



# 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 2016

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

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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 Stock 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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## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2016

### HIGHLIGHTS FOR THE YEAR ENDED 31ST DECEMBER 2016

- For the year ended 31st December 2016, overall revenue of the Group increased by 8.9% to approximately HK\$687.9 million as compared with last year.
- For the year ended 31st December 2016, overall gross profit of the Group decreased by 13.7% to approximately HK\$91.3 million as compared with last year.
- Profit attributable to owners of the Company for the year ended 31st December 2016 amounted to approximately HK\$54.0 million (2015: loss attributable to owners of the Company of approximately HK\$188.2 million).
- Basic earnings per share for the year ended 31st December 2016 was HK\$0.03 (2015: basic loss per share HK\$0.10).
- Total equity attributable to owners of the Company as at 31st December 2016 was approximately HK\$1,958.8 million (2015: approximately HK\$2,122.7 million) or net assets per share of HK\$1.1 (2015: HK\$1.2).
- The Board does not recommend the payment of any dividend for the year ended 31st December 2016 (2015: Nil).

## 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 2016, 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 2016*

	<i>Note</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	3	<b>687,878</b>	631,522
Cost of sales		<b>(596,580)</b>	(525,773)
Gross profit		<b>91,298</b>	105,749
Other revenue and net income	4	<b>162,763</b>	146,097
Distribution and selling expenses		<b>(20,440)</b>	(17,461)
General and administrative expenses		<b>(125,463)</b>	(319,321)
Other operating expenses		<b>(44,707)</b>	(70,711)
Fair value (losses)/gains on investment properties, net		<b>(465)</b>	6
Profit/(Loss) from operations	5	<b>62,986</b>	(155,641)
Finance costs	6	<b>(10,344)</b>	(41,953)
Share of results of an associate		<b>–</b>	(520)
Profit/(Loss) before tax		<b>52,642</b>	(198,114)
Income tax credit	7	<b>1,337</b>	8,206
Profit/(Loss) for the year		<b>53,979</b>	(189,908)
<b>Profit/(Loss) attributable to:</b>			
Owners of the Company		<b>54,016</b>	(188,155)
Non-controlling interests		<b>(37)</b>	(1,753)
		<b>53,979</b>	(189,908)
		<i>HK\$</i>	<i>HK\$</i>
Earnings/(Loss) per share	9		
– Basic		<b>0.03</b>	(0.10)
– Diluted		<b>0.03</b>	(0.10)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit/(Loss) for the year	53,979	(189,908)
Other comprehensive loss:		
Item that will not be reclassified to profit or loss:		
Revaluation of property, plant and equipment upon transfer to investment properties (net of tax)	1,241	–
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	(55,273)	(52,909)
Less: Reclassification of net change in fair value to profit or loss upon disposal	(159,214)	–
Exchange differences arising on translation of PRC subsidiaries	<u>(23,036)</u>	<u>(24,045)</u>
Other comprehensive loss for the year (net of tax)	<u>(236,282)</u>	<u>(76,954)</u>
Total comprehensive loss for the year	<u><b>(182,303)</b></u>	<u><b>(266,862)</b></u>
<b>Total comprehensive loss attributable to:</b>		
Owners of the Company	(182,266)	(265,109)
Non-controlling interests	<u>(37)</u>	<u>(1,753)</u>
	<u><b>(182,303)</b></u>	<u><b>(266,862)</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2016

	<i>Note</i>	As at 31st December 2016 <i>HK\$'000</i>	As at 31st December 2015 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Investment properties		114,226	114,109
Property, plant and equipment		41,776	45,683
Prepaid lease payments		10,522	11,603
Available-for-sale financial assets	<i>10</i>	573,165	562,795
Investment in an insurance contract		11,178	11,019
Other receivables	<i>12</i>	2,599	1,271
Pledged bank deposits		335,383	358,081
		<u>1,088,849</u>	<u>1,104,561</u>
<b>CURRENT ASSETS</b>			
Inventories		51,212	63,583
Loan receivable	<i>11</i>	223,589	–
Trade and other receivables	<i>12</i>	143,669	300,313
Prepaid lease payments		346	369
Financial assets at fair value through profit or loss		432,192	816,151
Income tax recoverable		566	605
Pledged bank deposits		1,638	2,030
Cash and bank balances		603,524	433,842
		<u>1,456,736</u>	<u>1,616,893</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>13</i>	130,178	220,053
Dividend payables		31	31
Bank loans		443,674	359,442
Income tax payable		1,443	5,473
		<u>575,326</u>	<u>584,999</u>
<b>NET CURRENT ASSETS</b>		<u>881,410</u>	<u>1,031,894</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,970,259</u>	<u>2,136,455</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		10,386	12,663
<b>NET ASSETS</b>		<u>1,959,873</u>	<u>2,123,792</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>14</i>	45,077	45,036
Reserves	<i>15</i>	1,913,760	2,077,683
Equity attributable to owners of the Company		1,958,837	2,122,719
Non-controlling interests		1,036	1,073
<b>TOTAL EQUITY</b>		<u>1,959,873</u>	<u>2,123,792</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 2015 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 effect 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

#### *Amendments to HKAS 1: Disclosure Initiative*

The amendments include changes in the following five areas: (1) materiality; (2) disaggregation and subtotals; (3) structure of notes; (4) disclosure of accounting policies; and (5) presentation of items of other comprehensive income arising from investments accounted for using equity method. It is considered that these amendments are clarifying amendments that do not directly affect an entity’s accounting policies or accounting estimates.

The Group does not share the results from investments accounted for using equity method. The adoption of the amendments does not have any significant impact on the consolidated financial statements.

