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 2017

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This 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*

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 2017

HIGHLIGHTS FOR THE YEAR ENDED 31ST DECEMBER 2017

- For the year ended 31st December 2017, overall revenue of the Group decreased by 12.4% to approximately HK$602.9 million as compared with last year.

- For the year ended 31st December 2017, overall gross profit of the Group decreased by 68.2% to approximately HK$29.1 million as compared with last year.

- Profit attributable to owners of the Company for the year ended 31st December 2017 amounted to approximately HK$94.2 million (2016: approximately HK$54.0 million).

- Basic earnings per share for the year ended 31st December 2017 was HK$0.05 (2016: HK$0.03).

- Total equity attributable to owners of the Company as at 31st December 2017 was approximately HK$2,415.6 million (2016: approximately HK$1,958.8 million) or net assets per share of HK$1.3 (2016: HK$1.1).

- The Board does not recommend the payment of any dividend for the year ended 31st December 2017 (2016: 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 2017, 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 2017

	Note	**2017** ***HK$'000***	2016 *HK$'000*
Revenue	*3*	**602,872**	687,878
Cost of sales		**(573,806)**	(596,580)
Gross profit		**29,066**	91,298
Other revenue and net income	*4*	**288,683**	162,763
Distribution and selling expenses		**(16,413)**	(20,440)
General and administrative expenses		**(123,740)**	(125,463)
Other operating expenses		**(9,438)**	(44,707)
Net changes in fair value of investment properties		**1,923**	(465)
Profit from operations	*5*	**170,081**	62,986
Finance costs	*6*	**(76,341)**	(10,344)
Profit before tax		**93,740**	52,642
Income tax credit	*7*	**452**	1,337
Profit for the year		**94,192**	53,979
Profit attributable to:			
Owners of the Company		**94,192**	54,016
Non-controlling interests		**–**	(37)
		94,192	53,979
		HK$	*HK$*
Earnings per share	*9*		
– Basic		**0.05**	0.03
– Diluted		**0.05**	0.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2017

	2017 *HK$'000*	2016 *HK$'000*
Profit for the year	**94,192**	53,979
Other comprehensive income/(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)	**1,571**	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	**426,721**	(55,273)
Less: Reclassification of net changes in fair value to profit or loss upon disposal	**(125,427)**	(159,214)
Exchange differences arising on translation of the PRC subsidiaries	**30,841**	(23,036)
Other comprehensive income/(loss) for the year (net of tax)	**333,706**	(236,282)
Total comprehensive income/(loss) for the year	**427,898**	(182,303)
Total comprehensive income/(loss) attributable to:		
Owners of the Company	**427,882**	(182,266)
Non-controlling interests	**16**	(37)
	427,898	(182,303)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2017

	Note	As at 31st December 2017 HK$'000	As at 31st December 2016 HK$'000
NON-CURRENT ASSETS			
Investment properties		**585,131**	114,226
Property, plant and equipment		**34,801**	41,776
Prepaid lease payments		**10,890**	10,522
Available-for-sale financial assets	*10*	**804,662**	573,165
Investment in an insurance contract		**–**	11,178
Other receivables	*12*	**–**	2,599
Pledged bank deposits		**–**	335,383
		1,435,484	1,088,849
CURRENT ASSETS			
Inventories		**81,997**	51,212
Loans receivable	*11*	**125,325**	223,589
Trade and other receivables	*12*	**175,545**	143,669
Prepaid lease payments		**370**	346
Available-for-sale financial assets	*10*	**74,555**	–
Financial assets at fair value through profit or loss		**743,463**	432,192
Investment in an insurance contract		**8,467**	–
Income tax recoverable		**606**	566
Pledged bank deposits		**950,663**	1,638
Cash and bank balances		**185,290**	603,524
		2,346,281	1,456,736
CURRENT LIABILITIES			
Trade and other payables	*13*	**215,424**	130,178
Dividend payables		**31**	31
Bank and other loans		**632,867**	443,674
Convertible bonds		**456,249**	–
Financial liabilities at fair value through profit or loss		**50,057**	–
Income tax payable		**307**	1,443
		1,354,935	575,326

	Note	As at 31st December 2017 HK$'000	As at 31st December 2016 HK$'000
NET CURRENT ASSETS		**991,346**	881,410
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,426,830**	1,970,259
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**11,251**	10,386
NET ASSETS		**2,415,579**	1,959,873
CAPITAL AND RESERVES			
Share capital	*14*	**45,077**	45,077
Reserves	*15*	**2,370,502**	1,913,760
Equity attributable to owners of the Company		**2,415,579**	1,958,837
Non-controlling interests		**–**	1,036
TOTAL EQUITY		**2,415,579**	1,959,873

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 2016 consolidated financial statements except for the adoption of the following new/revised HKFRSs which are relevant to the Group and effective from the current year.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

Adoption of new/revised HKFRSs

Amendments to HKAS 7: Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

In accordance with the transitional provisions therein, the comparative information is not presented in the first year of adoption.

Amendments to HKAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify, among others, how to account for deferred tax assets related to debt instruments measured at fair value.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

Annual Improvements 2014-2016 Cycle – HKFRS 12: Clarification of the scope

The amendments clarify that except for the summarised financial information for subsidiaries, joint ventures and associates in which the interests are classified or included in a disposal group that is classified as held for sale in accordance with HKFRS 5, the requirements of HKFRS 12 apply to interests in entities within the scope of HKFRS 5.

The adoption of the amendments did not have any significant 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 Directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs. So far the Directors have identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's quarterly financial information for the three months ending 31st March 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied that financial report.

HKFRS 9: Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "*Financial Instruments: Recognition and Measurement*". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The expected impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

Classification and measurement

The Group's cash and cash equivalents and trade and other receivables are currently classified as loans and receivables and measured at amortised cost. The Group does not expect the new guidance will affect the classification and measurement of these financial assets.

The Group's short-term investments in equity securities, money market funds designated upon initial recognition, private investment funds, unlisted debt securities and the derivative financial instruments embedded in the liability component of convertible bonds currently classified as financial assets/liabilities at fair value through profit or loss ("FVPL") will continue to be measured on the same basis under HKFRS 9.

