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 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK 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 Stock 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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.

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ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2018

HIGHLIGHTS FOR THE YEAR ENDED 31ST DECEMBER 2018

- For the year ended 31st December 2018, overall revenue of the Group decreased by 33.5% to approximately HK$400.8 million as compared with last year.
- For the year ended 31st December 2018, overall gross profit of the Group decreased by 4.7% to approximately HK$27.7 million as compared with last year.
- Loss attributable to owners of the Company for the year ended 31st December 2018 amounted to approximately HK$397.9 million (2017: profit attributable to owners of the Company of approximately HK$94.2 million).
- Basic loss per share for the year ended 31st December 2018 was HK$0.22 (2017: basic earnings per share HK$0.05).
- Total equity attributable to owners of the Company as at 31st December 2018 was approximately HK$1,987.9 million (2017: approximately HK$2,415.6 million) or net assets per share of HK$1.1 (2017: HK$1.3).
- The Board does not recommend the payment of any dividend for the year ended 31st December 2018 (2017: 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 2018, 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 2018

	Note	**2018** **HK$'000**	2017 *HK$'000*
Revenue	*4*	**400,843**	602,872
Cost of sales		**(373,154)**	(573,806)
Gross profit		**27,689**	29,066
Other revenue and net (loss)/income	*4*	**(239,076)**	288,683
Distribution and selling expenses		**(15,404)**	(16,413)
General and administrative expenses		**(131,982)**	(123,740)
Other operating expenses		**(13,690)**	(9,438)
Net changes in fair value of investment properties		**39,325**	1,923
(Loss)/Profit from operations	*5*	**(333,138)**	170,081
Finance costs	*6*	**(70,957)**	(76,341)
(Loss)/Profit before tax		**(404,095)**	93,740
Income tax credit	*7*	**6,199**	452
(Loss)/Profit for the year		**(397,896)**	94,192
(Loss)/Profit attributable to:			
Owners of the Company		**(397,896)**	94,192
Non-controlling interests		**–**	–
		(397,896)	94,192
		HK$	*HK$*
(Loss)/Earnings per share	*9*		
– Basic		**(0.22)**	0.05
– Diluted		**(0.22)**	0.05

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2018

	2018	2017
	HK$'000	*HK$'000*
(Loss)/Profit for the year	**(397,896)**	94,192
Other comprehensive (loss)/income:		
Item that will not be reclassified to profit or loss:		
Revaluation of property, plant and equipment upon transfer to investment properties (net of tax)	**5,705**	1,571
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
Less: Reclassification of net changes in fair value to profit or loss upon disposal	**–**	(125,427)
Exchange differences arising on translation of the PRC subsidiaries	**(35,456)**	30,841
Other comprehensive (loss)/income for the year (net of tax)	**(29,751)**	333,706
Total comprehensive (loss)/income for the year	**(427,647)**	427,898
Total comprehensive (loss)/income attributable to:		
Owners of the Company	**(427,647)**	427,882
Non-controlling interests	**–**	16
	(427,647)	427,898

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2018

	Note	**2018** *HK$'000*	2017 *HK$'000*
NON-CURRENT ASSETS			
Investment properties		**434,003**	585,131
Property, plant and equipment		**218,223**	34,801
Prepaid lease payments		**10,036**	10,890
Available-for-sale financial assets	*10*	**–**	804,662
Financial assets at fair value through profit or loss		**368,373**	–
Deferred tax assets		**18,782**	–
		1,049,417	1,435,484
CURRENT ASSETS			
Inventories		**12,931**	81,997
Loans receivable	*11*	**119,937**	125,325
Trade and other receivables	*12*	**199,135**	175,545
Prepaid lease payments		**353**	370
Available-for-sale financial assets	*10*	**–**	74,555
Financial assets at fair value through profit or loss		**654,396**	743,463
Investment in an insurance contract		**–**	8,467
Income tax recoverable		**661**	606
Pledged bank deposits		**254,660**	1,030,521
Cash and bank balances		**172,514**	105,432
		1,414,587	2,346,281
CURRENT LIABILITIES			
Trade and other payables	*13*	**199,214**	215,424
Dividend payables		**31**	31
Bank and other loans		**245,251**	632,867
Convertible bonds		**–**	456,249
Financial liabilities at fair value through profit or loss		**3,218**	50,057
Income tax payable		**8**	307
		447,722	1,354,935

	Note	2018 *HK$'000*	2017 *HK$'000*
NET CURRENT ASSETS		**966,865**	991,346
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,016,282**	2,426,830
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**28,350**	11,251
NET ASSETS		**1,987,932**	2,415,579
EQUITY			
Capital and reserves attributable to owners of the Company:			
Share capital	*14*	**45,077**	45,077
Reserves	*15*	**1,942,855**	2,370,502
TOTAL EQUITY		**1,987,932**	2,415,579

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 GEM.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2017 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

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

Amendments to HKAS 40	*Transfers of Investment Property*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*

Amendments to HKAS 40: Transfers of Investment Property

The amendments clarify that, to transfer to or from, investment properties, there must be a change in use. A change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred.

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

Amendments to HKFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

HK(IFRIC)-Int 22: Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognised the non-monetary asset or non-monetary liability arising from the advance consideration.

The adoption of the interpretation does not have any significant impact on the consolidated financial statements.