#### *Amendments to HKASs 16 and 38: Clarification of Acceptable Methods of Depreciation and Amortisation*

HKAS 16 and HKAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The amendments to HKAS 16 clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to HKAS 38 clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The Group does not apply the revenue-based methods to calculate the depreciation of its assets. The adoption of the amendments does not have an impact on the consolidated financial statements.

#### *Annual Improvements Project – 2012-2014 Cycle*

##### (1) *HKFRS 7 Financial Instruments: Disclosures*

###### (a) Servicing contracts

These amendments clarify what kind of servicing contracts may constitute continuing involvements for the purposes of applying the disclosure requirements for transferred financial assets that are derecognised in their entirety.

- (b) Applicability of the Amendments to HKFRS 7 concerning Offsetting to Condensed Interim Financial Statements

These amendments also clarify that the additional disclosure required by the amendments to HKFRS 7 concerning offsetting is not specifically required for all interim periods.

The Group did not transfer any financial assets during the reporting period. The adoption of the amendments does not have an impact on the consolidated financial statements.

- (2) *HKAS 34 Interim Financial Reporting: Disclosure of Information “elsewhere in the interim financial report”*

The amendment clarifies the meaning of disclosures of certain information “elsewhere in the interim financial report” as allowed by HKAS 34. The disclosures shall be given by cross-reference from the interim financial statements to some other statement that is available to users of the interim financial statements on the same terms as the interim financial statements and at the same time.

The adoption of the amendment 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**

As at 31st December 2015, the major operating segments of the Group were information home appliances, investing and trading. During the year, the management changed its reporting segments to information home appliances, investing and leasing as a result of the diminishing effect of trading segment to the total revenue and assets of the Group. In consequence, certain comparative figures of the segment information have been restated to correspond with current year’s presentation.

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 leasing segment comprises leasing out of properties.

Other operations segment of the Group mainly comprises trading, internet data processing and assets management.

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’ and chief executive’s emoluments, head office staff salaries, legal and professional fees and other corporation 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, net 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 2016*

	Information home appliances HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>						
External sales	687,362	-	-	516	-	687,878
Inter-segment sales	-	-	-	1,587	(1,587)	-
<b>OTHER REVENUE AND NET INCOME</b>	<b>10,152</b>	<b>142,854</b>	<b>9,529</b>	<b>111</b>	<b>(2,465)</b>	<b>160,181</b>
<b>FAIR VALUE LOSSES ON</b>						
<b>INVESTMENT PROPERTIES, NET</b>	<b>-</b>	<b>-</b>	<b>(465)</b>	<b>-</b>	<b>-</b>	<b>(465)</b>
Segment revenue	<u>697,514</u>	<u>142,854</u>	<u>9,064</u>	<u>2,214</u>	<u>(4,052)</u>	<u>847,594</u>
<b>RESULTS</b>						
Segment results	<u>31,973</u>	<u>88,905</u>	<u>2,635</u>	<u>(12,216)</u>	<u>-</u>	111,297
Unallocated corporate income						234
Interest income from bank deposits						2,348
Other unallocated corporate expenses						<u>(50,893)</u>
Finance costs						<u>62,986</u> <u>(10,344)</u>
Profit before tax						52,642
Income tax credit						<u>1,337</u>
Profit for the year						<u>53,979</u>



*As at 31st December 2016*

	Information home appliances HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>						
Segment assets	268,996	2,047,861	123,247	3,735	–	2,443,839
Unallocated corporate assets					101,746	101,746
Consolidated total assets						<u>2,545,585</u>
<b>LIABILITIES</b>						
Segment liabilities	116,085	437,636	18,318	1,997	–	574,036
Unallocated corporate liabilities					11,676	11,676
Consolidated total liabilities						<u>585,712</u>
<b>OTHER INFORMATION</b>						
Capital expenditures	4,242	–	–	785	2,272	7,299
Depreciation and amortisation	4,498	–	179	402	1,387	6,466
Write-down of inventories	1,485	–	–	111	–	1,596
Impairment loss on other receivables	–	–	–	–	50	50
Reversal of impairment loss on other receivables	–	–	–	(111)	–	(111)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(111)</u>	<u>–</u>	<u>(111)</u>

For the year ended 31st December 2015 (Restated)

	Information home appliances HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>						
External sales	629,945	–	–	1,577	–	631,522
Inter-segment sales	–	–	–	3,413	(3,413)	–
<b>OTHER REVENUE AND NET INCOME</b>	<b>5,847</b>	<b>125,456</b>	<b>10,157</b>	<b>18</b>	<b>(2,692)</b>	<b>138,786</b>
<b>FAIR VALUE GAINS ON INVESTMENT PROPERTIES, NET</b>	<b>–</b>	<b>–</b>	<b>6</b>	<b>–</b>	<b>–</b>	<b>6</b>
Segment revenue	<u>635,792</u>	<u>125,456</u>	<u>10,163</u>	<u>5,008</u>	<u>(6,105)</u>	<u>770,314</u>
<b>RESULTS</b>						
Segment results	<u>39,902</u>	<u>42,884</u>	<u>2,744</u>	<u>(4,467)</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 (Restated)

	Information home appliances HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>						
Segment assets	332,969	2,227,546	122,721	4,848	–	2,688,084
Unallocated corporate assets					33,370	<u>33,370</u>
Consolidated total assets						<u><u>2,721,454</u></u>
<b>LIABILITIES</b>						
Segment liabilities	189,039	349,498	21,698	2,372	–	562,607
Unallocated corporate liabilities					35,055	<u>35,055</u>
Consolidated total liabilities						<u><u>597,662</u></u>
<b>OTHER INFORMATION</b>						
Capital expenditures	1,298	–	–	64	2,112	3,474
Depreciation and amortisation	4,883	–	177	312	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>–</u>	<u>(18)</u>	<u>–</u>	<u>(18)</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, Australia and other overseas markets in both 2016 and 2015.