The Group's long-term investments in private investment funds currently classified as available-for-sale financial assets do not meet the criteria to be classified as fair value through other comprehensive income ("FVOCI") and will have to reclassified to FVPL under HKFRS 9. There will not be significant impact to the Group's net assets whereas the unrealised fair value change on the private investment funds will no longer be recognised in other comprehensive income but in profit or loss. Besides, the related fair value change of the investment funds will have to be transferred from the investment revaluation reserves to retained profits on 1st January 2018.

On the other hand, the listed equity securities currently classified as available-for-sale financial assets measured at fair value will have to be reclassified as financial assets at FVPL or at FVOCI by irrevocable election by the management under HKFRS 9. There will be no significant impact to the Group's net assets and profit or loss if it is irrevocably elected to be measured at FVOCI except that the fair value change of the equity securities in investment revaluation reserves will no longer be transferred to profit or loss on disposal but instead reclassified directly to retained earnings. Otherwise, the same impact as the private investment funds mentioned above will result.

However, the unlisted equity securities currently classified as available-for-sale financial assets at cost less impairment loss will have to be reclassified as financial assets at FVPL or at FVOCI by irrevocable election by the management under HKFRS 9 since no financial instruments will be allowed to be measured at cost under HKFRS 9. There will be an impact to the Group's net assets and profit or loss or other comprehensive income as a result of recognition of fair value change of such equity securities under HKFRS 9.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 may result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group. However, management expects the effect would not be significant.

HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "*Revenue*", HKAS 11 "*Construction contracts*" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors preliminarily considers that the performance obligations that may be identified under HKFRS 15 are similar to the current identification of revenue components under the Group's existing revenue recognition policy developed under HKAS 18 and therefore, the adoption of HKFRS 15 in the future will have no significant impact on recognition of revenue. However, the application of HKFRS 15 in future may result in more disclosures.

HKFRS 16: Leases

HKFRS 16 significantly changes the lessee accounting by replacing the dual model under HKAS 17 with a single model which requires a lessee to recognise assets and liabilities for the rights and obligations created by leases unless the exemptions apply. Besides, among other changes, it requires enhanced disclosures to be provided by lessees and lessors. Based on the preliminary assessment, the management is of the opinion that the leases of certain properties by the Group which are currently classified as operating leases under HKAS 17 will trigger the recognition of right-of-use assets and lease liabilities in accordance with HKFRS 16. In subsequent measurement, depreciation (and, if applicable, impairment loss) and interest will be recognised on the right-of-use assets and the lease liabilities respectively, of which the amount in total for each reporting period is not expected to be significantly different from the periodic operating lease expenses recognised under HKAS 17. Apart from the effects as outlined above, it is not expected that HKFRS 16 will have a material impact on the future financial position, financial performance and cash flows of the Group upon adoption.

As at 31st December 2017, the total future minimum lease payments under non-cancellable operating leases of the Group amounted to approximately HK$8,294,000. The management of the Company does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expenses on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statements of financial position as right-of-use assets and lease liabilities. The Group will also be required to re-measure the lease liabilities upon the occurrence of certain events such as a change in the lease term and recognise the amount of the re-measurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's consolidated statements of cash flows.

3. SEGMENT INFORMATION

As at 31st December 2016, the major operating segments of the Group were information home appliances, investing, leasing and other operations. Because of the increasing importance of the leasing out of properties used as internet data centre to the Group's total revenue and assets during the year ended 31st December 2017, management has decided to segregate the internet data centre segment from the other operations. Certain comparative figures of the segment information have been restated to conform 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.

The internet data centre segment comprises construction, operation and leasing out of properties used as internet data centre.

Other operations segment of the Group mainly comprises trading of miscellaneous materials.

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 interest income from bank deposit, finance costs, Directors' and chief executive's emoluments, head office staff salaries, legal and professional fees and other corporate administrative costs and the basis of preparing such information is consistent with that of the 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 2017

	Information home appliances *HK$'000*	Investing *HK$'000*	Leasing *HK$'000*	Internet data centre *HK$'000*	Other operations *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
REVENUE							
External sales	**602,581**	**–**	**–**	**–**	**291**	**–**	**602,872**
Inter-segment sales	**–**	**–**	**–**	**–**	**–**	**–**	**–**
OTHER REVENUE AND NET INCOME	**(2,128)**	**248,816**	**8,571**	**9,238**	**217**	**(2,154)**	**262,560**
NET CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES	**–**	**–**	**4,694**	**(2,771)**	**–**	**–**	**1,923**
Segment revenue	**600,453**	**248,816**	**13,265**	**6,467**	**508**	**(2,154)**	**867,355**
RESULTS							
Segment results	**(40,678)**	**236,436**	**7,150**	**(7,478)**	**(1,012)**	**–**	**194,418**
Unallocated corporate income							**10,345**
Interest income from bank deposits							**5,910**
Gain on disposal of a subsidiary							**9,868**
Other unallocated corporate expenses							**(50,460)**
							170,081
Finance costs							**(76,341)**
Profit before tax							**93,740**
Income tax credit							**452**
Profit for the year							**94,192**

As at 31st December 2017

	Information home appliances *HK$'000*	Investing *HK$'000*	Leasing *HK$'000*	Internet data centre *HK$'000*	Other operations *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
ASSETS							
Segment assets	**338,800**	**2,617,331**	**142,677**	**469,478**	**596**	**–**	**3,568,882**
Unallocated corporate assets						**212,883**	**212,883**
Consolidated total assets							**3,781,765**
LIABILITIES							
Segment liabilities	**205,971**	**607,893**	**18,290**	**18,258**	**1,585**	**–**	**851,997**
Unallocated corporate liabilities						**514,189**	**514,189**
Consolidated total liabilities							**1,366,186**
OTHER INFORMATION							
Capital expenditures	**1,027**	**–**	**–**	**1,079**	**–**	**58**	**2,164**
Depreciation and amortisation	**4,693**	**–**	**199**	**352**	**26**	**1,582**	**6,852**
Write-down/(Write-back) of inventories	**1,923**	**–**	**–**	**–**	**(159)**	**–**	**1,764**
Foreign exchange losses/(gains), net	**6,408**	**(26,314)**	**–**	**(4)**	**–**	**(1,346)**	**(21,256)**
Operating lease charges on premises	**3,100**	**696**	**–**	**–**	**203**	**7,507**	**11,506**
Bad debts	**–**	**–**	**–**	**–**	**9**	**–**	**9**
Write off of impairment loss on trade receivables	**–**	**–**	**–**	**–**	**17**	**–**	**17**
Reversal of impairment loss on trade and other receivables	**–**	**–**	**–**	**–**	**(12)**	**–**	**(12)**