HKFRS 9: Financial Instruments

The following terms are used in these consolidated financial statements:

- FVPL: fair value through profit or loss
- FVOCI: fair value through other comprehensive income
- Designated FVOCI: equity instruments measured at FVOCI
- Mandatory FVOCI: debt instruments measured at FVOCI

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1st January 2018. It introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

In accordance with the transitional provisions in HKFRS 9, comparative information has not been restated and the Group has applied HKFRS 9 retrospectively to financial instruments that existed at 1st January 2018 (i.e. the date of initial application), except as described below:

(a) The following assessments are made on the basis of facts and circumstances that existed at the date of initial application:

(i) the determination of the business model within which a financial asset is held;

(ii) the designation of financial assets or financial liabilities at FVPL or, in case of financial assets, at Designated FVOCI; and

(iii) the de-designation of financial assets or financial liabilities at FVPL.

The above resulting classification shall be applied retrospectively.

(b) If, at the date of initial application, determining whether there has been a significant increase in credit risk since initial recognition would require undue cost or effort, a loss allowance is recognised at an amount equal to lifetime expected credit losses ("ECL") at each reporting date until the financial instrument is derecognised unless that financial instrument has low credit risk at a reporting date.

(c) For investments in equity instruments that were measured at cost under HKAS 39, the instruments are measured at fair value at the date of initial application.

Differences between the previous carrying amounts under HKAS 39 and the current carrying amounts upon adoption of HKFRS 9 are recognised directly in components of equity at 1st January 2018 as summarised below:

	Investment revaluation reserves	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
As at 1st January 2018			
Reclassification	(276,848)	276,848	–
(Decrease)/Increase	(276,848)	276,848	–

The adoption of HKFRS 9 has no significant effect on the classification and measurement of the Group's financial liabilities.

The following table reconciles the original measurement categories and carrying amounts under HKAS 39 to the new measurement categories and carrying amounts under HKFRS 9 for each class of the Group's financial assets as at 1st January 2018.

Measurement category under HKAS 39	*Note*	Carrying amount under HKAS 39	Measurement category and carrying amount under HKFRS 9: Amortised cost	Measurement category and carrying amount under HKFRS 9: FVPL
		HK$'000	*HK$'000*	*HK$'000*
Financial assets at FVPL				
Listed equity securities held for trading	*(i)*	257,109	–	257,109
Private investment funds held for trading	*(i)*	59,946	–	59,946
Unlisted debt securities held for trading	*(i)*	117,250	–	117,250
Money market funds designated upon initial recognition	*(ii)*	309,158	–	309,158
Available-for-sale financial assets, at fair value				
Listed equity securities not held for trading	*(iii)*	276,590	–	276,590
Private investment funds not held for trading	*(iv)*	524,627	–	524,627
Available-for-sale financial assets, at cost				
Unlisted equity securities not held for trading	*(v)*	78,000	–	78,000
Loans and receivables	*(vi)*			
Loans receivable		125,325	125,325	–
Trade and other receivables		175,545	175,545	–
Investment in an insurance contract		8,467	8,467	–
Pledged bank deposits		1,030,521	1,030,521	–
Cash and bank balances		105,432	105,432	–
		3,067,970	1,445,290	1,622,680

Notes:

(i) The listed equity securities, private investment funds and unlisted debt securities that were previously classified as financial assets at FVPL amounted to approximately HK$257,109,000, HK$59,946,000 and HK$117,250,000 respectively continue to be classified as financial assets at FVPL because they are held for trading.

(ii) The investment in unlisted money market funds amounted to approximately HK$309,158,000 that was previously designated as financial assets at FVPL under HKAS 39 because it is managed on a fair value basis and its performance was monitored on this basis. This asset continues to be measured at FVPL under HKFRS 9.

(iii) The listed equity securities that were previously classified as available-for-sale financial assets measured at fair value amounted to approximately HK$276,590,000 are reclassified to financial assets at FVPL since, at the date of initial application, they do not meet the criteria to be classified as Mandatory FVOCI and are not designated as Designated FVOCI in accordance with HKFRS 9.

Related fair value gains of approximately HK$139,722,000 as at 1st January 2018 were transferred from investment revaluation reserves to retained profits on 1st January 2018.

(iv) The private investment funds not held for trading that were previously classified as available-for-sale financial assets measured at fair value amounted to approximately HK$524,627,000 are classified as financial assets at FVPL at the date of initial application. They do not meet the criteria to be classified as Mandatory FVOCI or be designated as Designated FVOCI in accordance with HKFRS 9, because they are not equity investment.

Related fair value gains of approximately HK$137,126,000 as at 1st January 2018 were transferred from investment revaluation reserves to retained profits on 1st January 2018.

(v) The unlisted equity securities that were previously classified as available-for-sale financial assets measured at cost amounted to approximately HK$78,000,000 are classified as financial assets at FVPL at the date of initial application. They do not meet the criteria to be classified as amortised cost or Mandatory FVOCI, because their cash flows do not represent solely payments of principal and interest, and they are not designated as Designated FVOCI in accordance with HKFRS 9.

(vi) These items continue to be measured at amortised cost because, at the date of initial application, the Group's business model is to hold these loans and receivables to collect the contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount outstanding.