The following tables set out information about the geographical location of (a) the Group's revenue from external customers and non-current assets other than available-for-sale financial assets, investment in an insurance contract, other receivables and pledged bank deposits; and (b) other revenue and net income other than unallocated corporate income and interest income from bank deposits. 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. The geographical location of other revenue and net income is based on the location at which other revenue and net income is generated.

### (a) Revenue from external customers and non-current assets

	Revenue from external customers		Non-current assets	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
The PRC	120,653	233,720	107,100	114,964
Hong Kong	176,851	33,738	59,424	56,431
Australia	362,126	354,269	–	–
Other overseas markets	28,248	9,795	–	–
	<u>687,878</u>	<u>631,522</u>	<u>166,524</u>	<u>171,395</u>

### (b) Other revenue and net income

	For the year ended 31st December 2016				Consolidated HK\$'000
	Information home appliances HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	
The PRC	9,292	144,082	5,224	111	158,709
Hong Kong	–	(1,228)	1,840	–	612
Overseas markets	860	–	–	–	860
	<u>10,152</u>	<u>142,854</u>	<u>7,064</u>	<u>111</u>	<u>160,181</u>

	For the year ended 31st December 2015 (Restated)				Consolidated HK\$'000
	Information home appliances HK\$'000	Investing HK\$'000	Leasing HK\$'000	Other operations HK\$'000	
The PRC	5,847	103,269	5,665	18	114,799
Hong Kong	–	22,187	1,800	–	23,987
	<u>5,847</u>	<u>125,456</u>	<u>7,465</u>	<u>18</u>	<u>138,786</u>

## Information about major customers

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Customer A	362,126	354,269
Customer B	150,838	–
Customer C	116,881	221,907
	<u>629,845</u>	<u>576,176</u>

## 4. OTHER REVENUE AND NET INCOME

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Other revenue</b>		
Dividend income from listed securities	7,621	6,396
Interest income from bank deposits	2,348	7,271
Imputed interest income from investment in an insurance contract	159	37
Rental income from investment properties	7,064	7,465
	<u>17,192</u>	<u>21,169</u>
<b>Other net income</b>		
Net unrealised (losses)/gains on financial assets at fair value through profit or loss		
– held for trading	(18,860)	(22,230)
– designated upon initial recognition	2	5,141
Net (losses)/gains on disposal of financial assets at fair value through profit or loss		
– held for trading	(13,164)	102,551
– designated upon initial recognition	8,831	10,625
– derivative financial instrument	575	280
Gain on disposal of available-for-sale financial assets	157,947	–
Gain on disposal of an associate	–	520
Gain from the Buy-out Contract	–	11,064
Fair value change on derivative financial instrument	–	11,403
Reversal of impairment loss on other receivables	111	18
Software development income	6,215	2,353
Sundry income	3,914	3,203
	<u>145,571</u>	<u>124,928</u>
	<u>162,763</u>	<u>146,097</u>

## 5. PROFIT/(LOSS) FROM OPERATIONS

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Auditor's remuneration	1,320	1,240
Impairment loss on other receivables	50	22,738
Amortisation of prepaid lease payments	361	385
Depreciation of property, plant and equipment	6,105	5,504
Cost of inventories	537,448	482,793
Foreign exchange losses, net	37,727	60,343
Loss on disposal of property, plant and equipment	411	5
Reversal of impairment loss on other receivables	(111)	(18)
Write-down of inventories	1,596	3,392
Loss on early redemption of convertible bonds	–	642
Direct outgoings from leasing of investment properties	5	5
Operating lease charges on premises	8,332	5,474
Research and development costs	26	129
Share-based compensation expenses to suppliers and other eligible participants	1,043	4,971
	<u>114,309</u>	<u>288,388</u>
Staff costs (including Directors' and chief executive's emoluments):		
Salaries and allowances	94,048	149,788
Share-based compensation expenses		
– share award scheme	–	73,068
– share option scheme	13,690	59,408
Retirement benefits scheme contributions	6,571	6,124
	<u>114,309</u>	<u>288,388</u>

## 6. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Borrowing costs for bank loans	10,344	10,609
Imputed interest expenses on convertible bonds	–	31,344
	<u>10,344</u>	<u>41,953</u>

## 7. INCOME TAX CREDIT

The taxation credited to profit or loss represents:

	2016 HK\$'000	2015 HK\$'000
Current tax		
PRC enterprise income tax		
Current year	2,054	3,230
Overprovision in prior year	(865)	(11,436)
	<u>1,189</u>	<u>(8,206)</u>
Deferred taxation		
Origination and reversal of temporary difference	(2,526)	–
	<u>(2,526)</u>	<u>–</u>
Credit for the year	<u>(1,337)</u>	<u>(8,206)</u>

For the years ended 31st December 2016 and 2015, 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 2016 and 2015 based on existing legislation, interpretations and practices in respect thereof. One operating subsidiary (2015: two) of the Company has been officially designated by the local tax authority as “New and High Technology Enterprise” which is eligible to enjoy the preferential tax rate of 15% for 2016 (2015: 15%). Another operating subsidiary (2015: one) of the Company has been officially designated by the local tax authority as “Participant of Development in Western China” which is exempted for part of PRC enterprise income tax starting from 1st January 2015 to 31st December 2017. As a result, the effective tax rate for the subsidiary is 9% for 2016 (2015: 9%).

A subsidiary incorporated in Hong Kong is subject to the PRC enterprise income tax rate of 10% on the PRC sourced gains derived by Renminbi Qualified Foreign Institutional Investors (“RQFII”) from realised gain on investment in money market funds. PRC enterprise income tax on gains derived by RQFII of approximately HK\$306,000 (2015: HK\$Nil) was provided for the year ended 31st December 2016.