For the year ended 31st December 2016 (Restated)

	Information home appliances *HK$'000*	Investing *HK$'000*	Leasing *HK$'000*	Internet data centre *HK$'000*	Other operations *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
REVENUE							
External sales	687,362	–	–	–	516	–	687,878
Inter-segment sales	–	–	–	–	1,587	(1,587)	–
OTHER REVENUE AND NET INCOME	10,152	142,854	9,529	–	111	(2,465)	160,181
NET CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES	–	–	(465)	–	–	–	(465)
Segment revenue	697,514	142,854	9,064	–	2,214	(4,052)	847,594
RESULTS							
Segment results	31,973	88,905	2,635	(8,315)	(3,901)	–	111,297
Unallocated corporate income							234
Interest income from bank deposits							2,348
Other unallocated corporate expenses							(50,893)
							62,986
Finance costs							(10,344)
Profit before tax							52,642
Income tax credit							1,337
Profit for the year							53,979

As at 31st December 2016 (Restated)

	Information home appliances *HK$'000*	Investing *HK$'000*	Leasing *HK$'000*	Internet data centre *HK$'000*	Other operations *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
ASSETS							
Segment assets	268,996	2,047,861	123,247	1,975	1,760	–	2,443,839
Unallocated corporate assets						101,746	101,746
Consolidated total assets							2,545,585
LIABILITIES							
Segment liabilities	116,085	437,636	18,318	208	1,789	–	574,036
Unallocated corporate liabilities						11,676	11,676
Consolidated total liabilities							585,712
OTHER INFORMATION							
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
Foreign exchange (gains)/losses, net	(5,620)	42,699	–	–	–	648	37,727
Operating lease charges on premises	2,868	648	–	–	624	4,192	8,332
Impairment loss on other receivables	–	–	–	–	–	50	50
Reversal of impairment loss on trade and other receivables	–	–	–	–	(111)	–	(111)

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, the United States and other overseas markets in both 2017 and 2016.

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, gain on disposal of a subsidiary 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	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**35,565**	120,653	**458,704**	107,100
Hong Kong	**166,599**	176,851	**65,804**	59,424
Australia	**365,467**	362,126	**–**	–
The United States	**–**	–	**106,314**	–
Other overseas markets	**35,241**	28,248	**–**	–
	602,872	687,878	**630,822**	166,524

(b) Other revenue and net income

	For the year ended 31st December 2017					
	Information home appliances	**Investing**	**Leasing**	**Internet data centre**	**Other operations**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
The PRC	**(3,021)**	**29,982**	**4,522**	**9,238**	**217**	**40,938**
Hong Kong	**893**	**218,834**	**1,895**	**–**	**–**	**221,622**
	(2,128)	**248,816**	**6,417**	**9,238**	**217**	**262,560**

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

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:

	2017	2016
	HK$'000	*HK$'000*
Customer A	**365,467**	362,126
Customer B	**154,581**	150,838
Customer C*	**–**	116,881
	520,048	629,845

* The total revenue from Customer C was less than 10% during the current reporting period.

4. OTHER REVENUE AND NET INCOME

	2017	2016
	HK$'000	*HK$'000*
Other revenue		
Dividend income from listed securities	**9,863**	7,621
Interest income from bank deposits	**5,910**	2,348
Interest income from loans receivable	**8,827**	–
Imputed interest income from investment in an insurance contract	**171**	159
Rental income from investment properties	**15,586**	7,064
	40,357	17,192
Other net income		
Foreign exchange gain, net	**21,256**	–
Net unrealised gains/(losses) on financial assets at fair value through profit or loss		
– held for trading	**12,082**	(18,860)
– designated upon initial recognition	**304**	2
Net gains/(losses) on disposal of financial assets at fair value through profit or loss		
– held for trading	**29,333**	(13,164)
– designated upon initial recognition	**1,993**	8,831
– derivative financial instrument	**–**	575
Net fair value change on financial liabilities at fair value through profit or loss	**5,336**	–
Gain on disposal of available-for-sale financial assets	**164,087**	157,947
Gain on disposal of a subsidiary	**9,868**	–
Reversal of impairment loss on trade and other receivables	**12**	111
Software development income	**1,349**	6,215
Sundry income	**2,706**	3,914
	248,326	145,571
	288,683	162,763

5. PROFIT FROM OPERATIONS

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

	2017	2016
	HK$'000	*HK$'000*
Auditor's remuneration	**1,500**	1,320
Bad debts	**9**	–
Impairment loss on investment in an insurance contract	**2,882**	–
Impairment loss on other receivables	**–**	50
Amortisation of prepaid lease payments	**357**	361
Depreciation of property, plant and equipment	**6,495**	6,105
Cost of inventories	**537,397**	537,448
Foreign exchange (gains)/losses, net	**(21,256)**	37,727
Loss on disposal of property, plant and equipment	**122**	411
Reversal of impairment loss on trade and other receivables	**(12)**	(111)
Write-down of inventories, net	**1,764**	1,596
Direct outgoings from leasing of investment properties	**5**	5
Operating lease charges on premises	**11,506**	8,332
Research and development costs	**86**	26
Share-based compensation expenses to suppliers and other eligible participants	**–**	1,043
Staff costs (including Directors' and chief executive's emoluments):		
Salaries and allowances	**86,921**	94,048
Share-based compensation expenses of share option scheme	**–**	13,690
Retirement benefits scheme contributions	**6,652**	6,571
Total staff costs	**93,573**	114,309

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Borrowing costs for bank and other loans	**12,053**	10,344
Imputed interest expenses on convertible bonds	**64,288**	–
	76,341	10,344

7. INCOME TAX CREDIT

The taxation credited to profit or loss represents:

	2017	2016
	HK$'000	*HK$'000*
Current tax		
PRC enterprise income tax		
Current year	**565**	2,054
Overprovision in prior year	**–**	(865)
	565	1,189
Deferred taxation		
Origination and reversal of temporary difference	**(1,017)**	(2,526)
	(1,017)	(2,526)
Credit for the year	**(452)**	(1,337)

For the years ended 31st December 2017 and 2016, 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 2017 and 2016 based on existing legislation, interpretations and practices in respect thereof. An operating subsidiary 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 2017 *(2016: 15%)*. Another operating subsidiary 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 2017 *(2016: 9%)*.