Upon application of HKFRS 9, the fair value of the Group's financial assets remains at the carrying amount under HKAS 39 on 1st January 2018. The adoption of the ECL requirements of HKFRS 9 has no significant impact on transition.

HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 replaces, among others, HKAS 18 and HKAS 11 which specified the revenue recognition arising from sale of goods and rendering of services and the accounting for construction contracts respectively. The Standard establishes a comprehensive framework for revenue recognition and certain costs from contracts with customers within its scope. It also introduces a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption (if any) as an adjustment to the opening balance of components of equity at 1st January 2018 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of HKFRS 15.

In addition, the Group has applied HKFRS 15 retrospectively only to contracts that were not completed at 1st January 2018 in accordance with the transition provisions therein.

The adoption of this standard does not have a significant impact on the measurement and recognition of revenue of the Group but additional disclosures have been made throughout these 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 Group has identified that some aspects of HKFRS 16 may have a significant impact on the consolidated financial statements. While the assessment has been substantially completed, 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 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

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 2018, the total future minimum lease payments under non-cancellable operating leases of the Group amounted to approximately HK$4,139,000. 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 consolidated statement 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 consolidated statement of cash flows.

3. SEGMENT INFORMATION

For management purposes, the current major operating segments of the Group are information home appliances, investing, leasing and internet data centre ("IDC").

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 IDC segment comprises construction, operation and leasing out of properties used as IDC.

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 (loss)/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 2018

	Information home appliances *HK$'000*	Investing *HK$'000*	Leasing *HK$'000*	IDC *HK$'000*	Other operations *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
REVENUE							
External sales	**400,843**	**–**	**–**	**–**	**–**	**–**	**400,843**
OTHER REVENUE AND NET (LOSS)/INCOME	**1,214**	**(303,150)**	**8,556**	**28,427**	**530**	**(1,031)**	**(265,454)**
NET CHANGES IN FAIR VALUE OF INVESTMENT PROPERTIES	**–**	**–**	**17,615**	**21,710**	**–**	**–**	**39,325**
Segment revenue	**402,057**	**(303,150)**	**26,171**	**50,137**	**530**	**(1,031)**	**174,714**
RESULTS							
Segment results	**(53,838)**	**(311,576)**	**21,303**	**42,489**	**(431)**	**–**	**(302,053)**
Unallocated corporate income							**19,290**
Interest income from bank deposits							**7,088**
Other unallocated corporate expenses							**(57,463)**
							(333,138)
Finance costs							**(70,957)**
Loss before tax							**(404,095)**
Income tax credit							**6,199**
Loss for the year							**(397,896)**

As at 31st December 2018

	Information home appliances *HK$'000*	Investing *HK$'000*	Leasing *HK$'000*	IDC *HK$'000*	Other operations *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
ASSETS							
Segment assets	266,312	1,324,620	100,632	501,824	459	–	2,193,847
Unallocated corporate assets						270,157	270,157
Consolidated total assets							2,464,004
LIABILITIES							
Segment liabilities	210,496	207,598	22,550	27,090	1,105	–	468,839
Unallocated corporate liabilities						7,233	7,233
Consolidated total liabilities							476,072
OTHER INFORMATION							
Capital expenditures	428	–	–	15,530	–	34	15,992
Depreciation and amortisation	3,509	–	253	282	14	1,856	5,914
Write-down of inventories	3,256	–	–	–	–	–	3,256
Foreign exchange gains, net	(487)	(7,200)	–	–	–	(3,594)	(11,281)
Operating lease charges on premises	3,388	808	–	–	95	7,440	11,731
Bad debts	56	–	–	–	–	–	56
Impairment loss on trade receivables	–	–	–	–	15	–	15
Write-off of impairment loss on trade receivables	(1,134)	–	–	–	(380)	–	(1,514)
Impairment loss on other receivables	33	–	–	–	66	8,626	8,725
Write-off of impairment loss on other receivables	(33)	(17,119)	–	–	(66)	(160)	(17,378)

For the year ended 31st December 2017

	Information home appliances *HK$'000*	Investing *HK$'000*	Leasing *HK$'000*	IDC *HK$'000*	Other operations *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
REVENUE							
External sales	602,581	–	–	–	291	–	602,872
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$'000*	IDC *HK$'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)

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 2018 and 2017.

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, financial assets at fair value through profit or loss and deferred tax assets; and (b) other revenue and net (loss)/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 (loss)/income is based on the location at which other revenue and net (loss)/income is generated.

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

	Revenue from external customers		**Non-current assets**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**109,252**	35,565	**458,346**	458,704
Hong Kong	**71,227**	166,599	**74,258**	65,804
Australia	**174,733**	365,467	**–**	–
The United States	**–**	–	**129,658**	106,314
Other overseas markets	**45,631**	35,241	**–**	–
	400,843	602,872	**662,262**	630,822

(b) Other revenue and net (loss)/income

	For the year ended 31st December 2018					
	Information home appliances	**Investing**	**Leasing**	**IDC**	**Other operations**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
The PRC	**1,214**	**(27,968)**	**6,393**	**28,427**	**530**	**8,596**
Hong Kong	**–**	**(275,182)**	**1,132**	**–**	**–**	**(274,050)**
	1,214	**(303,150)**	**7,525**	**28,427**	**530**	**(265,454)**

	For the year ended 31st December 2017					
	Information home appliances	Investing	Leasing	IDC	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

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:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**174,733**	365,467
Customer B	**62,353**	154,581
Customer C	**54,333**	–
Customer D	**45,811**	–*
	337,230	520,048

* This customer did not individually contribute over 10% of the total revenue from the Group's information home appliances segment in 2017.