The Group has investment properties situated in the PRC and Hong Kong which are stated at fair value. No deferred taxes are recognised on changes in fair value of investment properties in Hong Kong, which are not subject to any income taxes on changes in fair value of investment properties upon sales. However, deferred taxes are recognised on changes in fair value of investment properties in the PRC taking into account the PRC land appreciation tax and enterprise income tax payable upon sales of those investment properties.

## 8. DIVIDENDS

The Board does not recommend the payment of any dividend for the financial year ended 31st December 2016 (2015: Nil).

## 9. EARNINGS/(LOSS) PER SHARE

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

	2016 HK\$'000	2015 HK\$'000
Profit/(Loss) attributable to owners of the Company	<u>54,016</u>	<u>(188,155)</u>

	2016 '000	2015 '000
Issued ordinary shares at 1st January	1,801,429	1,792,117
Effect of share options exercised	<u>812</u>	<u>5,141</u>
Weighted average number of ordinary shares for basic earnings/(loss) per share	1,802,241	1,797,258
Effects of dilutive potential ordinary shares:		
Exercise of share options	<u>3,967</u>	<u>N/A</u>
Weighted average number of ordinary shares for diluted earnings/(loss) per share	<u>1,806,208</u>	<u>1,797,258</u>
	<i>HK\$</i>	<i>HK\$</i>
Earnings/(Loss) per share:		
– Basic	0.03	(0.10)
– Diluted ( <i>Note</i> )	<u>0.03</u>	<u>(0.10)</u>

*Note:*

The calculation of diluted earnings per share for the year ended 31st December 2016 is based on the profit attributable to owners of the Company of approximately HK\$54,016,000, and the weighted average number of ordinary shares issued during the year of approximately 1,806,208,000 shares which has been adjusted for the number of dilutive potential ordinary shares arising from the outstanding share options granted under the Company's share option scheme.

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.

#### 10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At fair value:			
Equity securities listed in Hong Kong	<i>(a)</i>	388,000	–
Equity securities listed outside Hong Kong	<i>(a)</i>	–	433,506
Private investment funds	<i>(b)</i>	<u>107,165</u>	<u>129,289</u>
		495,165	562,795
At cost:			
Unlisted equity securities outside Hong Kong	<i>(c)</i>	<u>78,000</u>	–
		<u>573,165</u>	<u>562,795</u>



Notes:

- (a) The fair values of the listed equity securities are determined based on the quoted market bid price available on the relevant stock exchanges at the end of the reporting period.
- (b) Included in the private investment funds are two private investment funds, one of which invested in listed equity securities with carrying amount of approximately HK\$35,719,000 (2015: approximately HK\$52,005,000) with another invested in unlisted equity securities with carrying amount of approximately HK\$71,446,000 (2015: approximately HK\$77,284,000) as at 31st December 2016.
- (c) The unlisted equity securities of a company incorporated in the Cayman Islands are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant and the probabilities of the various estimates within the range cannot be reasonably assessed. The Directors are of the opinion that their fair values cannot be measured reliably. No impairment has been identified by the Directors on these investments at the end of the reporting period.

## 11. LOAN RECEIVABLE

Loan receivable represented advances to Shanghai Ying Hong Investment Management Company Limited\*, an independent third party of the Group (the “Borrower”).

On 21st December 2016, Lasaruída Investment Consultation Management Company Limited\* (“Lasaruída”), an indirect wholly-owned subsidiary of the Company, and the Borrower entered into a RMB200,000,000 loan agreement (the “Loan Agreement”) pursuant to which Lasaruída agreed to grant a loan in the principal amount of up to RMB200,000,000 (equivalent to approximately HK\$223,589,000) (the “Loan”) to the Borrower as additional fund for its equity investment. The Loan is interest-bearing at 8% per annum and repayable in one year from the first drawdown date. The drawdown period is two months from the date of the Loan Agreement.

According to the Loan Agreement, the Borrower agreed to pledge to Lasaruída 30% shares of a PRC private company to be acquired by the Borrower upon its completion of acquisition of this 30% shares as collateral of the Loan with guarantee by two PRC private companies, Shanghai YueYun Trading Company Limited\* (“YueYun”) and Shanghai ShiHe Trading Company Limited\* (“ShiHe”). Besides, Lasaruída and YueYun and ShiHe entered into two guarantee agreements on 21st December 2016 in which YueYun and ShiHe agreed to provide guarantees to Lasaruída for the Loan from the date of signing of the two guarantee agreements up to two years after the expiry of the Loan.

On 21st December 2016, the Borrower drew RMB200,000,000 (equivalent to approximately HK\$223,589,000) loan from Lasaruída. At the end of the reporting period, the Loan was recognised as loan receivable under current assets.

According to the Loan Agreement, the Borrower can choose to repay the Loan before the repayment date. Subsequent to the end of the reporting period, the Borrower has decided to make an early repayment of the Loan in full together with the relevant interest expenses based on its business decision. On 22nd February 2017, the Borrower issued an early repayment notice to Lasaruída in which the Borrower proposed to make an early repayment of the Loan and the relevant interest expenses calculated up to 23rd February 2017.

On 23rd February 2017, the Borrower repaid the principal amount of RMB200,000,000 (equivalent to approximately HK\$223,589,000) and interest expenses of approximately RMB2,889,000 (equivalent to approximately HK\$3,230,000) to Lasaruída.

