Group recorded a loss attributable to owners of the Company of approximately HK\$188.2 million for the Year (2014: profit attributable to owners of the Company of approximately HK\$31.0 million).

Liquidity and Financial Resources

As at 31st December 2015, the Group had net current assets of approximately HK\$1,031.9 million. The Group had cash and bank balances and pledged bank deposits of approximately HK\$433.8 million and HK\$360.1 million respectively. The Group's financial resources were funded mainly by bank loans and mortgage loans totaling approximately HK\$359.4 million and its shareholders' funds. As at 31st December 2015, the Group's current ratio, as calculated by dividing current assets by current liabilities, was 2.8 time and the gearing ratio, as measured by total liabilities divided by total equity, was 28.1%. Hence, as at 31st December 2015, the overall financial and liquidity positions of the Group remained at a stable and healthy level.

Charges on Group Assets

Details of charges on the Group assets are set out in note 15 to the consolidated financial statements in this announcement.

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 bear interest at the rate of 6% per annum. Such interest accrued on the outstanding principal amount of the Convertible Bonds and is 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 was 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 ended on the Bond Maturity Date.

The net proceeds from the issue of the Convertible Bonds net of issue costs amounted to approximately HK\$465.6 million. The use of proceeds from the issue of the Convertible Bonds was used to invest in private investment funds and equity securities and to replenish the general working capital of the Group.

On 1st December 2015, the Company redeemed the entire outstanding principal amount of the Convertible Bonds of approximately HK\$466.0 million and settled all unpaid accrued interests thereon in the sum of approximately HK\$28.0 million by the exercise of its early redemption right pursuant to the terms and conditions of the Convertible Bonds (“Early Redemption”). Prior to the Early Redemption, there was no exercise of the conversion rights. Further details regarding the convertible bonds are set out in the Company’s announcements dated 23rd December 2014, 30th January 2015, 10th November 2015 and 1st December 2015.

Capital Structure

The shares of the Company were listed on GEM on 31st January 2000. The changes in the capital structure of the Company are set out in note 13 to the consolidated financial statements in this announcement.

Significant Investments/Material Acquisitions and Disposals

Except for the investment in money market and private investment funds, equity and debt securities, the Group had no significant investment and no material acquisition or disposal during the year under review.

Segment Information

The Group's core business segment is Information Home Appliances ("IHA"). The total revenue of the IHA segment for the Year increased by 21.1% to approximately HK\$629.9 million as compared with last year. Due to the weakened order procurement sentiment of a PRC customer in 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 last year. Therefore, the revenue in the PRC market dropped by 25.6% to approximately HK\$232.1 million for the Year as compared with last year. In Hong Kong market, due to the reduction in purchase orders from a Hong Kong customer during the year under review, the Group's revenue in Hong Kong market decreased by 31.3% to approximately HK\$33.7 million for the Year as compared with last year. For the overseas markets, although there was a reduction in purchase orders from a few overseas customers during the year under review, sales in Australia for the Year increased significantly by 194.7% to approximately HK\$354.3 million as compared with last year. Consequently, overall overseas revenue for the Year increased significantly by 129.1% to approximately HK\$364.1 million as compared with 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 Year with a profit of approximately HK\$39.9 million, while the Group recorded a small profit of approximately HK\$3.1 million in this segment last year.

The Group's investing segment is principally engaged in trading of securities and investing in financial instruments. This segment recorded a profit of approximately HK\$42.9 million for the Year (2014: approximately HK\$67.5 million). The main reason for this profit was that the Group recorded the net gains on financial assets at fair value through profit or loss of approximately HK\$96.4 million (2014: approximately HK\$198.3 million) for the Year.

In respect of the Group's trading segment, due to the lack of new breakthrough in recent years, the Group recorded a loss of approximately HK\$4.5 million for the Year (2014: approximately HK\$0.1 million). The other operations segment of the Group mainly comprises leasing out of properties. This segment recorded a profit of approximately HK\$2.7 million for the Year (2014: approximately HK\$0.8 million).