4. REVENUE, OTHER REVENUE AND NET (LOSS)/INCOME

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers within HKFRS 15		
Sale of goods	**400,843**	602,872
Other revenue		
Dividend income from listed securities	**12,470**	9,863
Rental income from investment properties	**35,837**	15,586
Interest income calculated using the effective interest method:		
Interest income from bank deposits	**7,088**	5,910
Interest income from loans receivable	**11,683**	8,827
Imputed interest income from investment in an insurance contract	**–**	171
	67,078	40,357
Other net (loss)/income		
Consultancy fee income	**782**	–
Compensation income	**3,089**	–
Foreign exchange gain, net	**11,281**	21,256
Fair value losses on financial assets at fair value through profit or loss	**(372,025)**	–
Fair value gains on financial liabilities at fair value through profit or loss	**1,227**	5,336
Net unrealised gains on financial assets at fair value through profit or loss		
– held for trading	**–**	12,082
– designated upon initial recognition	**–**	304
Net gains on disposal of financial assets at fair value through profit or loss		
– held for trading	**–**	29,333
– designated upon initial recognition	**–**	1,993
Gain on derecognition of financial liabilities at fair value through profit or loss	**45,490**	–
Gain on disposal of available-for-sale financial assets	**–**	164,087
Gain on disposal of a subsidiary	**–**	9,868
Reversal of impairment loss on trade and other receivables	**–**	12
Software development income	**–**	1,349
Sundry income	**4,002**	2,706
	(306,154)	248,326
	(239,076)	288,683

The revenue from contracts with customers within HKFRS 15 is based on fixed price and recognised at a point in time.

The amount of revenue recognised for the year ended 31st December 2018 that was included in the contract liabilities at the beginning of the year is approximately HK$14,355,000.

5. (LOSS)/PROFIT FROM OPERATIONS

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

	2018	2017
	HK$'000	*HK$'000*
Auditor's remuneration	**1,550**	1,500
Bad debts	**56**	9
Impairment loss on investment in an insurance contract due to early redemption	**–**	2,882
Impairment loss on trade receivables	**15**	–
Impairment loss on other receivables	**8,725**	–
Amortisation of prepaid lease payments	**366**	357
Depreciation of property, plant and equipment	**5,548**	6,495
Cost of inventories	**349,671**	537,397
Loss on disposal of property, plant and equipment	**1,115**	122
Reversal of impairment loss on trade and other receivables	**–**	(12)
Write-down of inventories, net	**3,256**	1,764
Direct outgoings from leasing of investment properties	**5**	5
Operating lease charges on premises	**11,731**	11,506
Research and development costs	**120**	86
Staff costs (including Directors' and chief executive's emoluments):		
Salaries and allowances	**80,394**	86,921
Retirement benefits scheme contributions	**5,855**	6,652
Severance payment	**22,812**	–
Total staff costs	**109,061**	93,573

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Borrowing costs for bank and other loans	**8,127**	12,053
Imputed interest expenses on convertible bonds	**62,830**	64,288
	70,957	76,341

7. INCOME TAX CREDIT

The taxation credited to profit or loss represents:

	2018	2017
	HK$'000	*HK$'000*
Current tax		
PRC enterprise income tax		
Current year	**32**	565
Under-provision in prior year	**148**	–
	180	565
Deferred taxation		
Origination and reversal of temporary difference	**13,112**	(1,017)
Benefit of tax losses recognised	**(19,491)**	–
	(6,379)	(1,017)
Credit for the year	**(6,199)**	(452)

For the years ended 31st December 2018 and 2017, 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 2018 and 2017 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 3 years and up to 9th October 2018. 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. As a result, the effective tax rate for the subsidiary is 9% for 2018 *(2017: 9%)*. Certain subsidiaries of the Company have been designated as "Small Low-Profit Enterprises" which are exempted from half of PRC enterprise income tax and are eligible to enjoy the preferential tax rate of 20%. As a result, the effective tax rate for these subsidiaries are 10% for 2018 *(2017: 10%)*.

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 2018 *(2017: Nil)*.

9. (LOSS)/EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
(Loss)/Profit attributable to owners of the Company	**(397,896)**	94,192

	2018	2017
	'000	*'000*
Issued ordinary shares at 1st January	**1,803,089**	1,803,089
Weighted average number of ordinary shares for basic (loss)/earnings per share	**1,803,089**	1,803,089
Weighted average number of ordinary shares for diluted (loss)/earnings per share	**1,803,089**	1,803,089

	HK$	*HK$*
(Loss)/Earnings per share:		
– Basic	**(0.22)**	0.05
– Diluted *(Note)*	**(0.22)**	0.05

Note:

Diluted loss per share is the same as the basic loss per share for the year ended 31st December 2018 because the potential new ordinary shares to be issued on exercise of the outstanding share options under the Company's share option scheme and the potential conversion of convertible bonds matured during the year have an anti-dilutive effect on the basic loss per share for the year.