## 12. TRADE AND OTHER RECEIVABLES

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	91,070	165,669
Less: Impairment loss in respect of trade receivables	<u>(2,374)</u>	<u>(2,458)</u>
	88,696	163,211
Other receivables, net of impairment loss	5,384	122,096
Amount due from a related company	31,225	–
Prepayments and deposits	<u>20,963</u>	<u>16,277</u>
Total trade and other receivables	146,268	301,584
Less: Balance due within one year included in current assets	<u>(143,669)</u>	<u>(300,313)</u>
Non-current portion	<u>2,599</u>	<u>1,271</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0-30 days	34,772	86,952
31-60 days	38,433	57,282
61-90 days	8,429	16,781
Over 90 days	<u>7,062</u>	<u>2,196</u>
	<u>88,696</u>	<u>163,211</u>

## 13. TRADE AND OTHER PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables (Note)	65,304	141,541
Other payables	27,540	17,131
Accruals	<u>37,334</u>	<u>61,381</u>
	<u>130,178</u>	<u>220,053</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0-30 days	21,229	53,232
31-60 days	18,162	43,433
61-90 days	13,014	28,293
Over 90 days	12,899	16,583
	<u>65,304</u>	<u>141,541</u>

#### 14. SHARE CAPITAL

	Number of shares		Amount	
	2016 <i>'000</i>	2015 <i>'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Authorised:</b>				
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>
<b>Issued and fully paid:</b>				
At beginning of year				
Ordinary shares of HK\$0.025 each	1,801,429	1,792,117	45,036	44,803
Exercise of share options ( <i>Note</i> )	<u>1,660</u>	<u>9,312</u>	<u>41</u>	<u>233</u>
At end of year				
Ordinary shares of HK\$0.025 each	<u>1,803,089</u>	<u>1,801,429</u>	<u>45,077</u>	<u>45,036</u>

Note:

During the year ended 31st December 2016, 1,660,000 (2015: 9,312,000) ordinary shares of HK\$0.025 each were issued at total amount of approximately HK\$3,651,000 (2015: approximately HK\$20,487,000) as a result of the exercise of share options of the Company. These shares rank pari passu with the existing shares in all respects.

## 15. 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 2015	57,265	(28,459)	8,668	234,621	-	-	242,950	-	16,023	78,393	(1,113)	1,662,757	2,271,105
<b>Loss for the year</b>	-	-	-	-	-	-	-	-	-	-	-	(188,155)	(188,155)
<b>Other comprehensive loss:</b>													
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)
<b>Total other comprehensive loss</b>	-	-	-	-	-	-	(52,909)	-	-	(24,045)	-	-	(76,954)
<b>Total comprehensive loss for the year</b>	-	-	-	-	-	-	(52,909)	-	-	(24,045)	-	(188,155)	(265,109)
<b>Transactions with owners:</b>													
<i>Contributions and distributions</i>													
Final dividend paid in respect of the financial year ended 31st December 2014	-	-	-	-	-	-	-	-	-	-	-	(89,233)	(89,233)
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	-
<b>Total transactions with owners</b>	71,151	28,459	-	-	-	57,655	-	-	-	-	-	(85,578)	71,687
As at 31st December 2015 and as at 1st January 2016	128,416	-	8,668	234,621	-	57,655	190,041	-	16,023	54,348	(1,113)	1,389,024	2,077,683
<b>Profit for the year</b>	-	-	-	-	-	-	-	-	-	-	-	54,016	54,016
<b>Other comprehensive loss:</b>													
Revaluation of property, plant and equipment upon transfer to investment properties (net of tax)	-	-	-	-	-	-	-	-	1,241	-	-	-	1,241
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	(55,273)	-	-	-	-	-	(55,273)
Reclassification of net changes in fair value of available-for-sale financial assets to profit or loss upon disposal	-	-	-	-	-	-	(159,214)	-	-	-	-	-	(159,214)
Exchange differences arising on translation of PRC subsidiaries	-	-	-	-	-	-	-	-	-	(23,036)	-	-	(23,036)
<b>Total other comprehensive loss</b>	-	-	-	-	-	-	(214,487)	-	1,241	(23,036)	-	-	(236,282)
<b>Total comprehensive loss for the year</b>	-	-	-	-	-	-	(214,487)	-	1,241	(23,036)	-	54,016	(182,266)
<b>Transactions with owners:</b>													
<i>Contributions and distributions</i>													
Issue of shares upon exercise of share options	4,833	-	-	-	-	(1,223)	-	-	-	-	-	-	3,610
Equity-settled share based payment	-	-	-	-	-	14,733	-	-	-	-	-	-	14,733
Share options cancelled	-	-	-	-	-	(315)	-	-	-	-	-	315	-
<b>Total transactions with owners</b>	4,833	-	-	-	-	13,195	-	-	-	-	-	315	18,343
As at 31st December 2016	133,249	-	8,668	234,621	-	70,850	(24,446)	-	17,264	31,312	(1,113)	1,443,355	1,913,760

## 16. PLEDGE OF ASSETS

As at 31st December 2016, the Group had pledged the following assets to secure the loan facilities:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
(a) Investment properties	65,307	63,922
(b) Buildings	6,312	7,679
(c) Leasehold property	2,237	2,336
(d) Prepaid lease payments	1,825	2,011
(e) Available-for-sale financial assets	388,000	–
(f) Financial assets at fair value through profit or loss	66,607	–
(g) Bank deposits	359,913	360,111

As at 31st December 2016, investment properties, buildings and prepaid lease payments amounted to approximately HK\$11,307,000 (2015: approximately HK\$11,622,000), approximately HK\$6,312,000 (2015: approximately HK\$7,679,000) and approximately HK\$1,825,000 (2015: approximately HK\$2,011,000) respectively (the “Pledged Assets”) are pledged to a bank to secure a loan facility which has been expired during the year ended 31st December 2016. The bank is in process of applying the release of the Pledged Assets from the PRC local authority.

## DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31st December 2016 (2015: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Revenue and Gross Profit

During the year under review, the Group’s overall revenue amounted to approximately HK\$687.9 million for the year ended 31st December 2016 (the “Year”), representing an increase of 8.9% 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”) market for the Year significantly decreased by 48.4% to approximately HK\$120.7 million as compared with last year, the Group’s revenue in Hong Kong and overseas markets increased by 424.2% and 7.2% to approximately HK\$176.9 million and HK\$390.3 million respectively for the Year as compared with last year. However, due to the drop in the average gross profit margin of overseas markets and a significant decrease in the sales quantity of set-top boxes (“STB”) in the PRC market as compared with last year, the overall gross profit of the Group in 2016 was decreased by 13.7% to approximately HK\$91.3 million as compared with last year and the gross profit margin only reached 13.3% for the Year (2015: 16.8%).

## Operating Results

### *Other Revenue and Net Income*

The Group's other revenue and net income increased significantly by 11.4% to approximately HK\$162.8 million for the Year (2015: approximately HK\$146.1 million). This significant increase was mainly due to the recorded gains on disposal of totaling approximately 10.1 million A shares of Ping An Insurance (Group) Company of China, Ltd. ("Ping An") under available-for-sale financial assets of approximately HK\$157.9 million for the Year (2015: HK\$Nil). This gains was the major contribution to the profit attributable to owners of the Company for the Year.

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

The Group recognised a net revaluation loss of approximately HK\$465,000 on its investment properties for the Year (2015: a net revaluation gain of approximately HK\$6,000).

### *Operating Expenses*

With the increase of the Group's overall revenue, the Group's distribution and selling expenses for the Year increased by 17.1% to approximately HK\$20.4 million as compared with last year. This was mainly due to the exploration of the overseas markets by the Group during the year under review. At the same time, the Group's general and administrative expenses significantly decreased to approximately HK\$125.5 million for the Year (2015: approximately HK\$319.3 million). This significant decrease in general and administrative expenses for the Year was mainly due to (1) the decrease in the non-cash expenses arising from the grant of share options and share awards by the Company to eligible participants totaling approximately HK\$14.7 million (2015: approximately HK\$137.4 million); and (2) there was no significant adjustment to salaries and benefits and the distribution of discretionary bonuses to both the Directors and employees of the Group for the Year (2015: approximately HK\$67.3 million).

### *Other Operating Expenses*

The Group's other operating expenses decreased significantly to approximately HK\$44.7 million for the Year (2015: approximately HK\$70.7 million) as the Group only recorded a net exchange loss resulting from depreciation in Renminbi ("RMB") against Hong Kong dollars ("HKD") of approximately HK\$37.7 million for the Year (2015: approximately HK\$60.3 million). However, due to the significant depreciation of the RMB against HKD during the fourth quarter of 2016, an exchange loss of approximately HK\$23.1 million was recorded for the three months ended 31st December 2016, which negatively impacted the Group's 2016 annual results, as compared with the Group's results for the nine months ended 30th September 2016.

### *Finance Costs*

No convertible bond was issued and outstanding by the Company during the year, as a result, no imputed interest expenses was recorded for the Year (2015: approximately HK\$31.3 million), which caused the finance costs of the Group to significantly decrease to approximately HK\$10.3 million for the Year (2015: approximately HK\$42.0 million).

## *Profit for the Year*

As a result of the foregoing, the Group recorded a profit attributable to owners of the Company of approximately HK\$54.0 million for the Year (2015: a loss attributable to owners of the Company of approximately HK\$188.2 million). This profit was mainly attributable to a gain on the disposal of available-for-sale financial assets of approximately HK\$157.9 million for the Year (2015: HK\$Nil).

## **Liquidity and Financial Resources**

As at 31st December 2016, the Group had net current assets of approximately HK\$881.4 million. The Group had cash and bank balances and pledged bank deposits of approximately HK\$603.5 million and HK\$337.0 million respectively. The Group's financial resources were funded mainly by bank loans, term loans and its shareholders' funds. As at 31st December 2016, the Group's current ratio, as calculated by dividing current assets by current liabilities, was 2.5 times and the gearing ratio, as measured by total liabilities divided by total equity, was 29.9%. Hence, as at 31st December 2016, the overall financial and liquidity positions of the Group remained at a stable and healthy level.

## **Charges on Group Assets**

Details of charges on the Group assets are set out in note 16 to the consolidated financial statements in this announcement.

## **Capital Structure**

The shares of the Company were listed on GEM on 31st January 2000. The changes in the capital structure of the Company are set out in note 14 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 9.1% to approximately HK\$687.4 million as compared with last year. The Group has started to cooperate with a Hong Kong well-known Television programme operator to assist with its expansion on Over-the-Top TV ("OTT") service in the Hong Kong market in the first half of 2016. As a result, the overall revenue in the Hong Kong market increased significantly by 424.2% to HK\$176.9 million for the Year as compared with last year. For the PRC market, due to the weakened procurement sentiment of the PRC customer in the second half of 2016 and keen market competition, this led to a remarkable decrease in the sales quantity of STB in the PRC as compared with last year. The revenue in the PRC market dropped by 48.2% to approximately HK\$120.1 million as compared with last year. While for overseas markets, although there was an increase in purchase orders from a few overseas customers during the year under review, sales in Australia market for the Year only increased by 2.2% to approximately HK\$362.1



million as compared with 2015. Due to the further market competition in Australian Market, this led to a significant decrease in the selling price of STB to an Australian customer in 2016 and pulled down the overall profit margin of the Group during the year under review. Therefore, the overall revenue in the overseas market for the Year only increased by 7.2% to approximately HK\$390.3 million as compared with last year. Consequently, the profit of the IHA segment for the Year decreased by 19.9% to approximately HK\$32.0 million as compared with 2015 (2015: approximately HK\$39.9 million).