Geographical markets of the Group were mainly located in the overseas during the year under review. Although there has been a reduction in purchase orders from a few overseas customers during the year under review, sales in Australia for the Year significantly increased by 194.7% to approximately HK\$354.3 million as compared with last year. Consequently, the overall revenue generated from the overseas markets for the Year significantly increased by 129.1% to approximately HK\$364.1 million as compared with last year. As to the PRC markets, due to the weakened order procurement sentiment of a PRC customer in 2015 and further market competition, the revenue in the PRC dropped by 25.2% to approximately HK\$233.7 million as compared with last year. In Hong Kong market, due to the reduction in purchase orders from a Hong Kong customer, the revenue in Hong Kong market decreased by 31.3% to approximately HK\$33.7 million for the Year as compared with last year. As such, the overall revenue of the Group increased by 21.3% to approximately HK\$631.5 million for the Year as compared with last year.

Exposure to Fluctuations in Exchange Rates

Most of the trading transactions of the Group were denominated in RMB and in United States dollars (“USD”). The assets of the Group were mainly denominated in RMB and the remaining portions were denominated in HKD and USD. The official exchange rates for USD and HKD have been relatively stable for the Year. Therefore, the Group is only exposed to foreign exchange risk arising from RMB exposures, primarily with respect to the HKD. During the year, depreciation in RMB against HKD resulted in the significant net exchange loss of approximately HK\$60.3 million (2014: approximately HK\$6.3 million). As at 31st December 2015, the Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure. However, the Group will manage through constant monitoring its exposure to foreign exchange risk.

Human Resources and Relations with the Employees

As at 31st December 2015, the Group had over 690 (2014: over 600) full time employees, of which 17 (2014: 12) were based in Hong Kong and the rest were in the PRC. Staff costs of the Group amounted to approximately HK\$288.4 million for the Year (2014: approximately HK\$72.8 million). The increase in the staff costs for the Year was mainly attributable to (1) the non-cash expenses of totaling approximately HK\$132.5 million (2014: HK\$Nil) arising from the grant of share options and share awards by the Company to its employees; and (2) the adjustment to salaries and benefits and the distribution of discretionary bonuses to both the Directors and employees of the Group due to the well performance of the investment activities in the first half of this year of totaling approximately HK\$67.3 million (2014: HK\$Nil). The employees of the Company’s subsidiaries are employed 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 scheme and share award scheme. During the year under review, the Group maintained a good relationships with its employees and the turnover rate was relatively low.

BUSINESS REVIEW

After more than ten years of development and under the steady growth of the global Internet Protocol Television (“IPTV”) market, the Group’s IPTV 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, hybrid dual mode STB, Over-the-Top TV (“OTT”)/IPTV STB, as well as STB equipped with an Android system, etc. In 2015, 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 revenue of the Group in the PRC, Hong Kong and a few overseas markets. However, sales in Australia for the Year increased remarkably by 194.7% to approximately 354.3 million compared with last year, which contributed a higher gross profit margin to the Group. As such, during the year under review, the Group’s overall revenue increased by 21.3% to approximately HK\$631.5 million, and the overall gross profit increased by 62.3% to approximately HK\$105.7 million for the Year as compared with 2014.

In the PRC market, the Group had successfully launched, through cooperation with one of the largest PRC telecom equipment and system providers, various types of STB into areas including, Hubei Province, Sichuan Province, Liaoning Province, Anhui Province, Jilin Province, Jiangsu Province and Tianjin Municipalities, etc. Some operators cooperating with the Group started planning to deploy smart STB in large scale and the Group had deployed smart STB equipped with an Android system in many provinces across the PRC. However, due to the weakened order procurement sentiment of this PRC customer in 2015 and the further market competition, this led to a decrease in both the sales quantity and selling price of STB in the PRC as compared with last year. Therefore, the revenue of the Group under IHA segment in the PRC market for the Year decreased by 25.6% to approximately HK\$232.1 million as compared with last year.

In the overseas markets, the Group continues to maintain 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 and Czechoslovakia, etc. The Group has currently developed some new cooperation partners in Africa, United Kingdom, Germany and Denmark, etc. During the year under review, the Group had a cooperation with one of the largest telecommunication operators in Australia to develop the STB which incorporated a service of Internet Pay-Per-View (“IPPV”) television program, which provided enough motive power for the strong growth on the Australian business in 2015. Although purchase orders from a few overseas customers have significantly dropped during the year under review, sales in Australia for the Year significantly increased by 194.7% to approximately HK\$354.3 million as compared with last year. Consequently, overall overseas revenue increased significantly by 129.1% to approximately HK\$364.1 million for the Year as compared with last year.