Diluted earnings per share was the same as the basic earnings per share for the year ended 31st December 2017 because the potential new ordinary shares to be issued on exercise of the outstanding share options under the Company's share option scheme and the conversion of convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share for the year.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018	2017
	HK$'000	*HK$'000*
At fair value:		
Equity securities listed in Hong Kong	**–**	276,590
Private investment funds	**–**	524,627
	–	801,217
At cost:		
Unlisted equity securities outside Hong Kong	**–**	78,000
Total available-for-sale financial assets	**–**	879,217
Current portion	**–**	74,555
Non-current portion	**–**	804,662

These investments were reclassified as financial assets at fair value through profit or loss upon change in accounting policy on adoption of HKFRS 9 on 1st January 2018.

11. LOANS RECEIVABLE

	2018	2017
	HK$'000	*HK$'000*
Loans receivable from third party:		
– due within one year	**119,937**	125,325

The loans receivable comprise approximately RMB105,089,000 (equivalent to approximately HK$119,937,000) *(2017: approximately RMB104,759,000, equivalent to approximately HK$125,325,000)* loans to an independent third party borrower, which are secured by a personal guarantee provided by a major shareholder of the borrower. The loans are interest-bearing at 8% per annum and repayable in May 2019. The loans were initially lent to the borrower on 17th May 2017, interest-bearing at 8% per annum and repayable in May 2018. During the year, accrued interest of approximately HK$9,229,000 was repaid at maturity and extension agreements were entered into between the borrower and the Company's wholly-owned subsidiaries for one year under the same terms of the initial agreements.

Details of the loans and extension of the loans were disclosed in the Company's announcements dated 17th May 2017 and 17th May 2018, and note 22(b) to the consolidated financial statements in the 2017 annual report.

12. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**170,463**	130,499
Less: Loss allowance	**(897)**	(2,442)
	169,566	128,057
Other receivables, net of impairment loss	**2,617**	8,249
Prepayments and deposits	**26,952**	39,239
Total trade and other receivables	**199,135**	175,545

The ageing analysis of trade receivables (net of loss allowance) by invoice date at the end of the reporting period is as follows:

	2018	2017
	HK$'000	*HK$'000*
0-30 days	**66,920**	90,176
31-60 days	**79,721**	31,422
61-90 days	**7,517**	525
91-365 days	**15,408**	5,934
	169,566	128,057

13. TRADE AND OTHER PAYABLES

	Note	**2018** **HK$'000**	2017 *HK$'000*
Trade payables	*(a)*	**124,805**	133,203
Contract liabilities	*(b)*	**17,484**	15,384
Other payables		**24,908**	32,550
Accruals		**32,017**	34,287
		199,214	215,424

Notes:

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

	2018 **HK$'000**	2017 *HK$'000*
0-30 days	**39,732**	58,290
31-60 days	**24,112**	50,122
61-90 days	**41,131**	14,566
Over 90 days	**19,830**	10,225
	124,805	133,203

(b) The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

	2018 ***HK$000***
As at 1st January	**15,384**
Exchange realignment	**(3)**
Recognised as revenue	**(14,355)**
Receipt of advances or recognition of receivables	**17,317**
Released as other net income	**(859)**
As at 31st December	**17,484**

As at 31st December 2018, the contract liabilities that are expected to be settled after more than 12 months are HK$Nil.

14. SHARE CAPITAL

	Number of shares		Amount	
	2018	2017	**2018**	2017
	'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 and end of the reporting period				
Ordinary shares of HK$0.025 each	**1,803,089**	1,803,089	**45,077**	45,077

15. RESERVES

For the year ended 31st December 2018

	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 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
Change 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

	Share premium *HK$'000*	Statutory reserves *HK$'000*	Contributed surplus *HK$'000*	Share option reserves *HK$'000*	Investment revaluation reserves *HK$'000*	Convertible bond reserves *HK$'000*	Property revaluation reserves *HK$'000*	Translation reserves *HK$'000*	Other reserves *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
As at 31st December 2017 and as at 1st January 2018	133,249	8,668	234,621	69,439	276,848	37,676	18,835	52,208	–	1,538,958	2,370,502
Change in accounting policy on adoption of HKFRS 9	–	–	–	–	(276,848)	–	–	–	–	276,848	–
As at 1st January 2018 (as restated)	133,249	8,668	234,621	69,439	–	37,676	18,835	52,208	–	1,815,806	2,370,502
Loss for the year	–	–	–	–	–	–	–	–	–	(397,896)	(397,896)
Other comprehensive loss:											
Revaluation of property, plant and equipment upon transfer to investment properties (net of tax)	–	–	–	–	–	–	5,705	–	–	–	5,705
Exchange differences arising on translation of PRC subsidiaries	–	–	–	–	–	–	–	(35,456)	–	–	(35,456)
Total other comprehensive loss	–	–	–	–	–	–	5,705	(35,456)	–	–	(29,751)
Total comprehensive loss for the year	–	–	–	–	–	–	5,705	(35,456)	–	(397,896)	(427,647)
Transactions with owners:											
Contributions and distributions											
Share options lapsed	–	–	–	(13,827)	–	–	–	–	–	13,827	–
Redemption of equity component of convertible bonds upon maturity	–	–	–	–	–	(37,676)	–	–	–	37,676	–
Total transactions with owners	–	–	–	(13,827)	–	(37,676)	–	–	–	51,503	–
As at 31st December 2018	**133,249**	**8,668**	**234,621**	**55,612**	**–**	**–**	**24,540**	**16,752**	**–**	**1,469,413**	**1,942,855**