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\$88.9 million for the Year (2015: approximately HK\$42.9 million). This significant increase was mainly due to the gains on disposal of totaling approximately 10.1 million A shares of Ping An under available-for-sale financial assets of approximately HK\$157.9 million for the Year (2015: HK\$Nil). This recorded gains on disposal was the major contribution to the profit of investing segment for the Year.

The leasing segment of the Group comprises leasing out of properties. This segment recorded a profit of approximately HK\$2.6 million for the Year (2015: approximately HK\$2.7 million). The other operations segment of the Group mainly comprises trading, internet data processing and assets management. While for other operations segment, due to the lack of new breakthrough of trading business in recent years, and incurring certain exploration and development expenses in the new business of the Group during the year under review, the Group recorded a loss of approximately HK\$12.2 million in this segment for the Year (2015: approximately HK\$4.5 million).

Geographical markets of the Group were mainly located overseas during the year under review. Due to a significant decrease in the average selling price of the STB to an Australian customer, the overall revenue generated from the overseas markets for the Year increased by 7.2% to approximately HK\$390.3 million as compared with last year. In the Hong Kong market, the Group has started to cooperate with a Hong Kong well-known Television programme operator to assist with its expansion on OTT service in the Hong Kong market in the first half of 2016. As a result, the overall revenue in the Hong Kong market increased significantly by 424.2% to HK\$176.9 million for the Year as compared with last year. As to the PRC markets, the weakened procurement sentiment in the second half of 2016 and keen market competition had led to a remarkable decrease in the sales quantity of STB. The revenue in the PRC market significantly decreased by 48.4% to approximately HK\$120.7 million as compared with last year. As such, the overall revenue of the Group only increased by 8.9% to approximately HK\$687.9 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 in USD. The Group exposed to foreign exchange risk principally arises from change in exchange rate of USD and RMB against HKD. Due to the significant depreciation of the RMB against HKD and USD during the fourth quarter of 2016, an exchange loss of approximately HK\$23.1 million was recorded for the three months ended 31st December 2016, which negatively impacted the Group's 2016 annual results. As at 31st December 2016, the Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure. However, the Group will constantly monitor and manage its exposure to foreign exchange risk.



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

As at 31st December 2016, the Group had over 580 (2015: over 690) full time employees, of which 28 (2015: 17) were based in Hong Kong and the rest were in the PRC. Staff costs of the Group amounted to approximately HK\$114.3 million for the Year (2015: approximately HK\$288.4 million). The decrease in the staff costs for the Year was mainly attributable to (1) the significant drop in the non-cash expenses of totaling approximately HK\$13.7 million arising from the grant of share options and share awards by the Company to employees (2015: approximately HK\$132.5 million); and (2) there was no significant adjustment to salaries and benefits and the distribution of discretionary bonuses to both the Directors and employees of the Group for the Year (2015: approximately HK\$67.3 million). 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 rates. Employees are rewarded on a performance-related basis within the general framework of the Group's remuneration system which is reviewed annually. In addition to the basic salaries, staff benefits also include medical scheme, various insurance schemes, share option scheme and share award scheme.

## ***BUSINESS REVIEW***

After more than ten years of development and under the steady growth of the global Internet Protocol Television ("IPTV") market, the Group's IPTV STB business has entered into a period of market maturity. With the accumulation of technological expertise over the years and the Group's own intermediary software platform, the Group is able to meet the needs of different customers, finish the work of integrating with termination systems and customising end products. Products launched by the Group in the markets include standard definition STB, high digital STB, hybrid dual mode STB, OTT/IPTV STB, STB equipped with an Android system, etc. Under the intense market competition condition, the Group is facing many opportunities as well as confronting severe challenges. During the year under review, the Group's overall revenue amounted to approximately HK\$687.9 million, representing an increase of 8.9% as compared with last year. Although the Group's revenue in the overall PRC market decreased by 48.4% to approximately HK\$120.7 million for the Year as compared with last year, the Group's revenue in overseas and Hong Kong markets for the Year increased by 7.2% and 424.2% to approximately HK\$390.3 million and HK\$176.9 million respectively as compared with last year. Due to the drop in the average gross profit margin of overseas markets, the overall gross profit of the Group in 2016 decreased by 13.7% to approximately HK\$91.3 million as compared with last year and the gross profit margin only reached 13.3% for the Year (2015: 16.8%).

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, Liaoning Province, Anhui Province, Gansu Province, Chongqing Municipalities, etc. However, due to the weakened procurement sentiment of the PRC customer in the second half of 2016 and further market competition, there is a remarkable decrease in the sales quantity of STB in the PRC as compared with last year. Therefore, the revenue of the Group's IHA business in the PRC for the Year decreased by 48.2% to approximately HK\$120.1 million as compared with 2015.

In the overseas markets, the Group keeps on maintaining good cooperation relationships 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, United States, Czechoslovakia, Vietnam, etc. At the same time, the Group was actively exploring new markets in Bulgaria, United Kingdom and Denmark. Although there was an increase in purchase orders from a few overseas customers during the year under review, and the Group started to supply the new generation of STB to the Australian customer in the second quarter of 2016, the weak order procurement sentiment of the Australian customer in the first half of 2016 and further market competition had led to a significant decrease in the selling price of STB in Australia and lowered the overall profit margin of the Group during the year under review. Consequently, the sales in Australia for the Year only increased by 2.2% to approximately HK\$362.1 million as compared with 2015, while overall revenue in overseas markets increased by 7.2% to approximately HK\$390.3 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 a great cooperation relationship with a Hong Kong telecommunication operator in its marketing activities. In addition, the Group has started to cooperate with a Hong Kong well-known Television programme operator to assist with its expansion on OTT service in the Hong Kong market. The first batch of OTT STB had been delivered to this new customer in the first quarter of 2016. As a result, the overall revenue in the Hong Kong market increased significantly by 424.2% to HK\$176.9 million for the Year as compared with 2015.