A subsidiary incorporated in Hong Kong was 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 was provided for the year ended 31st December 2016. No such PRC sourced income was generated by the Hong Kong subsidiary for the year ended 31st December 2017.

The Group has investment properties situated in the PRC, the United States and Hong Kong which are stated at fair value. 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. No deferred taxes are recognised on changes in fair value of investment properties in Hong Kong and the United States as the investment properties in Hong Kong are not subject to any income taxes on changes in fair value of investment properties upon sales whereas the deferred tax on change in fair value of investment properties in the United States was not significant at the end of the reporting period.

8. DIVIDENDS

The Board does not recommend the payment of any dividend for the financial year ended 31st December 2017 *(2016: Nil)*.

9. EARNINGS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Profit attributable to owners of the Company	**94,192**	54,016

	2017	2016
	'000	*'000*
Issued ordinary shares at 1st January	**1,803,089**	1,801,429
Effect of share options exercised	**–**	812
Weighted average number of ordinary shares for basic earnings per share	**1,803,089**	1,802,241
Effects of dilutive potential ordinary shares: Exercise of share options	**N/A**	3,967
Weighted average number of ordinary shares for diluted earnings per share	**1,803,089**	1,806,208

	HK$	*HK$*
Earnings per share:		
– Basic	**0.05**	0.03
– Diluted *(Note)*	**0.05**	0.03

Note:

Diluted earnings per share is the same as the basic earnings per share for the year ended 31st December 2017 because the potential ordinary shares arising from the outstanding share options under the Company's share option scheme and the conversion of convertible bonds outstanding have an anti-dilutive effect on the basic earnings per share for the year.

The calculation of diluted earnings per share for the year ended 31st December 2016 was 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 ended 31st December 2016 of approximately 1,806,208,000 shares which had been adjusted for the number of dilutive potential ordinary shares arising from the outstanding share options granted under the Company's share option scheme.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Note	**2017** **HK$'000**	2016 *HK$'000*
At fair value:			
Equity securities listed in Hong Kong	*(a)*	**276,590**	388,000
Private investment funds	*(b)*	**524,627**	107,165
		801,217	495,165
At cost:			
Unlisted equity securities outside Hong Kong	*(c)*	**78,000**	78,000
Total available-for-sale financial assets		**879,217**	573,165
Current portion		**74,555**	–
Non-current portion		**804,662**	573,165

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 were four private investment funds, two of which invested in listed equity securities with carrying amount of approximately HK$176,236,000. The remaining two private investment funds, one of which invested in unlisted convertible bonds issued by a listed company with carrying amount of approximately HK$249,141,000 and another one invested in cryptocurrencies and unlisted equity investment with carrying amount of approximately HK$99,250,000 as at 31st December 2017.

As at 31st December 2016, included in the private investment funds were two private investment funds, one of which invested in listed equity securities with carrying amount of approximately HK$35,719,000 whilst another invested in unlisted equity securities with carrying amount of approximately HK$71,446,000.

(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. LOANS RECEIVABLE

*(a) Loan receivable from Shanghai Ying Hong Investment Management Company Limited**

As at 31st December 2016, loan receivable represented advances to Shanghai Ying Hong Investment Management Company Limited* (上海鷹虹投資管理有限公司) ("Ying Hong"), an independent third party.

On 21st December 2016, Lasaruida Investment Consultation Management Company Limited*(拉薩睿達投資諮詢管理有限公司) ("Lasaruida"), an indirect wholly-owned subsidiary of the Company, and Ying Hong entered into a RMB200,000,000 loan agreement (the "Loan Agreement") pursuant to which Lasaruida agreed to grant a loan in the principal amount of up to RMB200,000,000 (equivalent to approximately HK$223,589,000) (the "RMB200 million Loan") to Ying Hong as additional fund for its equity investment. The RMB200 million Loan was interest-bearing at 8% per annum and repayable in one year from the first drawdown date. The drawdown period was two months from the date of the Loan Agreement.

On 21st December 2016, Ying Hong drew RMB200,000,000 (equivalent to approximately HK$223,589,000) loan from Lasaruida. As at 31st December 2016, the RMB200 million Loan was recognised as loan receivable under current assets.

On 22nd February 2017, Ying Hong issued an early repayment notice to Lasaruida in which Ying Hong proposed to make an early repayment of the RMB200 million Loan and the relevant interest expenses calculated up to 23rd February 2017. On 23rd February 2017, Ying Hong 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 Lasaruida.

*(b) Loans receivable from Xiang Jiang Technology Co., Limited**

As at 31st December 2017, loans receivable represented advances to Xiang Jiang Technology Co., Limited* (香江科技股份有限公司), an independent third party (the "Borrower").

On 17th May 2017, Lasaruida and Beijing E'rich Investment Management Co., Ltd* (北京裕睿投資管理有限公司) ("E'rich"), indirect wholly-owned subsidiaries of the Company, and the Borrower entered into loans agreements (the "Loans Agreements") pursuant to which Lasaruida and E'rich agreed to grant loans in the principal amount of up to RMB100,000,000 (equivalent to approximately HK$119,632,000) (the "Loans") to the Borrower as additional fund for its general working capital requirement. The Loans are interest-bearing at 8% per annum and repayable in one year from the dates of the first drawdowns. According to the loan agreement entered by the Borrower and E'rich, the drawdown date was 17th May 2017 and the drawdown amount was RMB50,000,000. According to the loan agreement entered by the Borrower and Lasaruida, the drawdown dates were 17th May 2017 and 19th June 2017 and the drawdown amounts were RMB5,000,000 and RMB45,000,000 respectively. According to the Loans Agreements, the Borrower can choose to repay the Loans before the repayment date and the major shareholder of the Borrower has provided personal guarantee for the Loans. At the end of the reporting period, the Loans were recognised as loans receivable under current assets. Details of the Loans to the Borrower were disclosed in the Company's announcement dated 17th May 2017.

12. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**130,499**	91,070
Less: Impairment loss in respect of trade receivables	**(2,442)**	(2,374)
	128,057	88,696
Other receivables, net of impairment loss	**8,249**	5,384
Amount due from a related company	**–**	31,225
Prepayments and deposits	**39,239**	20,963
Total trade and other receivables	**175,545**	146,268
Less: Balance due within one year included in current assets	**(175,545)**	(143,669)
Non-current portion	**–**	2,599

The Group grants its trade customers an average credit period from 30 days to 18 months *(2016: 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:

	2017	2016
	HK$'000	*HK$'000*
0-30 days	**90,176**	34,772
31-60 days	**31,422**	38,433
61-90 days	**525**	8,429
Over 90 days	**5,934**	7,062
	128,057	88,696

13. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables *(Note)*	**133,203**	65,304
Other payables	**47,934**	27,540
Accruals	**34,287**	37,334
	215,424	130,178

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

	2017	2016
	HK$'000	*HK$'000*
0-30 days	**58,290**	21,229
31-60 days	**50,122**	18,162
61-90 days	**14,566**	13,014
Over 90 days	**10,225**	12,899
	133,203	65,304

14. SHARE CAPITAL

	Number of shares		**Amount**	
	2017	2016	**2017**	2016
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
At beginning and end of the reporting period				
Ordinary shares of HK$0.025 each	**8,000,000**	8,000,000	**200,000**	200,000
Issued and fully paid:				
At beginning of the reporting period				
Ordinary shares of HK$0.025 each	**1,803,089**	1,801,429	**45,077**	45,036
Exercise of share options *(Note)*	**–**	1,660	**–**	41
At end of the reporting period				
Ordinary shares of HK$0.025 each	**1,803,089**	1,803,089	**45,077**	45,077

Note:

During the year ended 31st December 2016, 1,660,000 ordinary shares of HK$0.025 each were issued at total amount of approximately HK$3,651,000 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	Statutory reserves	Contributed surplus	Share option reserves	Investment revaluation reserves	Convertible bond reserves	Property revaluation reserves	Translation reserves	Other reserves	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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
Profit for the year	–	–	–	–	–	–	–	–	–	54,016	54,016
Other comprehensive loss:											
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)
Total other comprehensive loss	–	–	–	–	(214,487)	–	1,241	(23,036)	–	–	(236,282)
Total comprehensive loss for the year	–	–	–	–	(214,487)	–	1,241	(23,036)	–	54,016	(182,266)
Transactions with owners:											
Contributions and distributions											
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 lapsed	–	–	–	(315)	–	–	–	–	–	315	–
Total transactions with owners	4,833	–	–	13,195	–	–	–	–	–	315	18,343
As at 31st December 2016 and as at 1st January 2017	133,249	8,668	234,621	70,850	(24,446)	–	17,264	31,312	(1,113)	1,443,355	1,913,760
Profit for the year	–	–	–	–	–	–	–	–	–	94,192	94,192
Other comprehensive income:											
Revaluation of property, plant and equipment upon transfer to investment properties (net of tax)	–	–	–	–	–	–	1,571	–	–	–	1,571
Change in fair value of available-for-sale financial assets	–	–	–	–	426,721	–	–	–	–	–	426,721
Reclassification of net changes in fair value of available-for-sale financial assets to profit or loss upon disposal	–	–	–	–	(125,427)	–	–	–	–	–	(125,427)
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	–	30,825	–	–	30,825
Total other comprehensive income	–	–	–	–	301,294	–	1,571	30,825	–	–	333,690
Total comprehensive income for the year	–	–	–	–	301,294	–	1,571	30,825	–	94,192	427,882
Transactions with owners:											
Contributions and distributions											
Share options lapsed	–	–	–	(1,411)	–	–	–	–	–	1,411	–
Issue of convertible bonds	–	–	–	–	–	37,676	–	–	–	–	37,676
Changes in ownership interest											
Reclassification adjustment of reserves related to a disposed subsidiary	–	–	–	–	–	–	–	(9,929)	1,113	–	(8,816)
Total transactions with owners	–	–	–	(1,411)	–	37,676	–	(9,929)	1,113	1,411	28,860
As at 31st December 2017	**133,249**	**8,668**	**234,621**	**69,439**	**276,848**	**37,676**	**18,835**	**52,208**	**–**	**1,538,958**	**2,370,502**

16. PLEDGE OF ASSETS

As at 31st December 2017, the Group had pledged the following assets to secure the loan facilities and convertible bonds:

		2017	2016
		HK$'000	*HK$'000*
(a)	Investment properties	**73,966**	65,307
(b)	Buildings	**5,440**	6,312
(c)	Leasehold property	**2,138**	2,237
(d)	Prepaid lease payments	**1,891**	1,825
(e)	Available-for-sale financial assets	**276,590**	388,000
(f)	Financial assets at fair value through profit or loss	**296,199**	66,607
(g)	Bank deposits	**1,030,521**	359,913

As at 31st December 2017, investment properties, buildings and prepaid lease payments amounted to approximately HK$12,966,000 *(2016: approximately HK$11,307,000)*, approximately HK$5,440,000 *(2016: approximately HK$6,312,000)* and approximately HK$1,891,000 *(2016: approximately HK$1,825,000)* respectively (the "Pledged Assets") are pledged to a bank to secure a loan facility which had been expired during the year ended 31st December 2016. The bank is in the process of applying for the release of the Pledged Assets from the PRC local authority.

17. EVENTS AFTER THE REPORTING PERIOD

Further subscription of a private investment fund

In February 2018, the Group further invested HK$20,000,000 in a private investment fund, namely iSun Global Restructuring-led Partnership Fund I LP ("iSun Fund") as part of the Group's commitment of investment in iSun Fund of HK$200,000,000. Details of the iSun Fund and the Group's commitment can be referred to the announcement of the Company dated 25th July 2017. At the end of the reporting period, the Group had capital commitment in respect of this investment of HK$150,000,000.

Loan to a private company

In January 2018, the Company's indirectly wholly-owned subsidiary, Yuxing Technology Company Limited ("Yuxing Technology") and a Hong Kong private company (the "Borrower") entered into a HK$50,000,000 loan agreement for the grant of a loan to the Borrower for its daily operation. The loan is unsecured, interest-bearing at 8% per annum and repayable in five months from the drawdown date.