16. PLEDGE OF ASSETS

As at 31st December 2018, the Group had pledged the following assets to secure the loan facilities *(2017: loan facilities and convertible bonds)*:

		2018 ***HK$'000***	2017 *HK$'000*
(a)	Investment properties	**89,058**	73,966
(b)	Buildings	**5,336**	5,440
(c)	Leasehold property	**73,913**	2,138
(d)	Leasehold improvements	**153**	–
(e)	Prepaid lease payments	**7,762**	1,891
(f)	Available-for-sale financial assets	**–**	276,590
(g)	Financial assets at fair value through profit or loss	**121,326**	296,199
(h)	Bank deposits	**254,660**	1,030,521

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31st December 2018 (2017: 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$400.8 million for the year ended 31st December 2018 (the "Year"), representing a significant decrease of 33.5% as compared with last year. The decrease in revenue is mainly due to the decrease in revenue derived from Hong Kong and the overseas markets as further discussed below. As the Group's Information Home Appliances ("IHA") business recorded significant losses for two consecutive years, the Group has outsourced the production line since the second half of 2018 to reduce production and operating costs. As a result, the overall gross profit margin of the Group improved to 6.9% for the Year (2017: 4.8%).

Operating Results

Other Revenue and Net (Loss)/Income

The Group recognised the other revenue and net loss of approximately HK$239.1 million for the Year (2017: other revenue and net income of approximately HK$288.7 million). Although overall rental income generated from leasing out of investment properties increased to approximately HK$35.8 million (2017: approximately HK$15.6 million), the unsatisfactory performance of the Group's short-term investment portfolio amid the adverse capital market conditions and the first adoption of HKFRS 9 resulted in the Group recognising fair value losses on private investment funds and listed and unlisted equity securities not held for trading (previously classified as available-for-sale financial assets under HKAS 39) during the Year. This caused the Group to record net losses on financial assets/liabilities at fair value through profit or loss of approximately HK$325.3 million for the Year (2017: net gains of approximately HK$49.0 million) even though the Group recognised a gain on derecognition of financial liabilities upon redemption of convertible bonds on the bond maturity date of approximately HK$45.5 million. This was one of the major reasons for the change from a profit last year to a loss attributable to owners of the Company for the Year.

Changes in Fair Value of Investment Properties

The Group recognised net revaluation gains of approximately HK$39.3 million on its investment properties for the Year (2017: approximately HK$1.9 million).

Operating Expenses

With the decrease in the Group's overall revenue, the Group's distribution and selling expenses also decreased to approximately HK$15.4 million for the Year (2017: approximately HK$16.4 million). At the same time, the Group's general and administrative expenses increased by 6.7% to approximately HK$132.0 million for the Year (2017: approximately HK$123.7 million). This increase in general and administrative expenses for the Year was mainly due to the Group's dismissal of part of the production line staffs and related management personnel upon the outsourcing of the production line during the Year, resulting in the payment of severance payment of approximately HK$22.8 million.

Other Operating Expenses

Other operating expenses of the Group increased to approximately HK$13.7 million for the Year (2017: approximately HK$9.4 million). This increase was as a main result of the Group recognising an impairment loss on trade and other receivables of approximately HK$8.7 million for the Year (2017: HK$Nil).

Finance Costs

The Group repaid certain term loans during the Year which caused the finance costs of the Group to decrease to approximately HK$71.0 million for the Year (2017: approximately HK$76.3 million).

Loss for the Year

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company of approximately HK$397.9 million for the Year (2017: profit attributable to owners of the Company of approximately HK$94.2 million).

Liquidity and Financial Resources

As at 31st December 2018, the Group had net current assets of approximately HK$966.9 million. The Group had cash and bank balances and pledged bank deposits of approximately HK$172.5 million and HK$254.7 million respectively. The Group's financial resources were funded mainly by bank and other loans and its shareholders' funds. As at 31st December 2018, the Group's current ratio, as calculated by dividing current assets by current liabilities, was 3.2 times and the gearing ratio, as measured by total liabilities divided by total equity, was 23.9%. Hence, as at 31st December 2018, 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 the Convertible Bonds to Cloud Empire. The Convertible Bonds bear interest at the rate of 6% per annum. Such interest was accrued on the outstanding principal amount of the Convertible Bonds and would only be payable by the Company to Cloud Empire once every six months from the Bond Issue Date if the Convertible Bonds were neither converted during the conversion period nor redeemed prior to 20th June 2018 (the "Bond Maturity Date").

The Convertible Bonds may 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 commenced 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.

On Bond Maturity Date, the Company redeemed all of the 6% Convertible Bonds at the redemption price equal to the outstanding principal amount of HK$504.0 million and settled all unpaid accrued interests thereon in the sum of approximately HK$15.1 million. For details of the Convertible Bonds, please refer to the Company's announcements dated 26th May 2017, 2nd June 2017, 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 9th 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 announcements of the Company dated 25th July 2017 and 9th February 2018. Except for the above investment in private investment funds and listed securities, the Group had no significant investment and no material acquisition or disposal during the Year.