As for investment business, the Group conducted some investments in the secondary market. Based on value investment, the Group selected the investment products in the secondary market by taking risk control and maintaining reasonable earning expectation as the investment strategy, maintenance and appreciation of asset value are the long-term investment commitments of the Group. Meanwhile, the Group also constantly reviews and manages its investment portfolios. As part of such review and management, the Group has disposed of a total of approximately 10.1 million A shares of Ping An on the market and acquired a total of 10.5 million H shares of Ping An on the market during the year under review (“Financial Management Actions”). Such Financial Management Actions was aimed to minimise the currency risk arising from the fluctuations of RMB. Through the disposal from Financial Management Actions, the Group has recognised accounting gains on the disposal of available-for-sale financial assets of approximately HK\$157.9 million. Such accounting gain has a positive impact on the Group’s financial results for the Year. For more details please refer to the announcements of the Company dated 28th June 2016 and 30th August 2016 in relation to the Financial Management Actions. Notwithstanding the Financial Management Actions, the Group still recorded net losses on financial assets at fair value through profit or loss of approximately HK\$22.6 million for the Year (2015: net gains of approximately HK\$96.4 million).

## **Key Risks and Uncertainties**

During the year under review, the Group endeavoured 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 business, fierce market competition in the PRC and overseas markets, the possible economic slowdown in the PRC, RMB exchange rate fluctuation, the drop in the selling price of products and the increase of production cost and labour cost may bring uncertain impact on the Group’s

development of this business. For the investing business, the frequent changes of market policies and regulations in relation to the PRC stock market and the unclear global economic environment would be the two key risk factors. In future business operations, the Group will be highly aware of those risks and uncertainties and will proactively adopt effective measures to tackle such risks and uncertainties.

### **Environmental Policies and Performance**

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

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

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

### ***BUSINESS PROSPECT***

The global IPTV market has reached a mature stage, especially the overseas market which is in a growing status. The Group requires the continuous improvement of its products in order to maintain a strong competitive advantage. Being one of the earliest companies developing in broadband STB in the world, the Group, with efforts in this field for over ten years and based on its accumulation of technological expertise over the years and its own research and development ("R&D") capability, will continue to change 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 higher proportion of investment in R&D, continue upgrading its products and also actively develop new products to adopt to new market opportunities. The Group expects its STB business to achieve a better performance in the near future.

Regarding its investment business, the Group will focus on investing the IPTV related industries and the convergence of television, telecom and Internet fields. These fields contain emerging opportunities of huge convergence and great development. It is believed that the existing and the accumulated experiences of the IHA of the Group will help to efficiently complete the value evaluation, the resources integration and the value upgrade of the invested companies. Meanwhile, the Group will also focus on home living Internet field and security cloud field based on the development of the convergence of computer, communication and consumer electrics, intelligent Internet and security technology. Reference is made to the Company's announcement dated 6th

June 2016, the Group also intends to take initiatives in developing businesses in relation to global Internet Data Center (“IDC”) and cloud computing. To take advantage of its business network and industry creditability in the Greater China region as well as the international market, the Group aims to expand internationally by developing global cloud computing data centers for largescale corporations and global cloud computing total solutions for small and medium enterprises in the Greater China region. The Group will leverage the experience of our management team in operating global IDC and cloud computing and identify suitable cooperation partner in order to develop the business of the Group in the Greater China region and overseas. The Board considers that the engagement in the internet-related businesses and big data processing business, which are among the sunrise sectors in China and other countries, will be beneficial to the Group, thereby creating values to the Company and the shareholders of the Company. The Group will continue to proactively identify the suitable development or investment opportunities to strengthen the business portfolio of the Group, integrate resources in the industry, and generate sustainable and steady financial performance in the long run.

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

## **AUDIT COMMITTEE**

The Board has established an audit committee (the “Audit Committee”). It currently comprises three independent non-executive Directors, namely Ms. Shen Yan (Chairman), Mr. Zhong Pengrong and Mr. Wu Jiajun.

The primary functions of the Audit Committee are to assist the Board in reviewing the financial information, overseeing the financial reporting system, risk management, internal control systems and relationship with external auditor, and arrangements to enable employees of the Company to raise concerns under the protection of confidentiality about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year, the Audit Committee held four meetings for the purposes of reviewing the quarterly, interim and annual financial results and reports and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and the other matters in accordance with the Audit Committee’s written terms of reference. The Group’s audited annual results for the Year have been reviewed by the Audit 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 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 COMPANY'S LISTED SECURITIES**

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

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the required standard of dealings as set out in rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, each Director confirmed that he/she has complied with the required standard set out in the Required Standard of Dealings during the year.

## **CORPORATE GOVERNANCE**

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 maximising shareholders' interests.

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 15 of the GEM Listing Rules during the year under review, except for the following deviation:

Pursuant to code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting (the "AGM") and invite the chairman of the audit, remuneration and nomination committees to attend and be available to answer questions at the AGM. Mr. Shi Guangrong, an executive Director, has been performing the above duties in lieu of Mr. Zhu Weisha, 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**  
**Li Qiang**  
*Chairman*

Hong Kong, 21st March 2017

\* *For identification purpose only*

*As at the date hereof, the executive Directors are Mr. Li Qiang, Mr. Shi Guangrong, Mr. Zhu Jiang and Mr. Gao Fei; the independent non-executive Directors are Ms. Shen Yan, Mr. Zhong Pengrong and Mr. Wu Jiajun.*

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