Consulting agreements in respect of the internet data centre in the United States

In January 2018, the Company's indirectly wholly-owned subsidiary, RiCloud Corp. and two United States private companies (the "Consultants") entered into the consulting agreements. The Consultants will provide consultancy service on the design and construction of the Group's internet data centre in the United States at a consideration of USD1,500,000 (equivalent to approximately HK$11,700,000) and USD1,920,000 (equivalent to approximately HK$14,976,000) respectively.

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31st December 2017 (2016: 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$602.9 million for the year ended 31st December 2017 (the "Year"), representing a decrease of 12.4% as compared with last year. Under the intense market competition condition, the Group is facing many opportunities as well as confronting severe challenges. Due to a significant decrease in sales order received, the Group's revenue for the Year in the PRC and Hong Kong markets decreased by 70.5% and 5.8% to approximately HK$35.6 million and HK$166.6 million respectively as compared with last year. At the same time, rising prices of raw material also led to a big drop in the average gross profit margin for the Year. Consequently, the overall gross profit of the Group for the Year decreased significantly by 68.2% to approximately HK$29.1 million as compared with 2016 and the gross profit margin only reached 4.8% for the Year (2016: 13.3%).

Operating Results

Other Revenue and Net Income

The Group's other revenue and net income increased significantly to approximately HK$288.7 million for the Year (2016: approximately HK$162.8 million). This was due to (1) the improvement of the performance of investments portfolio of the Group in 2017, which caused the Group to record the net gains on financial assets/liabilities at fair value through profit or loss of approximately HK$49.0 million for the Year (2016: net losses on financial assets at fair value through profit or loss of approximately HK$22.6 million). This was the major reason for the significant increase in the profit attributable to owners of the Company for the Year as compared with the last year; and (2) the appreciation of Renminbi ("RMB") against Hong Kong Dollars ("HKD") resulted in an increase in net exchange gains of approximately HK$21.3 million during the year under review (2016: net exchange losses of approximately HK$37.7 million).

Change in Fair Value of Investment Properties

The Group recognised net revaluation gains of approximately HK$1.9 million on its investment properties for the Year (2016: net revaluation losses of approximately HK$0.5 million).

Operating Expenses

With the decrease in the Group's overall revenue, the Group's distribution and selling expenses decreased to approximately HK$16.4 million for the Year (2016: approximately HK$20.4 million). At the same time, the Group's general and administrative expenses also slightly decreased 1.4% to approximately HK$123.7 million for the Year (2016: approximately HK$125.5 million).

Other Operating Expenses

During the year under review, the appreciation of RMB against HKD resulted in an increase in net exchange gains of approximately HK$21.3 million recognised by the Group in the other revenue and net income (2016: net exchange losses of approximately HK$37.7 million) caused the decrease of the other operating expenses of the Group to approximately HK$9.4 million for the Year (2016: approximately HK$44.7 million).

Finance Costs

Imputed interest expenses of approximately HK$64.3 million was recorded for the Year (2016: HK$Nil) in respect of the convertible bonds issued by the Company on 20th June 2017, which caused the finance costs of the Group to increase significantly to approximately HK$76.3 million for the Year (2016: approximately HK$10.3 million).

Profit for the Year

As a result of the foregoing, the Group recorded a profit attributable to owners of the parent of approximately HK$94.2 million for the Year (2016: approximately HK$54.0 million).

Liquidity and Financial Resources

As at 31st December 2017, the Group had net current assets of approximately HK$991.3 million. The Group had cash and bank balances and pledged bank deposits of approximately HK$185.3 million and HK$950.7 million respectively. The Group's financial resources were funded mainly by bank loans, the convertible bonds issued by the Company and its shareholders' funds. As at 31st December 2017, the Group's current ratio, as calculated by dividing current assets by current liabilities, was 1.7 times and the gearing ratio, as measured by total liabilities divided by total equity, was 56.6%. Hence, as at 31st December 2017, 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.

Funding

Fundraising Activities

Issue of Convertible Bonds

On 26th May 2017, the Company entered into a subscription agreement with Cloud Empire Investments Limited ("Cloud Empire") as the subscriber in relation to the issue of convertible bonds in principal amount of HK$504.0 million (the "Convertible Bonds"). On 20th June 2017 (the "Bond Issue Date"), the Company issued Convertible Bonds to Cloud Empire. The Convertible Bonds bear interest at the rate of 6% per annum. Such interest is accrued on the outstanding principal amount of the Convertible Bonds and shall only be payable by the Company to Cloud Empire once every six months from the Bond Issue Date if the Convertible Bonds are neither converted during the conversion period nor redeemed prior to 20th June 2018 (the "Bond Maturity Date").

The Convertible Bonds can be converted into ordinary shares of the Company at an initial conversion price of HK$1.4 per share (subject to adjustments) for a maximum number of 360,000,000 conversion shares. The market price of the shares of the Company ("Shares") was HK$0.97 and HK$1.02 as at 26th May 2017 and 20th June 2017 respectively. The conversion period commences from the 180th day after the Bond Issue Date and ends on the five business days prior to the Bond Maturity Date.

The net proceeds from the issue of the Convertible Bonds net of issue cost amounted to approximately HK$500.2 million. The use of proceeds from the issue of the Convertible Bonds is to fund the construction of an internet data centre ("IDC") of the Group and for general working capital purposes. The Directors consider that the construction and operation of IDC will enlarge the Group's technology level and source of income and enhance the Group's profitability and value to the shareholders of the Company.

As at the date of this announcement, Cloud Empire has not exercised its rights to convert the Convertible Bonds into Shares. For details of the terms of the Convertible Bonds, please refer to the Company's announcements dated 26th May 2017, 2nd June 2017 and 20th June 2017.

Capital Structure

The shares of the Company were listed on GEM on 31st January 2000. The changes in the capital structure of the Company for the Year are set out in note 14 to the consolidated financial statements.