Segment Information

The Group's IHA segment is principally engaged in manufacture, sales and distribution of IHA and complementary products to consumer markets. The total revenue of the IHA segment for the Year significantly decreased by 33.5% to approximately HK$400.8 million as compared with last year. As the global Internet Protocol Television ("IPTV") market has entered into a year of market maturity and due to a significant decrease in sales order received, the Group's revenue in Hong Kong and the overseas markets decreased significantly by 57.2% and 45.0% to approximately HK$71.2 million and HK$220.4 million respectively as compared with last year. As the IHA segment recorded significant losses for two consecutive years, the Group has outsourced the production line since the second half of 2018 to reduce production and operating costs. As a result, the Group sold most of the raw materials to outsourced producers and therefore, the significant increase in the overall revenue in the PRC markets for the Year by 207.2 % to approximately HK$109.2 million and the improvement of the overall gross profit margin of the Group to 6.9% for the Year (2017: 4.8%). At the same time, the Group dismissed part of the production line staffs and related management personnel with severance payment of approximately HK$22.8 million paid during the Year. Therefore, the IHA segment recorded a loss of approximately HK$53.8 million for the Year (2017: approximately HK$40.7 million).

The Group's investing segment is principally engaged in trading of securities and investing in financial instruments. This segment recorded a substantial loss of approximately HK$311.6 million for the Year (2017: a profit of approximately HK$236.4 million). The main reason was that the Group recorded net losses on financial assets/liabilities at fair value through profit or loss of approximately HK$325.3 million due to adverse capital market conditions and the first adoption of HKFRS 9 for the Year (2017: net gains of approximately HK$49.0 million). This was one of the major reasons for the change from a profit last year to a loss attributable to owners of the Company for the Year.

The leasing segment of the Group comprises leasing out of properties. This segment recorded a profit of approximately HK$21.3 million for the Year (2017: approximately HK$7.2 million). The Group recognised net revaluation gains of approximately HK$17.6 million on its investment properties of this segment for the Year (2017: approximately HK$4.7 million). The other operations segment of the Group comprises trading of miscellaneous materials. This segment recorded a loss of approximately HK$0.4 million for the Year (2017: approximately HK$1.0 million).

The internet data centre ("IDC") segment of the Group comprises construction, operation and leasing out of IDC. This segment recorded a profit of approximately HK$42.5 million for the Year (2017: a loss of approximately HK$7.5 million). This significant improvement in the segment result was mainly attributable to the Group recorded rental income from leasing out of IDC of approximately HK$28.4 million (2017: approximately HK$9.2 million) and recognised net revaluation gains of approximately HK$21.7 million on its investment properties of this segment for the Year (2017: net revaluation loss of approximately HK$2.8 million). As the IDC segment is still at the investing stage, the Group will continue to deploy resources in this segment.

Geographical markets of the Group were mainly located in the PRC and overseas during the Year. Because the Group has outsourced the production line and sold most of the raw materials to outsourced producers of approximately HK$100.6 million for the Year (2017: HK$Nil), the overall revenue generated from PRC market increased by 207.2% to approximately HK$109.2 million (2017: approximately HK$35.6 million). Although the Group has been actively exploring new overseas markets such as Bulgaria, Netherlands, Poland, etc., the revenue generated from the Australian markets decreased significantly by 52.2% to approximately HK$174.7 million. As a result, the overall revenue generated from the overseas markets for the Year decreased significantly by 45.0% to approximately HK$220.4 million as compared with last year. In the Hong Kong market, as the market is entering a mature period, the Group's overall revenue in the Hong Kong market decreased by 57.2% to approximately HK$71.2 million for the Year as compared with last year. As a result, the overall revenue of the Group decreased by 33.5% to approximately HK$400.8 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 Renminbi ("RMB") and United States dollars ("USD"). The assets of the Group were mainly denominated in RMB with the remaining portions denominated in USD and Hong Kong dollars ("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. Although the exchange rate of the RMB against other currencies relatively fluctuated in 2018, the Group converted a part of its RMB to HKD in the first half of 2018, resulting in net exchange gains of approximately HK$11.3 million for the Year (2017: approximately HK$21.3 million). As at 31st December 2018, the Group had entered into forward contracts to hedge its foreign currency exposure. The Group will constantly monitor and manage its exposure to foreign exchange risk.

Contingent Liabilities

During the Year, some customers complained to the Beijing Administration for Industry and Commerce that they suffered losses due to false publicity and unfair competition of the products sold by a wholly-owned subsidiary of the Company. The revenue generated from these products for the Year amounted to approximately HK$0.7 million.

Up to the date of approval of these consolidated financial statements, the wholly-owned subsidiary has been undergoing investigation by the Beijing Administration for Industry and Commerce. Based on the Directors' best estimate, the outcome of the complaints will not have a material adverse effect on the Group and therefore no provision has been made in the consolidated financial statements.

Human Resources and Relations with the Employees

As at 31st December 2018, the Group had over 180 (2017: over 470) full time employees, of which 25 (2017: 29) 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$109.1 million for the Year (2017: approximately HK$93.6 million). The increase in the staff costs was mainly attributable to the Group's dismissal of part of the production line staffs and related management personnel, resulting in the payment of severance payment of approximately HK$22.8 million during the Year. 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 and share option scheme.