As one of the leading suppliers of IPTV STB in Hong Kong, the Group still maintains 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 2015, it resulted in a significant decrease in the Group’s revenue in Hong Kong market by 31.3% to approximately HK\$33.7 million as compared with last year.

As for the investment business, based on the principles of scientific analysis and prudent determination, the Group mainly focused on 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 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 year under review, the Group conducted some investments in the secondary market. Based on value investment, the Group selected the investment products in the secondary market by taking risk control and reasonable earning expectation as its investment strategy, maintenance and appreciation of asset value are the long-term investment commitment of the Group. As the adverse capital market conditions during the second half of 2015, resulting in the Group only recorded the net gains on financial assets at fair value through profit or loss of approximately HK\$96.4 million for the Year (2014: approximately HK\$198.3 million).

Key Risks and Uncertainties

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

Environmental Policies and Performance

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

Compliance with Laws and Regulations

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

BUSINESS PROSPECT

The global IPTV market has reached a mature stage, especially the PRC market is in a steadily growing status. The Group requires the continuous improvement of its products in order to obtain a stronger competitive advantage. Being one of the earliest companies developing in broadband STB in the world, the Group, with efforts in 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. The Group expects its STB business to achieve a better performance in the near future.

Regarding its investment business, the Group will focus on investing the IPTV related industries and the convergence of television, telecom and Internet fields. These fields 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 focusing on home living Internet field and security cloud field based on the development of the convergence of computer, communication and consumer electrics, intelligent Internet and security technology. On the other hand, the Group’s secondary market investment strategy will continue, based on the value investment, selecting lower risk investment products and maintain reasonable earning expectation. Maintenance and appreciation of asset value are still the long-term investment commitments of the Group.

In 2016, the Group will explore new investment opportunities in the global markets and consider to identify and review a wide range of suitable mergers and acquisitions to create value and bring profit to the Group.

AUDIT COMMITTEE

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

The Committee provides an important link between the Board and the Company’s auditor in matters coming within the scope of the Group’s audit. The primary duties of the Committee are to review and supervise the financial reporting process, risk management system and internal control systems of the Group. It also reviews the effectiveness of both the external audit and the internal controls and risk management system. The Committee comprises three Independent Non-executive Directors of the Company, namely Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan. Ms. Shen was appointed as the chairman of the Committee and she has appropriate professional qualifications in accounting and auditing experience. The Committee held four meetings during the current financial year. The Group’s audited annual results for the year ended 31st December 2015 have been reviewed by the Committee.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Company's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December 2015 as set out in the preliminary announcement have been agreed by the Company's auditors, Mazars CPA Limited, to the amounts set out in the Company's audited consolidated financial statements for the Year. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars CPA Limited on the preliminary announcement.

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 year under review, except the trustee of the share award scheme, pursuant to the rules and trust deed of the share award scheme, purchased an aggregate of 300,000 Company's existing shares on the market at a total consideration of approximately HK\$436,000.

SECURITIES TRANSACTIONS BY 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 year save in respect of a dealing in which Mr. Zhu Wei Sha and Mr. Chen Fu Rong (both 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 a proposed disposal of shares in the Company by Super Dragon during a "black out" period preceding the publication date of the Company's first quarterly report 2015. This breach has been notified to and resolved with the Exchange.

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 continuing 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 that the Company Code is in line with the expectations and interests of shareholders and will 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 during the year under review:

Under provision E.1.2 of the GEM Code, the chairman of the Board should attend the annual general meeting (“AGM”) and arrange for the chairman of the audit, remuneration and nomination committees (as appropriate) to be available to answer questions at the AGM. Mr. Chen Fu Rong, the deputy chairman of the Company has been performing the above duties in lieu of Mr. Zhu Wei Sha, the chairman of the Board, who had other pre-arranged business commitments on the day of the AGM.

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

Hong Kong, 18th March 2016

** For identification purposes only*

As at the date hereof, the executive Directors are Mr. Zhu Wei Sha, Mr. Chen Fu Rong, Mr. Shi Guang Rong, Mr. Wang An Zhong and Mr. Zhu Jiang; and the independent non-executive Directors are Mr. Wu Jia Jun, Mr. Zhong Peng Rong and Ms. Shen Yan.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com and on the website of the Company at www.yuxing.com.cn for at least 7 days from the date of its publication.