Significant Investments/Material Acquisitions and Disposals

On 26th June 2017, Noble Rich Investment Limited, a wholly-owned subsidiary of the Company, as purchaser, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Phoenix Bridge International Holdings Group Investment Co., Limited, as vendor, and Wang Dade, as guarantor, to acquire 30,000,000 shares owned by the vendor which represent the entire issued share capital of Indeed Holdings Limited (the "Target Company") at a consideration of US$43,000,000 (equivalent to approximately HK$335,400,000) subject to adjustments (the "Acquisition"). The Target Company and its subsidiary (the "Target Group") is principally engaged in leasing out of properties used as IDC. On 7th September 2017, the Acquisition was completed and the financial results, assets and liabilities of the Target Group have been consolidated into the consolidated financial statements of the Group during the Year. For details of the Acquisition, please refer to the announcements of the Company dated 26th June 2017, 17th July 2017, 31st July 2017 and 7th September 2017 and the Company's circular issued on 17th August 2017.

Between 25th July and 26th October 2017, the Group disposed of a total of 6,600,000 H shares of Ping An Insurance (Group) Company of China Ltd. ("Ping An H Shares"). As a result of these disposals, the Group recognised accounting gains on the disposal of available-for-sale financial assets of approximately HK$164.1 million for the Year. 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 27th July 2017, 13th October 2017 and 24th October 2017.

Segment Information

The Group's core business segment is Information Home Appliances ("IHA"). The total revenue of the IHA segment for the Year and the three months ended 31st December 2017 decreased and increased by 12.3% and 118.9% to approximately HK$602.6 million and HK$262.8 million respectively as compared with 2016 and the same period of the last year. Although the Group's revenue in overall overseas markets for the Year increased by 2.6% to approximately HK$400.7 million as compared with last year, the Group's revenue in the PRC and Hong Kong markets decreased by 70.6% and 5.8% to approximately HK$35.3 million and HK$166.6 million respectively as compared with last year due to a decrease in larger sales order received. At the same time, rising prices of raw material led to a big drop in the average gross profit margin of the Group for the Year. Consequently, the overall gross profit of the Group for the Year decreased significantly by 68.2% to approximately HK$29.1 million as compared with last year and the gross profit margin only reached 4.8% for the Year (2016: 13.3%). Consequently, the IHA segment recorded a loss of approximately HK$40.7 million for the Year (2016: a profit of approximately HK$32.0 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$236.4 million for the Year (2016: approximately HK$88.9 million). The main reason was that the Group recorded net gains on financial assets/liabilities at fair value through profit or loss of approximately HK$49.0 million for the Year (2016: net losses on financial assets at fair value through profit or loss of approximately HK$22.6 million). This was also the major reason for the significant increase in the profit attributable to owners of the Company for the Year as compared with last year.

The leasing segment of the Group comprises leasing out of properties. This segment recorded a profit of approximately HK$7.2 million for the Year (2016: approximately HK$2.6 million). The other operations segment of the Group comprises trading of miscellaneous materials. While for the other operations segment, due to the lack of new breakthrough of the business, the Group recorded a loss of approximately HK$1.0 million in this segment for the Year (2016: approximately HK$3.9 million).

The new segment of 2017 is the IDC segment. This segment comprises construction, operation and leasing out of IDC. As this segment is still in the investing stage, this segment brought a loss of approximately HK$7.5 million to the Group (2016: approximately HK$8.3 million).

Geographical markets of the Group were mainly located in overseas and Hong Kong during the year under review. Due to an increase in the sales order received from other overseas customers, the overall revenue generated from the overseas markets for the Year increased by 2.6% to approximately HK$400.7 million as compared with last year. In the Hong Kong market, although the Group has started to cooperate with a Hong Kong well-known television program operator to assist with its expansion on Over-the-Top TV ("OTT") service in the Hong Kong market since 2016, the overall revenue in the Hong Kong market decreased by 5.8% to approximately HK$166.6 million for the Year as compared with last year. As to the PRC market, the weakened procurement sentiment in 2017 and the keen market competition had led to a remarkable decrease in the sales quantity of set-top box ("STB"). The revenue in the PRC market decreased significantly by 70.5% to approximately HK$35.6 million as compared with last year. As such, the overall revenue of the Group decreased significantly by 12.4% to approximately HK$602.9 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 USD and in HKD. 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, appreciation in RMB against HKD resulted in the net exchange gains of approximately HK$21.3 million (2016: net exchange losses of approximately HK$37.7 million). As at 31st December 2017, 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 2017, the Group had over 470 (2016: over 580) full time employees, of which 29 (2016: 28) were based in Hong Kong and the rest were in the PRC and the United States. Staff costs of the Group amounted to approximately HK$93.6 million for the Year (2016: approximately HK$114.3 million). The decrease in the staff costs for the Year was mainly attributable to no non-cash expenses arising from the grant of share options and share awards by the Company to employees during the Year (2016: approximately HK$13.7 million). The employees of the Company's subsidiaries are employed and promoted based on their suitability for the positions offered. The salary and benefit levels of the Group's employees are in line with the market 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 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 year of market maturity. With the accumulation of technological expertise over the years and the Group's own intermediary software platform to improve and optimize products, the Group can meet the needs of different customers, finish the work of integrating with termination systems and middleware products. Products launched by the Group in the markets include high digital STB, hybrid dual mode STB, OTT/IPTV STB and intelligent STB equipped with an Android system products, etc.. Under the intense market competition condition, the Group is facing many opportunities as well as confronting severe challenges. During the Year, the Group's overall revenue amounted to approximately HK$602.9 million, representing a decrease of 12.4% as compared with last year. Although the Group's revenue in overseas markets for the Year increased by 2.6% to approximately HK$400.7 million as compared with last year, the Group's revenue in the PRC and Hong Kong markets decreased by 70.5% and 5.8% to approximately HK$35.6 million and HK$166.6 million respectively as compared with last year due to a decrease in larger sales order received from the PRC. At the same time, rising prices of raw material led to a big drop in the average gross profit margin for the Year. Consequently, the overall gross profit of the Group for the Year decreased significantly by 68.2% to approximately HK$29.1 million as compared with last year and the gross profit margin only reached 4.8% for the Year (2016: 13.3%).

In the PRC market, due to the weak procurement sentiment of the PRC customers in 2017 and further market competition, there is a remarkable decrease in the sales volume of STB in the PRC as compared with last year. Therefore, the overall revenue of the Group in the PRC market for the Year decreased significantly by 70.5% to only approximately HK$35.6 million as compared with last year. If the Group's PRC customer changes its product and ceases to place order with the Group, the Group's business will continue to be adversely affected.