BUSINESS REVIEW

After more than sixteen years of development and under the steady growth of the global IPTV market, the Group's IHA business has entered into a year of market maturity. As the IHA business recorded significant losses for two consecutive years, the Group outsourced the production line in the second half of 2018 to reduce production and operating costs. As a result, the Group dismissed part of the production line staffs and related management personnel with severance payment paid during the Year.

As one of the leading suppliers of IPTV set-top box ("STB") in Hong Kong, however, as the market is entering a mature period, the Group's overall revenue in the Hong Kong market decreased by 57.2% to approximately HK$71.2 million for the Year as compared with last year.

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, Russia, Spain, etc.. At the same time, the Group is actively exploring new markets in Europe. Although sales orders from some overseas customers increased for the Year, the revenue from the Australian market decreased significantly by 52.2% to approximately HK$174.7 million as compared with last year. As a result, the overall revenue of the overseas markets for the Year decreased significantly by 45.0% to approximately HK$220.4 million as compared with last year.

In the PRC market, even though one of the major PRC customers of the Group changed its product and only placed small orders with the Group during the Year, the Group sold most of the raw materials to outsourced producers leading to the significant increase in the overall revenue in the PRC markets for the Year by 207.2 % to approximately HK$109.2 million.

With respect to the new IDC business, the Group concentrates its efforts on providing renowned domestic and foreign enterprises with reliable data centre facilities services. During the Year, the Group's rental income generated from leasing of IDC was approximately HK$28.4 million (2017: approximately HK$9.2 million). In addition, the Company's indirectly wholly-owned subsidiary, and two United States private companies (the "Consultants") entered into design and consultancy agreements in early 2018, pursuant to which consultancy services will be provided on the design and construction of the Group's first IDC in the United States. During the year, as the Group passed an assessment by the Building Division of San Jose of the United States as well as the hearing hosted by the Building Division on 5th December 2018, the Building Division has decided to issue a building permit to the subsidiary of the Company in the United States. Currently, tender process for general contractor has been started, for which phase one is expected to be officially operated in 2019 and phase two is expected to be completed in 2020. 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.

With respect to 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. During the Year, the unsatisfactory performance of the Group's short-term investment portfolio amid the adverse capital market conditions and the first adoption of HKFRS 9 resulted in the Group recognising net losses on financial assets/liabilities at fair value through profit or loss of approximately HK$325.3 million for the Year (2017: net gains of approximately HK$49.0 million), even though the Group recognised a gain on derecognition of financial liabilities upon redemption of convertible bonds on the bond maturity date of approximately HK$45.5 million.

Key Risks and Uncertainties

During the Year, 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, factors, such as fierce market competition in the PRC and overseas markets, rapid iteration of technological products, Renminbi exchange rate fluctuation, the drop in the selling price of products and the increase in production cost and labour cost, may bring uncertain impacts on the development of the IHA business of the Group. For the IDC business, 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 the two key risk factors. In future business operations, the Group will be highly cautious of the aforesaid 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 environmentally-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 Stock 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, 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 them to ensure compliance.

BUSINESS PROSPECT

2019 is still challenging for the Group while the global economy and markets fall short of expectations and capital markets are subject to constant fluctuations, and will be confronted with more severe challenges in the future. 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 expands the market of small and medium-sized overseas 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 "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.

In 2018, the Group passed an assessment by the Building Division of San Jose of the United States as well as the hearing hosted by the Building Division on 5th December 2018, the Building Division has decided to issue a building permit to the subsidiary of the Company in the United States. It has entered the tendering stage of the main contractor. It is expected that the first phase will be delivered in 2019 and the second phase will be completed in 2020. The Group will start a feasibility study for a second data center in the United States hereafter. The Group, through preparation of the construction of the Group's first IDC in the United States, 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.

The market outlook remains highly uncertain in 2019. Our management and all our staff will carry on with the spirit of dedication, diligence, passion, and entrepreneurship, focus on the objective and dare to shoulder responsibilities with assiduity and composure so as to provide customers with exquisite IHA products and high-quality IDC services "with the spirit of craftsmanship"and to create more value for shareholders and society.

AUDIT COMMITTEE

The Board has established an audit committee (the "Audit Committee"). It currently comprises three independent non-executive Directors, namely Ms. Shen Yan (Chairlady), Mr. Zhong Pengrong and Ms. Dong Hairong.

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 purchased, sold or redeemed any of the Company's listed securities during the Year.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company had 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.

During the year ended 31st December 2018, the Company compiled with the code provisions of the Corporate Governance Code ("CG Code"), except for the deviations from Code Provisions A.6.7 and E.1.2 as set out in Appendix 15 to the GEM Listing Rules which are explained below:

CG Code Provision A.6.7

Pursuant to code provision A.6.7 stipulates that independent non-executive Directors and other non-executive directors should attend general meeting. Due to their own other important business engagements, some independent non-executive Directors did not attend the annual general meeting held on 18th May 2018 (the "AGM").

CG Code Provision E.1.2

Pursuant to code provision E.1.2 of the CG Code, the Chairman of the Board should attend 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. Li Qiang, the Chairman of the Board, who had other prearranged 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 2019

* *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 Ms. Dong Hairong.

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.