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, Brazil, Czechoslovakia, the United States, Vietnam, etc.. At the same time, the Group is actively exploring new markets in Bulgaria, Denmark, Netherlands and the United Kingdom. There was an increase in purchase orders from a few overseas customers and the revenue in Australia market was similar as compared with last year during the year under review. Consequently, overall revenue in overseas markets increased by 2.6% to approximately HK$400.7 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 cooperation relationship with a Hong Kong telecommunication operator in its marketing activities. Also, the Group has cooperated with a Hong Kong well-known television programme operator to assist with its expansion on OTT service in the Hong Kong market. However, the Group's overall revenue in the Hong Kong market decreased by 5.8% to HK$166.6 million for the Year as compared with last year and the rising prices of raw material led to a decrease in gross profit margin in this area which caused the overall gross profit of the Group for the Year to decrease.

As for investment business, the Group conducted some investments in the secondary market and private investment funds during the Year. Based on value investment, the Group only 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 disposed of a total of 6,600,000 Ping An H shares on the market during the year under review and as a result, the Group recognised accounting gains on the disposal of available-for-sale financial assets of approximately HK$164.1 million for the Year. 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 27th July 2017, 13th October 2017 and 24th October 2017 in relation to the disposal of listed securities. Moreover, the Group also recorded net gains on financial assets/ liabilities at fair value through profit or loss of approximately HK$49.0 million for the Year (2016: net losses on financial assets at fair value through profit or loss of approximately HK$22.6 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, businesses operation and finance. A number of risks and uncertainties may affect the financial results and business operations of the Group. For the IHA business, factor such as fierce market competition in the PRC and overseas markets, rapid iteration of technological products, 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 development of the IHA business of the Group. For the IDC business, factors such as whether the construction and layout of the project can be completed as scheduled, and whether the leasing contracts signed by customers and rental income can meet the expectation will affect the progress of the IDC business of the Group. For the investing business, the frequent changes of market policies and regulations about the PRC stock market and the unclear global economic environment would be two key risk factors. In future business operations, the Group will be highly aware of the 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 the adverse environmental impact by encouraging the employees to recycle office supplies and other materials and to save electricity.

Compliance with Laws and Regulations

The Company was listed on the Exchange in 2000. The operations of the Group are mainly carried out by the Company's subsidiaries in the PRC, Hong Kong and the United States. As such, the Group's operations shall comply with relevant laws and regulations in the PRC, Hong Kong and the United States 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, Hong Kong and the United States. The Group shall continue to keep itself updated with the requirements of the relevant laws and regulations in the PRC, Hong Kong and the United States and adhere to it to ensure compliance.

BUSINESS PROSPECT

Being one of the earliest companies researching and developing in broadband STB products in the world, the Group, based on its accumulation of technological expertise over the years and its own research and development capability, will continue to improve and upgrade its core products and performances, and actively develop new products to adapt to new market opportunities, so as to maintain strong competitive edge. The Group vigorously expanded the market of overseas small and medium-sized operators with an objective to increase its operating revenue and to boost the overall gross profit margin of the STB business of the Group. The Group expects its STB business to achieve a better performance in the near future.

The Group takes initiatives in developing businesses in relation to global IDC and cloud computing. In recent years, with economic globalisation and the implementation of China's the "Belt and Road" strategy, the development of Chinese enterprises in overseas markets has accelerated significantly. The industries involved have been further expanded from traditional manufacturing industry to multimedia, games, video, mobile internet and other industries. Therefore, the overseas Chinese enterprises have strong demand for cloud computing and big data services locally. 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 provide safe and reliable data centre facilities and services for renowned domestic and overseas enterprises, and by proactively expanding internationally, the Group will develop global cloud computing data centres for large scale corporations and global cloud computing total solutions for small and medium enterprises in the Greater China region, so as to develop the Group's business into an internationally renowned leading cloud computing enterprise in the era of big data.

As for the new business, IDC, during the year under review, in addition to participating in domestic IDC projects operated by independent third parties through acquisitions, the Group also purchased land and properties in the "Capital of Silicon Valley" located at San Jose, California, the United States, to prepare for the construction of the Group's first IDC in the United States. The establishment of a large IDC in the United States is an important step towards expanding the global IDC business of the Group, and shows the determination of the Group to vigorously develop its IDC business. The project will expand the IDC portfolio of the Group and explore new sources of revenue, so as to increase the Group's overall profitability in the near future. In the future, the Group will also actively cooperate with various parties in the PRC, Hong Kong and overseas markets, in order to develop the Group into an internationally renowned leading cloud computing enterprise in the era of big data.

By subscription of the fund, indirectly investing in the blockchain technology related company and subscription of the digital asset initial coin offering ("ICO"), the Group proactively made deployments in the new field of blockchain technology. After the advent of the internet era, technologies such as big data, cloud computing and artificial intelligence have significantly enhanced social productivity, while the application of blockchain has meant to build a new type of production relations in the internet era. There are wide and expandable applications for blockchain, and therefore it will bring about tremendous changes and a bright future for the entire human society. During the year under review, the Group has committed to make an investment of HK$200 million in a fund, by way of a subscription for a limited partnership interest in the fund. The fund primarily targets investments in public or private companies or digital assets (such as cryptocurrencies) in the data centre, fintech or high tech (software and hardware) sectors. By subscription of the fund, indirectly investing in the blockchain technology related company and subscription of the digital asset ICO, the Group proactively made deployments in the new field of blockchain technology. It is expected this business will generate positive income for the Group in the near future.

2018 is an important year for the development of the Group. Based on the Company's confidence in its future development prospects and the recognition of its value, Mr. Li Qiang, Chairman of the Group, and Mr. Gao Fei, Chief Executive Officer, increased their shareholdings of the shares of the Company respectively at the end of 2017, and subject to their own personal decision, there are possibilities that they will further increase their shareholdings in the future. In the coming new year, the management of the Group and all the staff will be united, with their concerted efforts and by focusing on IHA business and IDC business, the Group will forge ahead to achieve excellent performance once again.

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. Li Menggang.

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 auditor, 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. Gao Fei, an executive Director, has been performing the above duties in lieu of Mr. Li Qiang, 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, 20th March 2018

* *For identification purpose only*

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

This announcement will remain on the "Latest Company Announcements" page of GEM website at 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.